

**THE BLACK SEA PROPERTY FUND LIMITED**

**Interim Report and Consolidated Financial Statements**

**for the period ended 30 June 2014**

**THE BLACK SEA PROPERTY FUND LIMITED**  
**Interim Report and Consolidated Financial Statements for the period ended 30 June 2014**

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**THE BLACK SEA PROPERTY FUND LIMITED**  
**Interim Report and Consolidated Financial Statements for the period ended 30 June 2014**

**Chairman's Statement**

Dear Shareholders,

In accordance with the shareholder vote in June 2012, the Black Sea board has liquidated all of the Company's assets and returned the net proceeds to shareholders. As of the date of this report, the sole asset remaining in the Company is cash sufficient to meet the Company's remaining obligations and pay for its liquidation. There will consequently be no further material distributions. We had expected that by now we would have sent shareholders a circular with plans for a voluntary liquidation, but earlier this year the shareholder base changed and it appears that a sizeable part of the shareholder base wishes to continue the Company as a vehicle for new investments in Bulgaria. Pending regulatory approval, I expect that you will soon receive a circular setting forth alternative plans for the Company's future. I might point out that most of the current board, our Bulgarian staff, administrator and Nomad will not be involved in this possible reincarnation of Black Sea.

A number of people and firms have been helpful and loyal over the years, our lawyers in London and Jersey, Aaron Stocks of Travers Smith LLP and Mark Chambers of Mourant Ozannes, our Nomad, N+1 Singer, our administrator, Saltgate, and Steve Coe, who is a Company director but has effectively functioned as our Chief Financial Officer. But I would especially like to thank and recognize the contributions of our staff in Sofia, Peter Todorov, Ralitsa Yanchovichina and Theodora Popova, who through their loyalty and diligence delivered the best possible result for our shareholders given the constraints we had. I wish Peter, Ralitsa and Teddy the best of luck in their future endeavours.

Very truly yours,

John D. Chapman  
Chairman  
The Black Sea Property Fund Limited  
30 September 2014

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**Consolidated Statement of Comprehensive Income**

	(Unaudited) 6 months to 30 June 2014	(Unaudited) 6 months to 30 June 2013	(Audited) Year to 31 Dec 2013
Notes	£	£	£
<b>Total revenue</b>			
Gain on disposal of investment property	564,446	38,576	290,533
Loss on revaluation of investment property	(114,700)	(31,026)	(487,099)
<b>Net gain/(loss) on investment property</b>	<b>449,746</b>	<b>7,550</b>	<b>(196,566)</b>
<b>Operating expenses</b>			
Impairment of available for sale assets	-	(85,392)	(412,953)
Other operating expenses	(416,892)	(309,540)	(750,934)
Foreign exchange losses	(475)	(2,835)	(1,077)
<b>Total operating expenses</b>	<b>(417,367)</b>	<b>(397,767)</b>	<b>(1,164,964)</b>
<b>Operating gain/(loss) before interest and tax</b>	<b>32,379</b>	<b>(390,217)</b>	<b>(1,361,530)</b>
Bank interest receivable	1,429	31,174	62,164
Bank charges and interest payable	(1,751)	(1,235)	(3,130)
<b>Gain/(loss) before tax</b>	<b>32,057</b>	<b>(360,278)</b>	<b>(1,302,496)</b>
Tax expense	-	-	(102,214)
<b>Gain/(loss) for the period after tax</b>	<b>32,057</b>	<b>(360,278)</b>	<b>(1,404,710)</b>
<b>Other comprehensive income</b>			
Gain on translation of foreign operations	-	106,243	113,547
<b>Total comprehensive gain/(loss) in period</b>	<b>32,057</b>	<b>(254,035)</b>	<b>(1,291,163)</b>
<b>Gain/loss per share</b>			
Basic and Diluted loss per share (pence)	0.02	(0.17)	(0.66)

All gains/(losses) for the period and total comprehensive losses are attributable to the owners of the parent.

The notes on pages 7 to 11 are an integral part of these Consolidated Financial Statements.

**THE BLACK SEA PROPERTY FUND LIMITED**  
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**Consolidated Statement of Financial Position**

		(Unaudited) 30 June 2014	(Unaudited) 30 June 2013	(Audited) 31 Dec 2013
	<i>Notes</i>	£	£	£
<b>Non-current assets</b>				
Investment properties	5(a)	-	2,216,882	-
Available for sale assets	5(b)	-	463,295	-
		<u>-</u>	<u>2,680,177</u>	<u>-</u>
<b>Current assets</b>				
Other receivables		30,971	31,202	35,062
Cash and cash equivalents		781,945	1,513,316	1,659,042
		<u>812,916</u>	<u>1,544,518</u>	<u>1,694,104</u>
<b>Assets in disposal groups classified as held for sale</b>		100,160	-	1,606,548
<b>Total assets</b>		<u>913,076</u>	<u>4,224,695</u>	<u>3,300,652</u>
<b>Equity and liabilities</b>				
Issued share capital		46,478,064	46,478,064	46,478,064
Retained deficit		(44,115,286)	(40,737,358)	(41,781,790)
Foreign exchange reserve		(1,559,748)	(1,549,636)	(1,542,332)
<b>Total equity</b>		<u>803,030</u>	<u>4,191,070</u>	<u>3,153,942</u>
<b>Liabilities</b>				
Other payables		110,046	33,625	44,496
Tax payable		-	-	102,214
		<u>110,046</u>	<u>33,625</u>	<u>146,710</u>
<b>Total equity and liabilities</b>		<u>913,076</u>	<u>4,224,695</u>	<u>3,300,652</u>
<b>Number of ordinary shares in issue</b>	6	213,112,896	213,112,896	213,112,896
<b>NAV per ordinary share (pence)</b>	6	0.4	2.0	1.5

The financial statements on pages 4 to 11 were approved and authorised for issue by the Board of Directors on 30 September 2014 and were signed on its behalf by:

**Antony Gardner-Hillman**

**Director**

**Andrew Wignall**

**Director**

The notes on pages 7 to 11 are an integral part of these Consolidated Financial Statements.

**THE BLACK SEA PROPERTY FUND LIMITED**  
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**Consolidated Statement of Changes in Equity**

	Share capital	Retained deficit	Foreign exchange reserve	Total
	£	£	£	£
<b>At 1 January 2014</b>	<b>46,478,064</b>	<b>(41,781,790)</b>	<b>(1,542,332)</b>	<b>3,153,942</b>
Profit for the six month period	-	32,057	-	32,057
Other comprehensive income	-	-	(17,416)	(17,416)
Transactions with owners - Special dividend (Note 7)	-	(2,365,553)	-	(2,365,553)
<b>At 30 June 2014</b>	<b><u>46,478,064</u></b>	<b><u>(44,115,286)</u></b>	<b><u>(1,559,748)</u></b>	<b><u>803,030</u></b>
<b>At 1 January 2013</b>	46,478,064	(40,377,080)	(1,655,879)	4,445,105
Loss for the six month period	-	(360,278)	-	(360,278)
Other comprehensive income	-	-	106,243	106,243
<b>At 30 June 2013</b>	<b><u>46,478,064</u></b>	<b><u>(40,737,358)</u></b>	<b><u>(1,549,636)</u></b>	<b><u>4,191,070</u></b>
<b>At 1 January 2013</b>	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
<b>At 31 December 2013</b>	<b><u>46,478,064</u></b>	<b><u>(41,781,790)</u></b>	<b><u>(1,542,332)</u></b>	<b><u>3,153,942</u></b>

The notes on pages 7 to 11 are an integral part of these Consolidated Financial Statements.

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**Consolidated Statement of Cashflows**

	<b>(Unaudited)</b> <b>6 months to</b> <b>30 June 2014</b>	(Unaudited) 6 months to 30 June 2013	(Audited) Year to 31 Dec 2013
<i>Notes</i>	£	£	£
<b>Operating activities</b>			
Gain/(loss) for the period after tax	<b>32,057</b>	(360,278)	(1,404,710)
Gain on disposal of investment property	<b>(564,446)</b>	(38,576)	(290,533)
Revaluation of investment property	-	31,026	487,099
Loss in fair value of held for sale assets	<b>114,700</b>	-	-
Impairment of available for sale assets	-	85,392	412,953
Foreign exchange losses	<b>475</b>	2,835	1,077
Interest received	<b>(1,429)</b>	(31,174)	(62,164)
Finance expense	<b>1,751</b>	1,235	3,130
Tax expense	-	-	102,214
<b>Movement in net cash outflow from operating activities</b>	<b>(416,892)</b>	(309,540)	(750,934)
Decrease in other receivables	<b>4,091</b>	20,275	16,415
Increase/(decrease) in other payables	<b>65,551</b>	(8,812)	2,059
<b>Net cash outflow from operating activities</b>	<b>(347,250)</b>	(298,077)	(732,460)
<b>Investing activities</b>			
Proceeds on disposal of investment property	-	146,764	674,608
Cash received on available for sale assets	<b>1,845,862</b>	116,622	114,657
<b>Net cash inflow from investing activities</b>	<b>1,845,862</b>	263,386	789,265
<b>Financing activities</b>			
Interest received	<b>1,429</b>	1,020	1,855
Interest paid	<b>(1,751)</b>	(1,235)	(3,130)
Special dividend	<b>(2,365,553)</b>	-	-
<b>Net cash outflow from financing activities</b>	<b>(2,365,875)</b>	(215)	(1,275)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(867,263)</b>	(34,906)	55,530
<b>Cash and cash equivalents at beginning of period</b>	<b>1,659,042</b>	1,575,280	1,575,280
Effect of foreign exchange rates	<b>(9,834)</b>	(27,058)	28,232
<b>Cash and cash equivalents at end of period</b>	<b>781,945</b>	1,513,316	1,659,042

The notes on pages 7 to 11 are an integral part of these Consolidated Financial Statements.

**THE BLACK SEA PROPERTY FUND LIMITED**  
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**Notes to the Consolidated Interim Financial Statements**

**1. Accounting policies**

**Basis of preparation**

The Black Sea Property Fund Limited (the 'Company') is a company domiciled in Jersey, Channel Islands.

The consolidated interim financial statements of the Company for the period ended 30 June 2014 comprise the financial statements of the Company and its subsidiaries (together, the 'Group') and have been prepared in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

The consolidated interim financial statements do not include all of the information and disclosures required for full annual financial statements.

They should be read in conjunction with the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union. The annual financial statements are available to download from [www.blackseapropertyfund.com](http://www.blackseapropertyfund.com).

The accounting policies applied by the Group in preparing the consolidated interim financial statements for the period ended 30 June 2014 are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2013 and are consistent with those that will be applied by the Group in its consolidated financial statements for the year ended 31 December 2014.

The consolidated interim financial statements for the current and comparative period 30 June 2013 are unaudited. The comparatives for 31 December 2013 are audited and received an unqualified opinion. Without qualifying the 31 December 2013 audit opinion, the auditors raised a matter of emphasis in relation to going concern.

With respect to the Company's ability to continue as a going concern, 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 prior to 30 June 2014. Following the period end, the Company disposed of its final asset, and the Directors have been in discussions regarding the future of the Company.

Following this special resolution the Company's strategy has sought an orderly disposal programme of the Group's assets and return of 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. This is consistent with policies applied by the Group in preparing the consolidated audited consolidated financial statements for the year ended 31 December 2013 which reduced the carrying value of the Group's investment properties and available for sale assets.



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**Notes to the Consolidated Financial Statements (continued)**

**2. Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies 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.

**3. 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 per cent. Additionally, Jersey does not levy tax on capital gains.

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

***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 2014 is 10 per cent (2013: 10 per cent).

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.

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**Notes to the Consolidated Financial Statements (continued)**

**4. Earnings per share**

	<b>Six months to 30 June 2014</b>	Six months to 30 June 2013	Year to 31 Dec 2013
	£	£	£
Gain/(loss) for the period	<b>32,057</b>	(360,278)	(1,291,163)
Weighted average no. of ordinary shares	<b>213,112,896</b>	213,112,896	213,112,896
Diluted no. of ordinary shares	<b>213,112,896</b>	213,112,896	213,112,896
Gain/(loss) per ordinary share (pence)	<b>0.02</b>	(0.17)	(0.66)

The gain/(loss) per ordinary share is based on the gain/(loss) for the period and on the weighted average number of ordinary shares in issue.

The diluted gain/(loss) per ordinary share was based on the gain/(loss) for the period and the diluted number of ordinary shares in issue. There is no difference between diluted and undiluted gain/(loss) per share as there are no share options.

**5. Investing activities**

The Group's held for sale asset relates to freehold land at Borovets Lakes.

**(a) Investment property**

	<b>Valuation</b>		<b>Valuation</b>		<b>Valuation</b>	
	<b>30 June 2014</b>		<b>30 June 2013</b>		<b>31 Dec 2013</b>	
	€	£	€	£	€	£
Borovets Lakes	125,000	100,160	613,461	524,900	268,146	223,843
Byala	-	-	608,532	520,682	222,292	185,565
Evergreen	-	-	1,064,784	911,069	1,250,000	1,043,475
Nikea Park	-	-	304,137	260,231	-	-
	<b>125,000</b>	<b>100,160</b>	<b>2,590,914</b>	<b>2,216,882</b>	<b>1,740,438</b>	<b>1,452,883</b>

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 prior to 30 June 2014.

As a result of the change in strategy in 2012, the basis of the investment property valuations was revised to take into account the limited time frame that the Group then had to realise its assets. This resulted in significant discounts (80% at Borovetz Lakes and Byala, 50% at Evergreen, and 35% at Nikea Park). As at 30 June 2014, the last remaining property was valued at the price that it was sold for following the period end.

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**Notes to the Consolidated Financial Statements (continued)**

**5. Investing activities (continued)**

**(b) Available for sale financial assets**

	<b>30 June 2014</b>	30 June 2013	31 Dec 2013
	£	£	£
At 1 January	-	603,088	603,088
Cash receipts on sale of AFS assets	-	(116,622)	(114,657)
Notional interest receivable	-	30,154	60,309
Movement in fair value on AFS assets	-	32,067	17,878
Impairment of AFS assets	-	(85,392)	(412,953)
Transferred to held for sale financial assets	-	-	(153,665)
	<u>-</u>	<u>463,295</u>	<u>-</u>

**(c) Held for sale financial assets**

		<b>30-Jun-14</b>	30-Jun-13	31-Dec-13
	<i>Notes</i>	£	£	£
Investment properties		-	-	1,452,833
Available for sale assets	5(a)	<u>100,160</u>	-	<u>153,665</u>
		<u>100,160</u>	-	<u>1,606,548</u>

**6. Net asset value per share**

	<b>30 June 2014</b>	30 June 2013	31 Dec 2013
	£	£	£
Total equity	<u>803,029</u>	<u>4,191,070</u>	<u>3,300,652</u>
Number of ordinary shares	<b>213,112,896</b>	213,112,896	213,112,896
Net asset value per ordinary share (pence)	<b>0.4</b>	2.0	1.5

The net asset value per ordinary share is based on the net assets attributable to ordinary shareholders, divided by the number of outstanding ordinary shares in issue at the period/year end.

**7. Special dividend**

On 13 June 2014, the Company paid a special dividend to ordinary shareholders of £2,365,553 in accordance with Article 115 of Companies (Jersey) Law 1991.

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**Notes to the Consolidated Interim Financial Statements (continued)**

**8. 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 5).

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

**9. Events after the reporting period**

On 5 August 2014, the Company paid a special dividend to ordinary shareholders of £319,669.34 in accordance with Article 115 of Companies (Jersey) Law 1991.

On 11 July 2014 the Company sold its last remaining asset known as Borovetz Lakes for a total sales price of £106,160 (€125,000).

**THE BLACK SEA PROPERTY FUND LIMITED**  
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**Corporate Information**

**Registered office**

1 Waverley Place  
Union Street  
St. Helier  
Jersey  
JE1 1SG

**Registrar**

Capita Registrars (Jersey) Limited  
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St. Helier  
Jersey, Channel Islands  
JE2 3RT

**Administrator**

Saltgate Limited  
1 Waverley Place  
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Jersey JE1 1SG

**Property Investment Advisor**

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Bulgaria

**Nominated Advisor & Broker**

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**Auditors of the Company & Group**

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**Investment Valuer**

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