For Immediate Release **29 January 2009**

THE OTTOMAN FUND LIMITED

Preliminary Results for the year ended 31 August 2008

The Ottoman Fund, which invests in the development of local housing and holiday homes in the major cities and coastal resorts of Turkey, announces its preliminary results for the year ended 31 August 2008.

The Fund is managed by Development Capital Management (Jersey) Limited.

Copies of the Financial Statements are currently being printed and will be sent to shareholders shortly. They may also be obtained free of charge from Development Capital Management Limited, 36 Dover Street, London, W1S 4NH.

List of Contacts

Development Capital Management
Tom Pridmore
Andrew Mitchell
Roger Hornett
020 7355 7600

Numis Securities
Charles Farquhar
Nick Westlake
020 7260 1000

Chairman's Statement

I report upon the audited financial statements for the year ended 31 August 2008.

Results

The audited Net Asset Value ("NAV") of the Fund at 31 August 2008 was £121.7m (31 August 2007: £137.4m), of which £20.9m related to cash reserves (31 August 2007: £44.9m). The principal reason for the reduction in NAV was the return of capital to shareholders of £14.5m through a share buy-back scheme, as announced on 22 November 2007. The NAV per ordinary share has reduced to 90.3p from 91.6p at 31 August 2007.

As shareholders will be aware, the Fund also reports a NAV adopting a fair value basis, restating the property assets using independent revaluations at 31 August 2008. The fair value NAV increased by 8% during the year from 98.4p to 106.1p (see table below) due to favourable foreign exchange movements. The fair value NAV was at a 15.8p premium to the audited NAV.

The Fund's share price fell 27.1% from 96.75p to 70.50p during the year and more recently to 34.0p as at 15 January 2009, a 62.3% discount to the audited NAV at 31 August 2008 and a 68.0% discount to the fair value NAV at 31 August 2008. The turmoil of the global financial markets during the year and, in particular, subsequent to the year-end is well documented with share prices of UK quoted companies in the real estate sector coming under significant pressure and many now trading at significant discounts to NAV.

Portfolio Review

As announced on 1 November 2007 and detailed in my interim report, following the conclusion of the strategic review, the Board adopted a strategy of orderly realisation of the assets of the Fund over a period of 18 to 24 months, to be effected in a manner which seeks to maximise value for shareholders.

Therefore the focus has been firmly on achieving maximum value from the existing portfolio through the planning and design phases whilst managing the on-going sale process of the assets as projects.

In line with this policy, the Board has taken steps where possible to reduce the running cost of the Fund. The Board gave notice on 30 June 2008 to the Manager to terminate the management agreement with effect from 31 December 2008. An extension to the Manager's appointment until 31 March 2009, with fees materially reduced, has been agreed to allow for required regulatory approvals to be finalised.

Set out below is the independent revaluation at 31 August 2008 of the Fund's assets that cannot be reflected on the balance sheet under IFRS:

Net assets as at 31 August 2008	**£ 121,720,859**
Increase in valuation of inventory properties based on independent valuations	
Golturkbuku, Bodrum	1,849,693
Riva	14,781,376
Kazikli	2,206,531
Total increase in valuation of inventory properties at acquisition exchange rate	18,837,600
NAV (fair value basis) before foreign exchange gain	**£ 140,558,459**
NAV per share (fair value basis) before foreign exchange gain	**104.3p**
Foreign exchange gain	£ 2,491,873
Net asset value (fair value basis)	**£ 143,050,332**
Number of ordinary shares in issue	134,764,709
Net asset value per share at 31 August 2008 (fair value basis)	106.1p
Net asset value per share at 31 August 2007 (fair value basis)	98.4p

The valuations have all been prepared by Kuzey Bati Worldwide Real Estate Services, an international associate of Savills Commercial Limited, on an open market value basis with Bodrum and Riva valued in line with 2007 valuations and Kazikli showing a 14% increase. Bodrum's underlying increase has reduced from £3.6m to £1.8m due to the investment in further capitalised development costs, which has increased the book value of the project. Whilst the Board acknowledges the expertise of the above valuer, it is aware of the difficulties in preparing open market valuations under current market conditions, principally due to the lack of comparable evidence. To make the valuation process more robust in light of this uncertainty, the Board sought a second opinion from Elit Gayrimenkul Degerleme A.S., which reflected comparable, although slightly higher, valuations to those of Kuzey Bati.

The valuations as at 31 August 2008 were carried out on a basis consistent with the previous half-yearly valuations of the Fund's property portfolio and are included in this report for continuity. These valuations are carried out on a "market approach" basis, taking into account transactions and asking prices for comparable properties and land in the relevant locations and applying a value adjustment where thought appropriate by the valuer. These valuations do not imply that the Fund's assets would currently be realisable for cash at the stated NAV, particularly in current market conditions where credit and hence liquidity are tight. This is demonstrated by the inability of the Fund to secure offers for the assets at full NAV during the previous 12 months. Despite this, the Board considers it appropriate to publish these valuations, but with the caveat that they should not be regarded as representing realisable values in current market conditions and that the values have no doubt deteriorated since the year end. A write-down of the book value of the Fund's property portfolio is not, however, thought to be appropriate at this stage since the Fund has no borrowings and is not in the position of having to sell at any price to repay debt or comply with loan covenants. The Board will continue to monitor the situation closely and review the position again at the time of the next half-yearly valuation.

The foreign exchange movement has improved to a £2.5m gain from a £8.7m loss in 2007 due to the strengthening of the dollar against sterling by 9.5% during the year and 2% against the blended acquisition rate.

The current portfolio comprises four investments, which are summarised below:

Golturkbuku, Bodrum: Current book value: £24.7m; current valuation: £25.4m*. Set on the Bodrum peninsula and within 45 minutes from the Bodrum-Milas International airport in an established location for wealthy Turkish and international purchasers, the development project prepared for the site consists of 247 units of villas, apartments and hotel villas with a built area of approximately 60,000 square metres. Leading operator Banyan Tree Hotels and Resorts have agreed to provide hotel and residence management and interior design services for their first venture into Turkey. The project's master plan has been completed by WATG with architectural designs provided by local architects YPU.

The Manager has been in discussions with numerous interested parties over the past 12 months. An offer was obtained from a prospective purchaser at a level comparable to the site's independent land valuation but was subsequently withdrawn due to the prospective purchaser encountering difficulties with its financing arrangements in light of the significant deterioration in global credit conditions. No further acceptable offers have subsequently been received by the Board.

Riva: Current book value: £62.3m; current valuation: £79.8m*. Located to the north east of the Asian side of Istanbul, Riva represents one of the last significant contiguous areas available for large scale development of housing for the rapidly expanding population of Istanbul that is within commutable distance of the central business district. The total land aggregation remains at 931,739 square metres and the Fund recently received approval of its 1:1000 scale plans from the Beykoz Municipality. The Fund and other significant landowners in Riva continue to discuss the zoning process with the Greater Istanbul Municipality.

The Manager has been conducting talks with a number of Middle Eastern investors interested in acquiring the Riva site. An offer was received but was rejected by the Board as it was felt that it significantly under-valued the assets.

Kazikli: Current book value: £5.4m; current valuation: £7.8m*. This development is a joint venture with the Ado Group, a leading supplier of building materials in the region, and is situated only 34km from Bodrum-Milas International airport, in a spectacular natural bay setting. It will consist of approximately 330 luxury villas, some with private moorings, 120 hotel rooms and supporting leisure and social facilities. The master plan and concept design process has been completed by Atelier Xavier Bohl, who has an excellent reputation from his work on Port Alacati, Marina Limassol and Larnaca.

The Manager has conducted discussions with several parties regarding the sale of the Fund's equity interest in the site but to date has not secured an acceptable offer.

Alanya: Current book value: £8.6m; current valuation: £9.1m*. The Fund has an investment in a holiday apartment development situated in the coastal resort of Alanya in the Antalya province. The resort is a gated development consisting of 215 apartments, of which the Fund has financed 107. Construction is fully completed with marketing during the year focusing on the Netherlands, Scandinavian and Russian markets. To date an acceptable offer has not been received to acquire the units as a bulk purchase. 7 units have been reserved at discounts of circa 25% to the original list price, of which 2 sales have legally completed and the balance are in the process of being exchanged. The slow rate of sales reflects the weakening of the market generally and in particular for second homes. Sales progress has also been adversely impacted by delays in the opening of Gazipasa airport which is expected to cut post flight travel time to Alanya from approximately 90 minutes to 25 minutes but has been subject to continued uncertainty in relation to its scheduled completion date.

The period since 31 August 2008 has seen sales volumes further decreasing in the Alanya region. While the winter period is traditionally the off season for such secondary home sales, the extent of such falls indicates market conditions are becoming increasingly challenging; buyers in relevant markets such as Russia, the Netherlands and the UK are impacted by deterioration in their own economic circumstances.

**Converted at the prevailing exchange rate of £1:USD1.82 at 31 August 2008.*

Turkey

The political situation stabilised with the decision in July by the Constitutional Court to neither close down the governing AKP (Justice and Development Party) nor ban any party members.

Significant efforts are being made to address the re-unification of Cyprus, with the Greek Cypriot President and his Turkish counterpart in talks under UN auspices. Progress would significantly assist the very slow-moving negotiations on Turkish EU accession.

Within the economy during the year, the Central Bank combated the rising annual rate of inflation, peaking at 12.1% in July, with interest rate increases to 16.75% from 15.25% in February 2008. However, with the global deterioration in economic activity and declines in commodity prices (most notably oil) rapidly reflected in inflation rates (CPI fell to 10.8% from 12% in October) there were consecutive cuts in interest rates of 1.25% in December 2008 and 2.00% in January 2009. Nonetheless, rates remain high at 13%.

Turkey, in common with most countries, is now facing a slowdown in its economy in the face of the global financial crisis, with weakening consumer confidence, significant stock market volatility and a depreciating currency. These factors have limited the positive impact on the Turkish residential market of the new mortgage system introduced in 2007 and legislation clarifying the rules relating to foreign ownership of residential property. Confidence in the real estate market is weak, with sales performance of projects across the country slowing and the construction market contracting significantly over the last 12 months. Sales price reductions in excess of 15% have been reported for certain suburban developments in Istanbul. Overseas investors' perceptions of the Turkish property market were affected by the protracted AKP closure case and the need for new legislation on foreign ownership.

Tourism continues to play a very important part in the Turkish economy with total inward visitors at 18.5m in 2007, a rise of 9.7% on 2006, which places the country 11th in the most popular tourist destination by visitor numbers. 2008 figures are currently indicating that the rising trend is continuing with visitors 13% up on 2007; despite the current financial crisis there has been no significant decline in 2009 bookings. *(Source: Office of Culture and Tourism)*

Although current conditions are poor, there is an expected long-term demand for new housing due to:

- An estimated additional 325,000 new homes required to be built annually to meet the increasing population (70 million, forecast to reach 100 million by 2050, of which 50% under the age of 30).
- Rapid urbanization and the movement away from multi-generational living arrangements.
- Inadequacy of the current housing stock (approximately 55% of all houses have been built without permits and 40% are in need of extensive structural repair).

(Source: Istanbul Chamber of Commerce)

Outlook

Whilst the political climate seems less uncertain, current economic conditions are adversely impacting the Fund's ability to realise its assets; the valuations at 31 August 2008 are clearly not realisable at present. Nonetheless, the Fund and Manager are continuing their efforts to realise the assets at returns which would maximise shareholder value.

Sir Timothy Daunt
Chairman
28 January 2009

Directors' Report

The Directors submit their Report and audited Financial Statements for the year ending 31 August 2008.

Principal Activity

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

Listing

The Fund is quoted on the AIM market of the London Stock Exchange.

Investment Strategy

The Fund's focus is on new-build residential developments in major cities and coastal locations, aimed at both the local and tourist markets. The Fund's investment scope also includes land purchase and joint venture projects with local and other partners. The Fund is actively involved in the sale of properties "off-plan" (i.e. properties will be sold before they are built).

Results and Dividends

It is not intended in normal circumstances that the Fund will pay dividends on the shares.

As announced on 1 November 2007 the Board has changed the fund's portfolio strategy from the reinvestment of proceeds into further property to the distribution of sales proceeds, arising from the realisation of the portfolio, to the shareholders.

The income statement is set out on page 10 of this Annual Report and Financial Statements. The Directors do not recommend the payment of a dividend.

Life

The Company has a life of 10 years from the date of its admission to trading on the AIM market 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).

Custodian

BNP Paribas (Jersey branch) provides custody services in relation to the Fund.

Board of Directors

The Directors of the Fund are listed on page 28. Other than John Chapman who was appointed on 17 October 2007 and Musa Erden who resigned on 17 June 2008, all served throughout the year.

Shareholders' Interests

Extent of Holdings	**No. of shareholders**
1 – 9,999	31
10,000 – 99,999	16
100,000 – 999,999	11
1,000,000 – 9,999,999	12
10m+	3

At 30 September 2008 the Fund was aware of the following interests of 3% or more in the ordinary share capital of the Fund:

	Number	% held	
Vidacos Nominees Limited	57,040,000	42.33	%
Morstan Nominees Limited	35,805,037	26.57	%
Deutsche Bank	18,805,000	13.95	%
Credit Suisse Securities (Europe) Limited	4,872,000	3.62	%

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

Directors' Interests
The maximum amount of remuneration payable to the Directors permitted under the Articles is £150,000 per annum. The Directors received in aggregate £117,179 for the year ended 31 August 2008 (2007: £103,063).

The interests of the Directors in the ordinary share capital of the Fund at 31 August 2008 are:

	2008	2007
Non Executive Directors	**Beneficial**	**Beneficial**
Sir Timothy Daunt	5,000	5,000
Sencar Toker	5,000	5,000

By virtue of being a director of the Manager, Roger Maddock is treated as being interested in the 1,000,000 ordinary shares held by the Manager (2007: 1,000,000 ordinary shares).

Roger Maddock is both a Director of the Fund and non-executive Chairman of the Manager.

By Order of the Board
BNP Paribas Fund Services Jersey Limited
Secretary
28 January 2009

Consolidated Income Statement
For the year ended 31 August 2008

	notes	Year ended 31 August 2008 £	Year ended 31 August 2007 £
Income			
Bank interest		1,307,327	2,607,646
Total income		1,307,327	2,607,646
Operating expenses			
Management fee	4	(3,008,219)	(2,999,985)
Other operating expenses	5	(1,349,199)	(1,026,652)
Foreign exchange gains/(losses)	12	1,485,810	(4,646)
Total operating expenses		(2,871,608)	(4,031,283)
Loss before tax		(1,564,281)	(1,423,637)
Tax	6	(16,478)	–
Loss for the year		(1,580,759)	(1,423,637)
Attributable to:			
Equity shareholders of the company		(1,580,746)	(1,423,656)
Minority interest		(13)	19
		(1,580,759)	(1,423,637)
Basic and diluted earnings per share (pence)	7	**(1.13)**	**(0.95)**

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

Consolidated Balance Sheet
As at 31 August 2008

	notes	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Non-current assets					
Intangible assets	8	4,976	–	3,099	–
Plant and equipment	9	37,700	–	–	–
Investment in subsidiaries	13	–	5	–	5
Inventories	10	91,503,254	–	89,927,782	–
Loans and receivables	11	8,573,984	108,402,176	7,211,525	96,468,242
		100,119,914	108,402,181	97,142,406	96,468,247
Current assets					
Other receivables	15	1,015,427	85,367	597,017	24,345
Cash and cash equivalents	20	20,900,040	16,893,761	44,898,891	35,221,363
		21,915,467	16,979,128	45,495,908	35,245,708
Total assets		122,035,381	125,381,309	142,638,314	131,713,955
Current liabilities					
Other payables	16	(314,522)	(233,181)	(5,251,654)	(149,288)
Net assets		**121,720,859**	**125,148,128**	**137,386,660**	**131,564,667**
Equity					
Share capital	17	135,483,052	135,483,052	150,000,000	150,000,000
Retained earnings	18	(13,762,210)	(10,334,924)	(12,613,335)	(18,435,333)
Equity attributable to owners of the parent		121,720,842	125,148,128	137,386,665	131,564,667
Minority interest equity		17	–	(5)	–
Total equity		**121,720,859**	**125,148,128**	**137,386,660**	**131,564,667**
Net asset value per ordinary share (pence)	19	**90.3**	**92.9**	**91.6**	**87.7**

These financial statements were approved by the Board of Directors on 28 January 2009.

Sir Timothy Daunt Roger King

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

Consolidated Statement of Changes in Equity
For the year ended 31 August 2008

Group	Share capital £	Retained earnings £	Minority interest £	Total £
For the year ended 31 August 2007				
As at 1 September 2006	150,000,000	(10,962,860)	(42)	139,037,098
Loss for the year	–	(1,423,656)	19	(1,423,637)
Foreign exchange on subsidiary translation	–	(226,819)	18	(226,801)
At 31 August 2007	150,000,000	(12,613,335)	(5)	137,386,660
For the year ended 31 August 2008				
As at 1 September 2007	150,000,000	(12,613,335)	(5)	137,386,660
Reduction of ordinary share capital	(14,516,948)	–	–	(14,516,948)
Loss for the year	–	(1,580,746)	(13)	(1,580,759)
Foreign exchange on subsidiary translation	–	431,871	35	431,906
At 31 August 2008	135,483,052	(13,762,210)	17	121,720,859

Company	Share capital £	Retained earnings £	Minority interest £	Total £
For the year ended 31 August 2007				
As at 1 September 2006	150,000,000	(11,949,137)	–	138,050,863
Loss for the year	–	(6,486,196)	–	(6,486,196)
At 31 August 2007	150,000,000	(18,435,333)	–	131,564,667
For the year ended 31 August 2008				
As at 1 September 2007	150,000,000	(18,435,333)	–	131,564,667
Reduction of ordinary share capital	(14,516,948)	–	–	(14,516,948)
Profit for the year	–	8,100,409	–	8,100,409
At 31 August 2008	135,483,052	(10,334,924)	–	125,148,128

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

Consolidated Statement of Cash Flows
For the year ended 31 August 2008

	Group Year ended 31 August 2008 £	Company Year ended 31 August 2008 £	Group Year ended 31 August 2007 £	Company Year ended 31 August 2007 £
Cash flow from operating activities				
Bank interest received	1,307,327	1,118,622	2,607,646	2,169,409
Operating expenses	(2,871,608)	6,981,787	(4,031,283)	(8,655,605)
(Loss)/profit for the year	(1,564,281)	8,100,409	(1,423,637)	(6,486,196)
Net foreign exchange (gains)/losses	(1,485,810)	(10,818,189)	4,646	4,860,223
(Increase)/decrease in other receivables	(401,932)	(61,022)	15,719	241,375
Increase/(decrease) in other payables	28,358	83,893	89,039	(47,249)
Net cash outflow from operating activities before interest and tax	(3,423,665)	(2,694,909)	(1,314,233)	(1,431,847)
Tax	(16,478)	–	–	–
Net cash outflow from operating activities	(3,440,143)	(2,694,909)	(1,314,233)	(1,431,847)
Cash flow from investing activities				
Loans to subsidiaries	–	(1,239,099)	–	(19,407,116)
Purchase of inventories	(6,540,962)	–	(65,585,006)	–
Purchase of plant and equipment	(66,802)	–	–	–
Purchase of intangible assets	(5,232)	–	–	–
Loan to developer	–	–	(2,750,760)	–
Net cash outflow from investing activities	(6,612,996)	(1,239,099)	(68,335,766)	(19,407,116)
Cash flow from financing activities				
Share buy-back	(14,516,948)	(14,516,948)	–	–
Net cash outflow from financing activities	(14,516,948)	(14,516,948)	–	–
Net decrease in cash and cash equivalents	**(24,570,087)**	**(18,450,956)**	**(69,649,999)**	**(20,838,963)**
Cash and cash equivalents at start of the year	44,898,891	35,221,363	114,862,336	56,053,485
Effect of foreign exchange rates	571,236	123,354	(313,446)	6,841

Cash and cash equivalents at end of the year	**20,900,040**	**16,893,761**	**44,898,891**	**35,221,363**

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

Notes to the financial statements

1. General information

The Ottoman Fund Limited invests in Turkish new build residential property in major cities and coastal destinations aimed at both the domestic and tourist markets.

The Company is a limited liability company domiciled in Jersey, Channel Islands.

The Company is quoted on the AIM market of the London Stock Exchange.

These consolidated financial statements have been approved by the Board of Directors on 28 January 2009.

2. Accounting policies

The consolidated financial statements of the Company for the year ended 31 August 2008 comprise the Company and its subsidiaries, listed in note 13, (together, the 'Group') and have been 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 following IFRS standards have been applied in the current financial year: IFRS 7 Financial Instruments: Disclosures and the amendment to IAS 1 Presentation of Financial Statements. There is no material financial impact arising from the application of these standards and interpretations. The financial statements have been updated to include new disclosures arising from these standards where appropriate.

(a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments detailed below.

(b) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 August each year. 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 subsidiaries are included in the consolidated financial statements from the date that control commences up to the date that control ceases.

Joint ventures

A joint venture is a contractual agreement whereby two or more entities undertake an activity that is the subject of joint control. The results and assets and liabilities of joint ventures held by subsidiaries are incorporated in these financial statements using the proportionate consolidation method.

(c) Revenue recognition

Interest receivable on fixed interest securities is recognised on an effective interest method. Interest on short term deposits, expenses and interest payable are treated on an accruals basis.

(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 at the trade date on acquisition and disposal. 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.

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.

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

(g) Taxation
The Company is an Exempt Company for Jersey taxation purposes. The Company pays an exempt company fee for each Jersey company within the Group, which is currently £600 per annum. However, withholding tax may be payable on repatriation of assets and income to the company.

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.

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
The results and financial position of the Group are expressed in pounds sterling, which is the Group's functional currency.

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non monetary assets and liabilities that are fair valued and that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences on translation of the Group's net investment in foreign operations are recognised directly in equity.

(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 Profit and Loss account.

(j) New standards and interpretations not applied
At the date of authorisation of these financial statements, the following standards and Interpretations were in issue but not yet effective

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009)
Amendment to IAS 1 – Presentation of Financial Statements: A Revised Presentation (effective for annual periods beginning on or after 1 January 2009)
Amendments to IAS 23 – Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
Amendments to IAS 27 – Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations arising on Liquidation (effective for annual periods beginning on or after 1 January 2009)
Revised IFRS 3 – Business Combinations (effective for annual periods beginning on or after 1 July 2009)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

3. Segment reporting
The Group's activities are based in Turkey and Jersey. The Group invests in Turkish new build residential property through its Turkish subsidiary companies. Accordingly, the net revenue and assets of the Group are substantially derived from its activities based in Turkey. The Group also holds assets and generates revenue in Jersey. Such activities are undertaken by the Company and by Ottoman Finance Company 1 Limited which has issued the loan to the third party described in note 11.

In the opinion of the Directors sufficient information of the Group's operating segments has been provided above.

4. Management fee

	2008	2007
	£	£
Management fee	3,008,219	2,999,985

The Manager receives a management fee quarterly in advance of 2% per annum of the amount subscribed at the placing plus any capital gains retained for investment. The fees of the Investment Adviser are met by the Manager.

On 30 June 2008, the Company notified the Manager that the management agreement would be terminated with effect from 31 December 2008.

5. Other operating expenses

	2008 £	2007 £
Legal and professional fees	165,038	94,034
Advisory and consultancy fees	163,137	191,711
Marketing	123,714	63,196
Travel and subsistence	117,697	90,000
Directors remuneration	117,179	103,063
Administration fees	95,649	97,289
Audit services – for audit work	48,648	40,000
Other operating expenses	518,137	347,359
	1,349,199	**1,026,652**

The company has no employees.

6. Tax

	2008 £	2007 £
Irrecoverable overseas tax	**16,478**	**–**

This tax represents irrecoverable withholding tax on bank interest.

7. Earnings per share

The basic and diluted earnings per ordinary share is based on the net loss for the year of £1,580,759 (2007: loss £1,423,637) and on 138,178,080 shares (2007: 150,000,000 shares) being the weighted average number of ordinary shares in issue during the year.

8. Intangible assets

	Intangible assets £
Cost	
At 1 September 2007	3,984
Additions	5,232
At 31 August 2008	9,216
Amortisation	
At 1 September 2007	(885)
Charge for the year	(3,355)
At 31 August 2008	(4,240)
Net book value at 31 August 2008	**4,976**
Net book value at 31 August 2007	**3,099**

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

9. Plant and equipment

	Furniture and fittings £	Leasehold improvements £	Total £
Cost			
Additions	22,845	43,957	66,802
At 31 August 2008	22,845	43,957	66,802
Depreciation			
Charge for the year	(5,336)	(23,766)	(29,102)
At 31 August 2008	(5,336)	(23,766)	(29,102)
Net book value at 31 August 2008	**17,509**	**20,191**	**37,700**
Net book value at 31 August 2007	–	–	–

10. Inventories

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Opening book cost	89,927,782	–	19,377,286	–
Purchases at cost	1,575,472	–	70,550,496	–
Closing book cost	**91,503,254**	**–**	**89,927,782**	**–**

This represents the purchase of 185,175 square metres of development land on the Bodrum peninsula, 931,739 square metres on the Riva coastline and 247,664 square metres, of which the Fund has a 50% share, in the Kazikli village, in the district of Milas.

In accordance with the accounting policy in note 2, inventories are stated at the lower of cost and net realisable value. Inventories were valued at the year end by Kuzey Bati Real Estate on the basis of open market value. On this basis, a total fair value of £112.8m has been determined for inventories held by the Company at the balance sheet date. In accordance with the Company's accounting policy, unrealised gains or losses as a result of this valuation have not been recognised in the consolidated income statement.

Reconciliation of book cost to Open Market Value:

	2008 £	2007 £
Closing book cost	91,503,254	89,927,782
Increase in valuation of inventory properties at acquisition exchange rate		
Golturkbuku, Bodrum	1,849,693	3,583,496
Riva	14,781,376	14,264,477
Kazikli	2,206,531	1,110,604
Total increase in valuation of inventory properties at acquisition exchange rate	18,837,600	18,958,577
Foreign exchange gain/(loss)	2,491,873	(8,742,360)
Open market value	**112,832,727**	**100,143,999**

11. Loans and receivables

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Opening balance	7,211,525	96,468,242	4,381,865	81,928,195
New loans	–	1,239,096	2,841,146	19,407,110
Exchange gain/(loss) on revaluation of loan	1,362,459	10,694,838	(11,486)	(4,867,063)
Closing balance	**8,573,984**	**108,402,176**	**7,211,525**	**96,468,242**

The third party loan is €10,377,760 in respect of the investment in the Riverside Resort in Alanya and secured by a mortgage. No interest is accruing and repayments are based upon sales of the development. The intercompany loans have no interest accruing and no repayment date and principally relate to the purchase and development of land.

12. Foreign currency losses

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Translation of cash balances	123,351	123,351	(38,410)	(38,410)
Foreign exchange on settlement	–	–	45,250	45,250
Gain/(loss) on loans	1,362,459	10,694,838	(11,486)	(4,867,063)
Net currency gains/(losses)	**1,485,810**	**10,818,189**	**(4,646)**	**(4,860,223)**

13. Investment in subsidiary undertakings

Name	Country of incorporation	Authorised share capital	Issued share capital	Ownership %
Ottoman Finance Company 1 Limited	Jersey	£10,000	£1	100
Ottoman Finance Company 2 Limited	Jersey	£10,000	£1	100
Ottoman Finance Company 3 Limited	Jersey	£10,000	£1	100
Ottoman Finance Company 4 Limited	Jersey	£10,000	£1	100
Ottoman Finance Company 5 Limited	Jersey	£10,000	£1	100
Osmanli Yapi 1	Turkey	YTL 46,146,312	YTL 46,146,312	99.99
Osmanli Yapi 2	Turkey	YTL 188,284,941	YTL 188,284,941	99.99
Osmanli Yapi 3	Turkey	YTL 5,249,584	YTL 5,249,584	99.99
Osmanli Yapi 4	Turkey	YTL 11,249,104	YTL 11,249,104	99.99

All of the above companies have been incorporated into the Group accounts.

14. Interests in joint ventures

The Group has the following interest in a joint venture, Mobella, a project management company.

	Country of Domicile	Ownership %
Mobella	Turkey	50

Summarised financial information of joint venture is as follows:

	Assets	Liabilities	Equity	Revenue	Loss
Mobella	753,246	(10,098)	743,148	28,964	(309,615)

15. Other receivables

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Prepayments and accrued income	301,032	85,367	167,204	24,345
Other taxation	667,231	–	375,080	–
Other receivables	47,164	–	54,733	–
	1,015,427	**85,367**	**597,017**	**24,345**

The directors consider that the carrying amount of the above receivables approximates to their fair value. Prepayments include advances to suppliers.

16. Other payables

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Accruals	227,232	233,176	187,767	149,283
Amounts due to subsidiaries	–	5	–	5
Accrued tax	11,147	–	23,107	–
Other payables	76,143	–	5,040,780	–
	314,522	**233,181**	**5,251,654**	**149,288**

17. 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	135,483,052

On incorporation of the Company, 2 founder shares of no par value were issued to the Manager. These shares are not eligible for participation in the Fund investments and carry no voting rights at general meetings of the Company.

On 21 November 2007, 15,235,291 ordinary shares were repurchased by the Company for cancellation at 95 pence per share at a total cost of £14,516,948.

Movements in ordinary share capital during the year	**Number**	**£**
Ordinary shares in issue at 1 September 2007	150,000,000	150,000,000
Purchased for cancellation on 21 November 2007	(15,235,291)	(14,516,948)
Ordinary shares in issue at 31 August 2008	**134,764,709**	**135,483,052**

18. Retained earnings

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
At start of year	(12,613,335)	(18,435,333)	(10,962,860)	(11,949,137)
Bank and deposit interest earned	1,307,327	1,118,622	2,607,646	2,169,409
Operating expenses	(4,357,348)	(3,836,402)	(4,026,637)	(3,795,382)
Tax	(16,548)	–	–	–
	(3,066,569)	(2,717,780)	(1,418,991)	(1,625,973)
Net movement on foreign exchange	1,485,810	10,818,189	(4,646)	(4,860,223)
(Loss)/profit for the year	(1,580,759)	8,100,409	(1,423,637)	(6,486,196)
Foreign exchange on subsidiary translation	431,906	–	(226,801)	–
Minority interest	(22)	–	(37)	–
At end of year	**(13,762,210)**	**(10,334,924)**	**(12,613,335)**	**(18,435,333)**

19. Net asset value per share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £121,720,859 (2007: £137,386,660) and on 134,764,709 ordinary shares (2007:150,000,000), being the number of ordinary shares in issue at the period end.

20. Cash and cash equivalents

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Bank balances	20,900,040	16,893,761	44,898,891	35,221,363
	20,900,040	**16,893,761**	**44,898,891**	**35,221,363**

21. Financial instruments

The Fund's financial instruments comprise investments, loans, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The principal risks the Company 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 IAS 32: Disclosure and Presentation, an analysis of financial assets and liabilities, which identifies the risk to the Company 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 Company's operations. It represents the potential loss the Fund might suffer through holding market positions as a consequence of price movements and movements in exchange rates.

(ii) Credit risk

The Group places loans with third parties and is therefore potentially at risk from the failure of any such third party of which it is a debtor. Recovery of the loans at 31 August 2008 is dependent on successful completion and sale of properties by the third party developer. Further details of loans made to subsidiaries and developers can be found in note 11. The largest counterparty risk is with the Company's bankers. Bankruptcy or insolvency of BNP Paribas may cause the Company's rights with respect to cash held to be delayed or limited.

The Group's principal financial assets are loans and receivables, other receivables and cash and cash equivalents. The maximum exposure of the Group to the 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 debtors where no significant credit risk is recognised.

Credit risk exposure
In summary, compared to the amounts in the Consolidated Balance Sheet, the maximum exposure to credit risk at 31 August 2008 was as follows:

	Balance sheet at 31 August 2008	**Maximum exposure at 31 August 2008**	**Balance sheet at 31 August 2007**	**Maximum exposure at 31 August 2007**
Non-current assets	**£**	**£**	**£**	**£**
Loans and receivables	8,573,984	8,573,984	7,211,525	7,211,525
Current assets				
Cash and cash equivalents	20,900,040	20,900,040	44,898,891	44,898,891
Other receivables	1,015,427	1,015,427	597,017	597,017
	30,489,451	**30,489,451**	**52,707,433**	**52,707,433**

Fair value of financial assets and liabilities
The book value of the cash at bank and loans to third parties included in these financial statements are approximate to their fair value.

(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.

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

	Non-current assets at 31 August 2008	Net monetary assets at 31 August 2008	Non-current assets at 31 August 2007	Net monetary assets at 31 August 2007
	£	£	£	£
Sterling	–	16,114,878	–	34,470,508
Euro	8,573,984	774,914	7,211,525	625,912
US Dollar	91,503,254	3,823,355	89,927,782	4,687,988
Turkish Lira	42,676	887,798	3,099	459,846
	100,119,914	**21,600,945**	**97,142,406**	**40,244,254**

Foreign currency sensitivity
The table below details the Group's sensitivity to a 5% increase in the value of Sterling against the relevant currency. With all other variables held constant, net assets attributable to shareholders and the change in net assets attributable to shareholders per the consolidated income statement would have decreased by the amounts shown below. The analysis is performed on the same basis for 2007.

	Profit & Loss at 31 August 2008	Equity at 31 August 2008	Profit & Loss at 31 August 2007	Equity at 31 August 2007
	£	£	£	£
Euro	467,445	-	391,872	-
US Dollar	191,168	4,575,163	234,399	4,496,389
Turkish Lira	44,390	2,134	22,992	155
	703,003	**4,577,297**	**649,263**	**4,496,544**

A 5% weakening of Sterling against the relevant currency would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts shown above, on the basis that all other variables remain constant.

(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.

The interest rate profile of the Group excluding short term debtors and creditors, was as follows:

	Floating rate at 31 August 2008	Non interest bearing at 31 August 2008	Floating rate at 31 August 2007	Non interest bearing at 31 August 2007
Assets	£	£	£	£
Sterling	16,262,692	–	34,595,451	–
Euro	774,914	8,573,984	625,912	7,211,525
US Dollar	3,823,355	91,503,254	9,653,478	89,927,782
Turkish Lira	39,079	42,676	24,050	3,099
	20,900,040	**100,119,914**	**44,898,891**	**97,142,406**

Maturity profile
The following table sets out the carrying amount, by maturity, of the Group's financial

instruments:

	2008				
	Within 1 year £	**Within 2-3 years £**	**Within 4-5 years £**	**More than 5 years £**	**Total £**
Floating rate					
Cash	20,900,040	–	–	–	20,900,040
	20,900,040	**–**	**–**	**–**	**20,900,040**
Non-interest bearing					
Other receivables	1,015,427	–	–	–	1,015,427
Other payables	(314,522)	–	–	–	(314,522)
	700,905	**–**	**–**	**–**	**700,905**

	2007				
	Within 1 year £	**Within 2-3 years £**	**Within 4-5 years £**	**More than 5 years £**	**Total £**
Floating rate					
Cash	44,898,891	–	–	–	44,898,891
	44,898,891	**–**	**–**	**–**	**44,898,891**
Non-interest bearing					
Other receivables	597,017	–	–	–	597,017
Other payables	(5,251,654)	–	–	–	(5,251,654)
	(4,654,637)	**–**	**–**	**–**	**(4,654,637)**

Repayments of the third party loan of €10,377,760, in respect of the investment in the Riverside Resort in Alanya, are based upon sales of the development and therefore have been excluded from this maturity profile.

Interest rate sensitivity
An increase of 100 basis points in interest rates during the period would have increased the net assets attributable to shareholders and changes in net assets attributable to shareholders by £209,000 (2006: £448,989). A decrease of 100 basis points would have had an equal but opposite effect.

(v) Liquidity risk
The Group's assets mainly comprise cash balances and realisable investments, which can be sold to meet funding commitments if necessary. As at 31 August 2008 the Group does not have any significant liabilities due.

22. Commitments
The Group has no outstanding commitments at 31 August 2008.

23. Related party transactions
Information regarding subsidiaries and subsidiary loans can be found in notes 10 and 12. The Company's broker, Numis Securities Limited, holds an option to purchase 1.25% of the issued share capital of the fund at a price of £1 per share. This option will lapse on the 5th anniversary of admission, being 28 December 2010.

24. Directors interests

Total compensation to the Directors over the period was £111,235 (2007: £103,063).

Sir Timothy Daunt and Sencar Toker each hold 5,000 ordinary shares. By virtue of being a director of the Manager, Roger Maddock is treated as being interested in the 1,000,000 ordinary shares held by the Manager.

25. Post balance sheet event

Due to recent market conditions the market values of properties in the Turkish real estate sector have experienced some decline. This is likely to have impacted properties held within the Fund, however, as no external valuation has been performed since the balance sheet date, the Directors are not able to quantify the decrease that may have occurred.