THE BLACK SEA PROPERTY FUND LIMITED

Annual Report and Consolidated Financial Statements

for the year ended 31 December 2013

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Chairman's Statement

Dear Shareholders,

Our net asset value as at year end 2013 was £3,153,942 or 1.5 pence per share as compared with £4,445,105 or 2.1 pence per share as at year end 2012. The primary reasons for the reduction in net asset value were further write downs for our remaining assets and operating expenses. Following year end, we have completed the sale of our Evergreen asset for €1.25 million and the remaining units at Obzor for €266,707 (the proceeds have now been received in respect of both of these transactions). Consequently our cash position (net of known liabilities) as of the date of this statement is approximately £2,501,400 and two assets remain on the balance sheet, Byala and Borovets. Colliers has determined that those assets have a commercialization value of €222,000 and €268,000, respectively. Although the Bulgarian property market remains subdued, I expect based on the information I currently possess that on average we will receive the commercialization value of those assets by June. Thereafter, we currently expect to make a final return to shareholders of distributable cash.

In accordance with the shareholder vote on 28 June 2012, the Black Sea board has pursued and continues to pursue a strategy of asset realization on the best terms and by such means as we consider reasonably achievable with a view to liquidating as much as possible of the assets of the Company by 30 June 2014. Given the level of activity in the Bulgarian property market and the kinds of development assets Black Sea owns, I believe we will achieve satisfactory results. Prior to 30 June we will put to the Members a special resolution concerning the winding up or other ultimate disposition of the Company. I look forward to writing to you presently regarding the final disposition of the Company.

Respectfully yours,

John D. Chapman
Chairman
The Black Sea Property Fund Limited
28 April 2014

Directors' Report

The Directors submit their Report and audited Consolidated Financial Statements for the year ended 31 December 2013.

The Black Sea Property Fund Limited (the "Company") was incorporated on 27 January 2005 in Jersey and was launched as an unclassified Fund on 14 March 2005 within the provisions of the Collective Investment Funds (Jersey) Law 1988, raising net proceeds of £50 million. The Black Sea Property Fund Limited group of companies (the "Group") encompasses the Company and entities controlled by the Company.

On 4 March 2009, the shareholders resolved to apply for listed fund status and on 5 March 2009, listed fund status was granted to the Group. The Group is now self-managed and its wholly-owned subsidiary, BSPF Bulgaria EAD, provides property advisory services to the Company's Board.

Listing

The Company is quoted on AIM.

Investment objective and policy

The Group is no longer seeking to make further investments in real estate assets and is managing its portfolio with a view to returning capital to Shareholders.

Any cash held by the Group may only be held on deposit or invested in money-market funds or other near-cash investments.

In accordance with the resolution passed at the annual general meeting held on 28 June 2012, the shareholders authorised the directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company by 30 June 2014.

Distributions may be made by way of dividend or a redemption or repurchase of ordinary shares, at the Directors' discretion.

Directors’ Report (continued)

Results and dividends

The consolidated statement of comprehensive income is set out on page 10 of this Annual Report and Consolidated Financial Statements. The Directors have not proposed any dividend to be paid in the year ended 31 December 2013 (2012: £2,663,912 or 1.25 pence per ordinary share).

Property asset valuations

Valuations of properties have been based upon valuations performed by Colliers, which take into account the remaining life of the Company. These commercialisation values reflect the discounts which, in the opinion of Colliers, may need to be given to potential purchasers of the properties.

Going concern

In accordance with the resolution passed at the annual general meeting held on 28 June 2012, the shareholders authorised the directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company by 30 June 2014. Prior to that date the board will put to shareholders a special resolution that a liquidator be appointed and the Company be wound up.

Accordingly the financial statements have not been prepared on a going concern basis. This has affected the carrying value of the Group’s investment properties and available for sale asset, as further discussed in the Chairman’s statement and in note 1(c) to the Financial Statements. If asset sales are not completed by that date then further reductions could be required to the carrying amounts of the Group’s assets.

Life of the Group

A special resolution was passed at the AGM held on 28 June 2012 in order to extend the life of the Company for an additional two years until 30 June 2014. The Company’s life may be further extended by special resolution of Shareholders.

Board of Directors

The Directors of the Company, all of whom (other than John Chapman) are non-executive, are:

John Chapman (Executive Chairman)
Stephen Coe
Antony Gardner-Hillman
Andrew Wignall

Directors' Report (continued)

Shareholders' Interests

The following table shows the spread of the Company's shareholder base as at 31 December 2013.

Extent of holdings (number of shares)	*No. of shareholders*
1-10,000	42
10,001-100,000	43
100,001-500,000	21
>500,000	23
	129

At 31 December 2013, the Company was aware of the following interests of 3% or more in the ordinary share capital of the Company:

	Number	*Percentage interest*
Vidacos Nominees Limited	63,250,993	29.68%
The Bank of New York (Nominees) Limited	43,649,581	20.48%
Pershing Nominees Limited	23,308,787	10.94%
Securities Services Nominees Limited	22,036,000	10.34%
BNY (OCS) Nominees Limited	10,128,705	4.75%
Mr Nicholas John Greenwood	9,000,000	4.22%
Barclayshare Nominees Limited	7,047,056	3.31%

The Company has been informed of the following interests of 3% or more in the ordinary share capital of the Company from beneficial owners:

Beneficial owner	*Number*	*Percentage interest*
QVT Financial Fund	63,126,806	29.62%
Brookdale International Partners	30,337,457	14.24%
BP2S Jersey	22,036,000	10.34%
GLG Partners	20,550,000	9.64%
Brookdale Global Opportunity Fund	13,312,124	6.25%
Scottish Mortgage & Trust plc	10,000,000	4.69%
Mr Nicholas John Greenwood	9,000,000	4.22%
Mr Peter Jackson	6,800,000	3.19%

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

Directors' Report (continued)

Group Auditors

BDO LLP are the auditors of the Group. A resolution to re-appoint BDO LLP as the Company's auditor will be put to the forthcoming Annual General Meeting. A notice of the AGM, together with explanation of the resolutions to be proposed at the meeting will be sent in a separate circular to shareholders.

Auditors

So far as the Directors are aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Directors' interests

Mr Stephen Coe currently holds 45,000 ordinary shares in The Black Sea Property Fund Limited, which represents less than 0.1% of the issued share capital. No other current Director has an interest in the share capital of the Group.

Directors' remuneration

Directors' remuneration is solely salary payments received by the Directors. No Directors received any benefits under long term or short term incentive schemes.

The maximum amount of the aggregate Directors' ordinary remuneration permitted under Article 30.03 of the Company's Articles of Association is £100,000 per annum, plus expenses. The Directors received in aggregate £63,000 (2012: £63,000) for the year ended 31 December 2013. In addition John Chapman received special remuneration under Article 30.04 of £58,654 by way of fees pursuant to contracts for Services with the Group (2012: £58,291).

	2013	2012
	£	£
John Chapman	**58,654**	58,291
Antony Gardner-Hillman	**25,000**	25,000
Stephen Coe	**20,000**	20,000
Andrew Wignall	**18,000**	18,000
	121,654	121,291

Simon Riley

By Order Of The Board
SJ Secretaries Limited
Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles. The financial statements of the Group are required by law to give a true and fair view of the state of affairs of the Group at the year end and of the results of the Group for the year then ended. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business (for the reasons explained in the going concern paragraph above and also in note 1(c) of the financial statements, these financial statements have not been prepared on a going concern basis).

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Group's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors’ Report to the Members of The Black Sea Property Fund Limited

We have audited the consolidated financial statements of The Black Sea Property Fund Limited for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cashflows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as adopted by the EU and the Companies (Jersey) Law 1991.

This report is made solely to the Company’s members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors’ Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council’s Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Independent Auditors' Report to the Members of The Black Sea Property Fund Limited (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we draw your attention to the disclosures in note 1(c) to the financial statements which explains that the financial statements have not been prepared on a going concern basis.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Geraint Jones
For and on behalf of BDO LLP
Chartered Accountants
55 Baker Street
London, W1U 7EU, UK

Date: 29 April 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	**2013** £	2012 £
Total revenue			
Gain/(loss) on disposal of investment property		**290,533**	(234,776)
Loss on revaluation of investment property	*6(a)*	**(487,099)**	(5,788,695)
Net loss on investment property		**(196,566)**	(6,023,471)
Total loss		**(196,566)**	(6,023,471)
Operating expenses			
Impairment of available for sale assets		**(412,953)**	(1,638,547)
Other operating expenses	*3*	**(750,934)**	(595,116)
Depreciation of plant and equipment		**-**	(53,921)
Foreign exchange (losses)/gains		**(1,077)**	942
Total operating expenses		**(1,164,964)**	(2,286,642)
Operating loss before interest and tax		**(1,361,530)**	(8,310,113)
Bank interest receivable	*4*	**62,164**	187,336
Bank charges and interest payable		**(3,130)**	(4,453)
Loss before tax		**(1,302,496)**	(8,127,230)
Tax expense	*5*	**(102,214)**	-
Loss for the year after tax		**(1,404,710)**	(8,127,230)
Other comprehensive income			
Items that will or may be reclassified to profit or loss			
Gains/(losses) on translation of foreign operations		**113,547**	(290,539)
Recycle of cumulative losses in fair value of available for sale assets		**-**	644,425
Total comprehensive loss for the year		**(1,291,163)**	(7,773,344)
Loss per share			
Basic loss per share (pence)	*11*	**(0.66)**	(3.81)
Diluted loss per share (pence)	*11*	**(0.66)**	(3.81)

All losses for the year and total comprehensive income are attributable to the owners of the Company.

The notes on pages 14 to 35 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 31 December 2013

	Notes	**31 December 2013 £**	31 December 2012 £
Non-current assets			
Plant and equipment	*6(a)*	**-**	-
Investment properties	*6(a)*	**-**	2,257,697
Available for sale assets	*6(c)*	**-**	603,088
		-	2,860,785
Current assets			
Other receivables	*8*	**35,062**	51,477
Cash and cash equivalents		**1,659,042**	1,575,280
		1,694,104	1,626,757
Assets in disposal groups classified as held for sale	*6(e)*	**1,606,548**	-
Total assets		**3,300,652**	4,487,542
Equity and liabilities			
Issued share capital	*10*	**46,478,064**	46,478,064
Retained deficit		**(41,781,790)**	(40,377,080)
Foreign exchange reserve		**(1,542,332)**	(1,655,879)
Available for sale reserve		**-**	-
Total equity		**3,153,942**	4,445,105
Liabilities			
Other payables	*9*	**44,496**	42,437
Tax payable		**102,214**	-
		146,710	42,437
Total equity and liabilities		**3,300,652**	4,487,542
Number of ordinary shares in issue	*10*	**213,112,896**	213,112,896
Net asset value per ordinary share (pence)	*11*	**1.5**	2.1

The financial statements on pages 10 to 35 were approved and authorised for issue by the Board on 28th April 2014 and were signed on its behalf by:

Antony Gardner-Hillman

Director

Andrew Wignall

Director

The notes on pages 14 to 35 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital £	Retained deficit £	Foreign exchange reserve £	Available for sale reserve £	Total £
At 1 January 2013	**46,478,064**	**(40,377,080)**	**(1,655,879)**	**-**	**4,445,105**
Loss for the year	**-**	**(1,404,710)**	**-**	**-**	**(1,404,710)**
Other comprehensive income	**-**	**-**	**113,547**	**-**	**113,547**
At 31 December 2013	**46,478,064**	**(41,781,790)**	**(1,542,332)**	**-**	**3,153,942**
At 1 January 2012	46,478,064	(29,585,938)	(1,365,340)	(644,425)	14,882,361
Loss for the year	-	(8,127,230)	-	-	(8,127,230)
Other comprehensive income	-	-	(290,539)	644,425	353,886
Transactions with owners					
- Special dividend (Note 16)	-	(2,663,912)	-	-	(2,663,912)
At 31 December 2012	46,478,064	(40,377,080)	(1,655,879)	-	4,445,105

The notes on pages 14 to 35 are an integral part of these consolidated financial statements.

Consolidated Statement of Cashflows

	Notes	**31 December 2013 £**	31 December 2012 £
Operating activities			
Loss after tax for the year		**(1,404,710)**	(8,127,230)
Depreciation	*6(a)*	**-**	53,921
(Gain)/loss on disposal of investment property		**(290,533)**	234,776
Loss on revaluation of investment property	*6(a)*	**487,099**	5,788,695
Loss in fair value of available for sale assets	*6(c)*	**412,953**	1,638,547
Foreign exchange losses/(gains)		**1,077**	(942)
Interest received	*4*	**(62,164)**	(187,336)
Finance expense		**3,130**	4,453
Tax expense		**102,214**	-
Movement in net cash outflow from operating activities		**(750,934)**	(595,116)
Decrease in other receivables	*8*	**16,415**	22,749
Decrease in other payables	*9*	**2,059**	(49,566)
Net cash outflow from operating activities		**(732,460)**	(621,933)
Investing activities			
Proceeds on disposal of investment property	*6(a)*	**674,608**	1,337,974
Cash received on available for sale assets	*6(c)*	**114,657**	416,151
Net cash inflow from investing activities		**789,265**	1,754,125
Financing activities			
Interest received	*4*	**1,855**	4,303
Interest paid		**(3,130)**	(4,453)
Special dividend	*16*	**-**	(2,663,912)
Net cash outflow from financing activities		**(1,275)**	(2,664,062)
Net increase/(decrease) in cash and cash equivalents		**55,530**	(1,531,870)
Cash and cash equivalents at beginning of year		**1,575,280**	3,132,519
Effect of foreign exchange rates		**28,232**	(25,369)
Cash and cash equivalents at end of year		**1,659,042**	1,575,280

The notes on pages 14 to 35 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. Accounting policies

(a) Basis of preparation

The consolidated financial statements of the Company for the period ended 31 December 2013 comprise the financial statements of the Company and its subsidiaries (together, the "Group") and have been prepared in accordance with International Financial Reporting Standards ("IFRS"); endorsed for use in the European Union.

The Black Sea Property Fund Limited is incorporated in Jersey with company number 89392 and registered office located at 22-24 Seale Street, St Helier, Jersey, Channel Islands, JE2 3QG.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. All companies within the Group have a 31 December year end and apply consistent accounting policies. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. All intra group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Assets and liabilities of subsidiaries denominated in foreign currencies are translated at the closing rate at the reporting date. Profit or loss amounts are translated at an average rate. Differences are taken directly to foreign currency translation differences in equity.

(c) Going concern

The Company's Articles of Association required the Board to convene an extraordinary general meeting of the Company on or within 60 days before 30 June 2012 to consider a resolution to wind up the Company. On 28 June 2012 a special resolution was passed at the AGM which authorised the Directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company and then proposing to the Members not later than 30 June 2014 a resolution (which will be proposed as a special resolution) that a liquidator be appointed and the Company be wound up.

Following this special resolution the Company’s strategy is to now seek an orderly disposal programme of the Group’s assets and return surplus capital to shareholders.

As the Directors intend to return all excess capital to shareholders of the Company they have not prepared the financial statements on a going concern basis in accordance with IAS 1.25. This has reduced the carrying value of the Group’s investment properties and available for sale asset. Given the low level of activity in the Bulgarian property market there can be no guarantee that the assets will be realised in the life of the Company, and should the asset disposal programme not look likely to be completed in this timescale then further reductions could be required to the carrying amounts of the Group’s assets.

(d) Investment and interest income

Income on investments is recognised on an accruals basis.

Interest receivable on loans and receivables is recognised in 'loan interest' using the effective interest rate method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability (or Groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(d) Investment and interest income (continued)

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by a member of the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(e) Expenses

Expenses are charged through the consolidated statement of profit or loss and other comprehensive income, except for expenses which are attributable to the disposal of an investment, which are deducted from the disposal proceeds of the investment. In addition, development costs, legal fees and taxes associated with the acquisition of an investment are capitalised and reviewed for impairment on an annual basis.

Expenses associated with special dividends are recognised as legal and professional fees within other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(f) Investments

As a result of the change in the Company's strategy, the basis of the property asset valuations has been revised to take into account the limited time frame that the Group now has to realise its assets. This has resulted in significant discounts.

Investment property

Investment property comprises freehold land and freehold buildings. Land held for capital appreciation, or for development as an investment property, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Changes in fair value are recorded in the consolidated statement of profit or loss and other comprehensive income.

Financial assets – Available for sale

Non-derivative financial assets not included in loans and receivables are classified as available-for-sale and comprise the Group's investment in Obzor. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve.

Exchange differences on available for sale assets denominated in a foreign currency and interest calculated using the effective interest rate method are recognised in profit or loss.

Where there has been a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, has been recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Financial assets – Available for sale (continued)

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

Loans and receivables at amortised cost

Loans and receivables include loans and advances originated by a member of the Group which are not intended to be sold in the short term and are recognised on an amortised cost basis. Loans and receivables are recognised when cash is advanced to borrowers and are derecognised when the borrowers repay their obligations, the loans are sold or written off or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

A provision for impairment is established when there is objective evidence that the relevant member of the Group will not be able to collect all amounts due from the relevant borrower. Where they are denominated in a foreign currency they are translated at the exchange rate at the date of each statement of financial position. The Group determines whether loans are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the loans by reference to the companies the loans are with. Estimating the recoverable amount is by reference to the higher of the fair value less costs to sell and 'value in use'. A value in use calculation requires the Group to make an estimate of the expected future cash flows from the Company the loan is with and also to choose a suitable discount rate in order to calculate the present values of those cashflows.

(g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The valuations are adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(g) Movements in fair value

Changes in the fair value of investment properties are taken to the consolidated statement of profit or loss and other comprehensive income. On disposal, realised gains and losses are also recognised in the consolidated statement of profit or loss and other comprehensive income.

(h) Other receivables

Other receivables are recognised at amortised cost and include prepayments. All amounts are recoverable within one year.

(i) Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks which mature within three months or less of inception.

(j) Trade and other payables

Trade and other payables are recognised at amortised cost and relate to amounts accrued in the normal course of business which are payable within one year.

(k) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax would be payable on taxable profits for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current taxes include irrecoverable withholding tax on the interest receivable on loans from the Company to its Bulgarian subsidiaries.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting 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 reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be sufficient profits from which the future reversal of the temporary differences can be deducted.

(l) Foreign currency

The results and financial position of the Group are expressed in GBP, which is the functional currency as share creations, cancellations or buybacks of the Company are denominated in pounds sterling. The functional currencies of the subsidiaries are the Euro and the Bulgarian Lev.

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities are translated at the date of each statement of financial position using the year end rate. The closing rate used at the end of 2013 was Euro 1.1979 per GBP (2012: Euro 1.2330 per GBP). Income and expenses are translated at year average exchange rates. The average rate used for 2013 was Euro 1.1965 per GBP (2012: Euro 1.2350 per GBP). All resulting exchange differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(m) Share capital

Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are deducted from the proceeds of issue and shown as a deduction to reserves.

Founder shares

Founder shares are classified as equity.

(n) Operating leases

Rental payments under operating leases are expensed on a straight line basis in the consolidated statement of profit or loss and other comprehensive income on an accruals basis.

(o) Changes in accounting policies and disclosures

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (lASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

New and revised standards on consolidation, joint arrangements, associates and disclosures:

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, lAS 27 (as revised in 2011) *Separate Financial Statements* and lAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and lAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. lAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(o) Changes in accounting policies and disclosures (continued)

Impact of the application of IFRS 10:

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation - Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Impact of the application of IFRS 12:

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(o) Changes in accounting policies and disclosures (continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income:

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

(o) Changes in accounting policies and disclosures (continued)

In the current year, the Group has applied a number of new and revised IFRSs (see the discussion above), the application of which has not had any material impact on the amounts recognised or information included in the consolidated statement of financial position as at 1 January 2012.

New and amended standards and interpretations issued that are applicable but not relevant as at 31 December 2013:

- IAS 19 *Employee Benefits* (as revised in 2011)

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

New and amended standards and interpretations issued that are not yet effective:

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments* (effective for periods beginning on or after 1 January 2014);
- Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures* (effective for periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (effective for periods beginning on or after 1 January 2014); and
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* (effective for periods beginning on or after 1 January 2014).

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(o) Changes in accounting policies and disclosures (continued)

The directors of the Company anticipate that the application of IFRS 9 in the future will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to IFRS 10, IFRS 12 and lAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and lAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to lAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to lAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to lAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting polices and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The following areas require the Directors to make significant judgments.

Investment property

The property valuations upon which the Directors base their valuation of investments are prepared annually by Colliers International.

Notes to the Consolidated Financial Statements (continued)

2. Significant accounting judgements, estimates and assumptions (continued)

The determination of the fair value of investment properties requires the use of estimates such as those applied when using the Market Comparison Method to compare the property against similar assets or the Income Approach where fair value is based on projected future cashflows from assets along with discount rates applicable to those assets. In addition development risks are also taken into consideration when determining the appropriate discount rate. These estimates are based on local market conditions existing at the date of the statement of financial position.

The continuing volatility in the global financial system is reflected in the turbulence in commercial and residential property markets across the world. The significant reduction in transaction volumes continued this year. Therefore, as noted in the Chairman's statement, in arriving at their estimates of market values at year end, the valuers have used their market knowledge and professional judgement and have not relied solely on historical transaction comparables. In these circumstances, there is a greater degree of uncertainty than exists in a more active market in estimating the market values of the investment property.

In accordance with the resolution passed at the annual general meeting held on 28 June 2012, the shareholders authorised the directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company by 30 June 2014. The property fair values have therefore been discounted to represent commercialization values as Colliers' estimates of their projected sale prices of the Group's assets if such sale were effected within four months of the year end.

Borovets Lakes and Byala

The Market Comparison Method has been used to obtain an initial value for the investment property at Borovets Lakes and Byala as there is no approved concept design and it is uncertain when future development will be undertaken given the current market for these assets. The values were determined directly by reference to observable asking prices and recent realised arm's length transactions. These initial valuations have then been discounted by 90% for both Borovets Lakes and Byala. There remains a risk that eventual disposal prices could be below those included in the financial statements.

Evergreen, Sofia

On 20 December 2013, the Fund approved the sale of the Company's subsidiary BSPF Tcherno More EAD which in turn owns Evergreen, Sofia for a price of Euro 1,250,000. The sale completed on 22 January 2014.

Available for sale assets - *Obzor*

The Income Approach has been used to obtain an initial value the Group's interest in the apartments in Obzor on the basis of the special contractual relationship with Black Sea Investment Trust AD (owner of the property). The initial valuation has then been discounted by 75%. In March 2014 the Fund sold its outstanding interest in the remaining 20 units in Obzor for a total net consideration Euro 266,707.

Notes to the Consolidated Financial Statements (continued)

3. Other operating expenses

		2013	2012
		£	£
Directors' remuneration		**121,654**	121,291
Administration fees		**84,756**	89,429
Legal and professional fees		**100,534**	73,895
Staff costs	- Wages and salaries	**64,047**	62,690
	- NI and social security	**7,196**	6,000
Rates and local authority charges		**53,215**	54,749
Auditors' remuneration	- Parent company audit	**39,075**	38,723
	- Subsidiaries audit	**30,191**	13,603
Nominated advisor fees		**35,000**	35,000
Repairs and maintenance at Nikea		**10,044**	29,259
Registrar fees		**12,358**	22,221
Bulgaria office rent		**12,237**	11,819
Regulatory fees		**12,179**	11,613
Valuation fees		**9,070**	8,816
Other operating expenses		**159,378**	16,008
		750,934	595,116

In 2013, in addition to the four (2012: four) Directors there were three (2012: three) employees in Bulgaria. Key management personnel comprise the Board. Their compensation comprised salary payments only during the year, the amount of which is summarised within the Director's Report.

Other operating expenses include £12,237 (2012: £11,819) for the rental of office premises in Sofia, Bulgaria. The lease contract does not have a minimum term and can be terminated by either party upon three months' notice. The total future value of minimum lease periods at any given time is therefore £3,649 (2012: £3,649).

4. Interest receivable

	2013	2012
	£	£
Effective Interest on Available for Sale assets (Note 6(c))	**60,309**	183,033
Bank interest receivable	**1,855**	4,303
	62,164	187,336

Effective interest has been applied on the available for sale assets at 10% - representing a commercial rate between operator and developer.

5. Taxation

Jersey

There is no taxation payable on the Company's or its Jersey subsidiaries' results as they are based in Jersey where the Corporate Income Tax rate for Jersey resident companies is zero percent. Additionally, Jersey does not levy tax on capital gains.

Consequently, Shareholders resident outside Jersey will not incur any income tax in Jersey on any distributions made to them.

Notes to the Consolidated Financial Statements (continued)

5. Taxation (continued)

Bulgaria

Subsidiaries of the Company incorporated in Bulgaria are taxed in accordance with the applicable tax laws of Bulgaria. The Bulgarian corporate tax rate for the year was 10% (2012: 10%).

No deferred tax assets are recognised on trading losses in the subsidiary companies as there is significant uncertainty as to whether sufficient future profits will be available in order to utilise these losses.

A reconciliation of the tax charge for the year to the standard rate of corporation tax for Jersey of Nil% (2012: Nil%) is shown below.

	2013	2012
	£	£
Loss before tax	**(1,302,496)**	(8,127,230)
Loss on ordinary activities multiplied by the standard rate in Jersey of Nil% (2012: Nil%)	**-**	-
Bulgarian tax at 10% (2012: 10%)		
- Net trading loss in Bulgarian subsidiaries at 10%	**(18,139)**	(19,433)
- Tax losses created in the year	**18,139**	19,433
- Withholding tax	**102,214**	-
Current charge for the year	**102,214**	-
Bulgarian tax losses brought-forward at 10%	**(3,269,584)**	(3,250,151)
Bulgarian losses carried forward in the year at 10%	**(18,139)**	(19,433)
Bulgarian tax losses carried-forward at 10%	**(3,287,723)**	(3,269,584)

The Group has not recognised deferred tax assets as there remains significant uncertainty as to whether sufficient future profits will be available in order to utilise these losses. Withholding tax may arise on the distribution of assets and/or funds realising such assets from Bulgaria to Jersey. A reasonable estimate of this liability has been provided for in the financial statements although the final liability may vary from this estimate.

Notes to the Consolidated Financial Statements (continued)

6. Investing activities

The Group's investments relate to freehold land at Borovets Lakes, Byala, Evergreen (Sofia) and freehold holiday home apartments at Obzor.

(a) Investment property and plant and equipment

Valuation or cost	*Note*	Investment property £	Plant and equipment £	Total £
At 1 January 2013		**2,257,697**	**137,039**	**2,394,736**
Disposals		**(384,075)**	**-**	**(384,075)**
Revaluation		**(487,099)**	**-**	**(487,099)**
Currency translation differences		**66,360**	**-**	**66,360**
Transferred to held for sale financial assets	*6(e)*	**(1,452,883)**	**-**	**(1,452,883)**
At 31 December 2013		**-**	**137,039**	**137,039**
Depreciation				
At 1 January 2013		**-**	**137,039**	**137,039**
Write-down in the year		**-**	**-**	**-**
Disposals		**-**	**-**	**-**
At 31 December 2013		**-**	**137,039**	**137,039**
NBV at 31 December 2013		**-**	**-**	**-**
At 1 January 2012		9,883,370	137,039	10,020,409
Disposals		(1,571,308)	-	(1,571,308)
Revaluation		(5,788,695)	-	(5,788,695)
Currency translation differences		(265,670)	-	(265,670)
At 31 December 2012		2,257,697	137,039	2,394,736
Depreciation				
At 1 January 2012		-	83,118	83,118
Write-down in the year		-	53,921	53,921
Disposals		-	-	-
At 31 December 2012		-	137,039	137,039
NBV at 31 December 2012		**2,257,697**	**-**	**2,257,697**

Notes to the Consolidated Financial Statements (continued)

6. Investing activities (continued)

The valuations of the individual investment properties are as follows:

	Valuation		Valuation	
	2013	**2013**	**2012**	**2012**
	€	**£**	**€**	**£**
Borovets Lakes	268,146	223,843	613,461	497,535
Byala	222,292	185,565	608,532	493,538
Evergreen	1,250,000	1,043,475	1,064,784	863,572
Nikea Park	-	-	496,963	403,052
	1,740,438	1,452,883	2,783,740	2,257,697

In accordance with the resolution passed at the annual general meeting held on 28 June 2012, the shareholders authorised the directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company by 30 June 2014.

As a result of the change in strategy, the basis of the investment property valuations has been revised to take into account the limited time frame that the Group now has to realise its assets. This has resulted in significant discounts (90% at Borovetz Lakes and Byala) being required when compared to previous periods.

A 5% change in the value of the Group's investment properties would result in a change of £72,644 to the Group's NAV (2012: £112,886).

(b) Loans and receivables

Nikea Park

During the year the Company sold its remaining interest in Nikea Park for a total net consideration of Euro 629,165.

Notes to the Consolidated Financial Statements (continued)

6. Investing activities (continued)

(c) Available for sale financial assets

	Note	**2013** £	2012 £
At 1 January		**603,088**	1,830,328
Cash receipts on sale of available for sale assets		**(114,657)**	(416,151)
Effective interest receivable (Note 4)		**60,309**	183,033
Currency translation difference		**17,878**	-
Impairment of available for sale assets		**(412,953)**	(994,122
Transferred to held for sale financial assets	*6(e)*	**(153,665)**	-
		-	603,088

IFRS 7 requires financial instruments measured at fair value to be classified by the fair value hierarchy in this standard. The Group has only one such financial instrument being the above available for sale assets which are level 3 assets within this hierarchy.

Obzor

During the year the Company received a net consideration of Euro 186,748 relating to sales of 4 apartments at Obzor. Following the period end, the Company sold its remaining interests in Obzor for a net consideration of Euro 266,707.

(d) Recurring fair value measurement of assets and liabilities

		2013		
	Level 1 £	**Level 2** £	**Level 3** £	**Total** £
Investment properties	-	-	1,452,883	**1,452,883**
Available for sale assets	-	-	153,665	**153,665**
	-	-	1,606,548	**1,606,548**

		2012		
	Level 1 £	**Level 2** £	**Level 3** £	**Total** £
Investment properties	-	-	2,257,697	2,257,697
Available for sale assets	-	-	603,088	603,088
	-	-	2,860,785	2,860,785

There were no transfers between Level 1, Level 2 or Level 3 during the years ended 31 December 2013 and 31 December 2012.

Notes to the Consolidated Financial Statements (continued)

6. Investing activities (continued)

(e) Held for sale financial assets

	Notes	2013	2012
		£	£
Investment properties	*6(a)*	**1,452,833**	-
Available for sale assets	*6(c)*	**153,665**	-
		1,606,548	-

Valuation technique

The fair value of investment property and available for sale assets has been determined by Colliers International using market based valuation techniques. These techniques include market (sales) comparison approach, income capitalisation approach and cost approach. The following table presents a summary of sales values presented on a per metre squared ("m2") basis and representing commercialisation values in case of full sale before 30 June 2014.

Property	Market value per m2 of land	Discount for liquidity from market value	Discounted value per m2 of land
Borovets	**€21.6**	**-90%**	**€2.2**
Byala	**€13.5**	**-90%**	**€1.4**
Obzor	**€329.9**	**-75%**	**€82.5**

As detailed in Note 2, Evergreen has been valued at the sales value achieved shortly after the year end date.

The directors consider that the current use of the property represents its "highest and best use" and the valuation has been performed on this basis.

7. Details of Group undertakings

The Group holds 20% or more of the nominal value of any class of share capital in the following investments:

	Share-holding	Proportion of voting rights	Nature of Business	Country of incorporation
Held directly:				
BSPF (Property) Limited	**1**	**100%**	Property investment	Jersey
BSPF (Property 2) Limited	**1**	**100%**	Property investment	Jersey
BSPF (Property 3) Limited	**1**	**100%**	Property investment	Jersey
BSPF (Property 4) Limited	**1**	**100%**	Property investment	Jersey
BSPF (Property 5) Limited	**1**	**100%**	Property investment	Jersey
BSPF (Property 6) Limited	**1**	**100%**	Property investment	Jersey
BSPF Project 1 EAD	**17,252**	**100%**	Property investment	Bulgaria
BSPF Project 4 EAD	**17,552**	**100%**	Property investment	Bulgaria
BSPF Bulgaria EAD	**23,952**	**100%**	Investment property adviser	Bulgaria
Held indirectly:				
BSPF Tcherno More EAD	**19,585**	**100%**	Property investment	Bulgaria
BSPF Super Borovetz EAD	**17,522**	**100%**	Property investment	Bulgaria

BSPF (Property 3) Limited and BSPF (Property 6) Limited are both dormant companies.

On 20 December 2013, the Fund approved the sale of the Company's subsidiary BSPF Tcherno More EAD which in turn owned Evergreen, Sofia for a price of Euro 1,250,000. The sale completed on 22 January 2014.

Notes to the Consolidated Financial Statements (continued)

8. Other receivables

	2013	2012
	£	£
Bank and deposit interest receivable	**112**	112
Prepayments and accrued income	**19,415**	36,121
Other debtors	**15,535**	15,244
	35,062	51,477

All amounts are due within one year.

9. Other payables

	2013	2012
	£	£
Trade payables	**6,091**	12,842
Accruals	**38,405**	29,595
	44,496	42,437

None of the amounts are past due or impaired.

10. Issued share capital

	2013	2012
Authorised:	**Number**	Number
Founder shares of no par value	**10**	10
Ordinary shares of no par value	**Unlimited**	Unlimited
Issued and fully paid:	**£**	£
2 founder shares of no par value	**-**	-
213,112,896 (2012: 213,112,896) ordinary shares of no par value	**46,478,064**	46,478,064
	46,478,064	46,478,064

There was no movement in stated capital during the year or prior year.

Founder shares are not eligible for participation in Group investments and carry no voting rights at general meetings of the Company.

Capital management

The Directors consider capital to be the net assets of the Group.

In accordance with the resolution passed at the annual general meeting held on 28 June 2012, any proceeds of sale of the property portfolio will be returned to shareholders as determined by the Board and distributions may be made by way of a dividend or a redemption or repurchase of ordinary shares, at the Board of Directors' discretion.

11. Loss and Net Asset Value per share

The loss per ordinary share of 0.66 pence (2012: 3.81 pence) is based on the loss for the year of £1,404,710 (2012 loss: £8,127,230) and on the weighted average number of ordinary shares in issue of 213,112,896 (2012: 213,112,896).

There is no difference between diluted and undiluted earnings per share.

Notes to the Consolidated Financial Statements (continued)

11. Loss and Net Asset Value per share (continued)

The net asset value per ordinary share of 1.5 pence (2012: 2.1 pence) is based on the net assets attributable to ordinary shareholders, divided by 213,112,896 (2012: 213,112,896) being the number of outstanding ordinary shares in issue at the year end.

12. Segmental analysis

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Other than the previous investments in money market funds in the UK, the Group is organised into one main operating and reporting segment focusing on investment in the Bulgarian property market (see Note 6).

No additional disclosure is included in relation to segmental reporting as the Group's activities are limited to one operating and reporting segment.

13. Contingencies and Commitments

There are no contingencies or commitments outstanding at 31 December 2013.

14. Financial risk management objectives and policies

The Group's financial instruments comprise cash and cash equivalents, 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 main risks the Group faces from its financial instruments are (i) market price risk (comprising currency risk, interest rate risk and other price risk), (ii) liquidity risk and (iii) credit risk.

The Board regularly considers risks applicable to the portfolio. The numerical disclosures exclude short-term receivables and payables.

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 and movements in exchange rates. The Board meets regularly in order to review investment strategy.

Market price sensitivity

The table below details the Group's sensitivity to a 5% decrease in the value of financial instruments available for sale. The analysis is performed on the same basis for 2012.

	2013	2012
	£	£
Obzor	7,683	30,154
	7,683	30,154

Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies (continued)

ii. Currency risk

The presentational currency of the Group is pounds sterling. Loans and other investments are denominated in Euro and the Group is therefore exposed to movements in the exchange rate between the Euro and the pound sterling. The Group does not hedge this risk.

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

	Sterling GBP	Euro	Bulgarian LEV	Total
As at 31 December 2013	**£**	**£**	**£**	**£**
Financial instruments				
Available for sale	-	-	-	-
Other receivables	21,692	-	13,370	35,062
Cash and cash equivalents	1,219,850	399,069	40,123	1,659,042
Other payables	(7,896)	-	(36,600)	(44,496)
Net exposure	1,233,646	399,069	16,893	1,649,608
As at 31 December 2012	**£**	**£**	**£**	**£**
Financial instruments				
Available for sale	-	-	-	-
Other receivables	16,680	-	34,797	51,477
Cash and cash equivalents	520,675	977,305	77,300	1,575,280
Other payables	(21,085)	(8,511)	(12,841)	(42,437)
Net exposure	516,270	968,794	99,256	1,584,320

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 statement of profit or loss and other comprehensive income would have decreased by the amounts shown below. The analysis is performed on the same basis for 2012.

	2013		2012	
	Euro	**Bulgarian LEV**	**Euro**	**Bulgarian LEV**
	£	**£**	£	£
Financial instruments	**19,953**	**845**	48,440	4,963
Effect on comprehensive income	**(19,953)**	**(845)**	(48,440)	(4,963)

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

Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies (continued)

iii. Interest rate risk

Interest rate movements may affect: (i) the fair value of the investments in fixed interest rate securities and (ii) the level of income receivable on cash deposits. There are no fixed interest rate securities as at 31 December 2013. The interest rate profile of the Group's financial instruments excluding other receivables was as follows:

	Variable rate	Non-interest bearing
	£	£
As at 31 December 2013		
Other payables	-	(44,496)
Euro cash deposit	399,069	-
Bulgarian Lev cash deposit	40,123	-
Sterling GBP cash deposit	1,219,850	-
	1,659,042	(44,496)
As at 31 December 2012		
Other payables	-	(42,437)
Euro cash deposit	977,305	-
Bulgarian Lev cash deposit	77,300	-
Sterling GBP cash deposit	520,675	-
	1,575,280	(42,437)

Interest rate sensitivity

An increase of 100 basis points in interest rates during the year would have increased the net assets attributable to shareholders and changes in net assets attributable to shareholders by £16,590 (2012: £15,753). A decrease of 100 basis points would have had an equal but opposite effect.

iv. Liquidity risk

The liquidity risk to the Group is the risk of not being able to meet the Group's funding commitments. A significant portion of the Group's assets comprises of cash balances. As at 31 December 2013, the Group does not have any significant liabilities due and therefore the liquidity risk is deemed insignificant.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to liquidity risk:

	On demand	< 1 year	Total
		£	£
As at 31 December 2013			
Cash and cash equivalents	-	1,659,042	1,659,042
Available for sale assets	-	-	-
Other payables	-	(44,496)	(44,496)
	-	1,614,546	1,614,546
As at 31 December 2012			
Cash and cash equivalents	-	1,575,280	1,575,280
Available for sale assets	-	-	-
Other payables	-	(42,437)	(42,437)
	-	1,532,843	1,532,843

Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies (continued)

v. Credit risk

The Group places funds with third parties and is therefore potentially at risk from the failure of any such third party of which it is a creditor. The Group expects to place any such funds on a short-term basis only and spread these over several investments.

The Group's principal financial assets are loans and receivables, available for sale assets, other receivables, investments, cash and cash equivalents. The maximum exposure of the Group to the credit risk is the carrying amount of each class of financial assets.

No significant credit risk is recognised in respect of other receivables and cash and cash equivalents. Credit risk on cash and cash equivalents is minimised as the Group primarily banks with institutions with a credit rating in excess of B as follows:

	2013	2012
	£	£
Amounts held with a credit rating of A or above	**1,225,327**	526,152
Amounts held with a credit rating of B or above	**433,715**	1,049,128
Amounts held with a credit rating less than B	**-**	-
Cash and cash equivalents as at 31 December	**1,659,042**	1,575,280

The Group's credit risk is primarily attributable to loans and receivables and available for sale assets from third parties. The Board monitors each balance according to the individual characteristics of each project, and when necessary consults with an outsourced real estate consultant to evaluate whether there is any impairment. There is currently no credit risk on investment loans which have been provided for in full and receivables are due within one year and no amounts are overdue.

vi. Credit risk exposure

In summary, compared to the amounts in the Consolidated Statement of Financial Position, the maximum exposure to credit risk at 31 December 2013 was as follows:

	2013		2012	
	Statement of financial position	**Maximum exposure**	Statement of financial position	Maximum exposure
Non-current assets	**£**	**£**	£	£
Cash	1,659,042	1,659,042	1,575,280	1,575,280
Available for sale assets	153,665	153,665	603,088	603,088
	1,812,707	**1,812,707**	2,178,368	2,178,368

The available for sale assets are carried at fair value and hence the amounts in the table above reflect the maximum exposure to this risk.

15. Events after the reporting period

On 20 December 2013, the board approved the sale of the Company’s subsidiary BSPF Tcherno More EAD which in turn owns Evergreen, Sofia for a price of Euro 1,250,000. The sale completed on 22 January 2014.

15. Events after the reporting period (continued)

There have been no other significant events since 31 December 2013 which affect the financial position or performance as disclosed in these financial statements.

16. Special dividend

No dividends have been paid or declared by the Company to ordinary shareholders for the year ended 31 December 2013 (2012: £2,663,912).

17. Related Party Transaction

The key management personnel costs paid are disclosed in Note 3. As at 31 December 2013 there were no unpaid amounts.

18. Directors' Interests

Total compensation paid to the Directors during the period was £121,654 (2012: £121,291).

Mr Stephen Coe currently holds 45,000 ordinary shares in The Black Sea Property Fund Limited, which represents less than 0.1% of the issued share capital. No other current Director has an interest in the share capital of the Group.

19. Ultimate controlling party

The Directors consider that there is no controlling or ultimate controlling party of the Company.

20. Company Domicile

The Black Sea Property Fund Limited is a company domiciled in Jersey, Channel Islands.

Corporate information

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