

The Black Sea Property Fund Limited

("Black Sea" or the "Company")

Interim Report and Consolidated Financial Statements for the six month period ended 30 June 2015

Chairman's Statement

I am pleased to present the unaudited interim financial statements of the Company for the six months ended 30 June 2015. The unaudited net asset value as at 30 June 2015 was (£54,161) or (0.03) pence per share (30 June 2014: £803,030 or 0.4 pence per share).

During the period, following the changes in the composition of the Board and of its shareholder base with three significant new investors, the Company received shareholder approval at an Extraordinary General Meeting held on 10 April 2015 for the adoption of a new investing policy to recommence investment activities in the Bulgarian real estate market (residential real estate, holiday homes, commercial real estate and distressed real estate markets) and, in May 2015, the approval of the Jersey Financial Services Commission.

Subsequent to the period end, on 15 July 2015, the Company announced completion of the raising of £1,520,000 before expenses by means of a placing of new ordinary shares at 1p per share, the net proceeds of which are to be applied to acquire property assets in Bulgaria in accordance with the Company's investing policy and for general working capital purposes. As the Company had not implemented its investing policy by 16 July 2015, being 12 months after the disposal of the last of its assets, trading in the Company's shares on AIM was suspended. Once the Company has implemented its investing policy, the Company will apply for the suspension to be lifted. If the investing policy has not been implemented within six months of the suspension, being 16 January 2016, the admission of the Company's shares to AIM will be cancelled and the Directors will convene a general meeting of Shareholders to consider whether to continue seeking investment opportunities or to wind up the Company and distribute any surplus cash back to Shareholders.

On 15 July 2015 the Company announced the appointment of BLD Asset Management EOOD ("BLD") as investment adviser with responsibility for advising on the investment of the Company's property portfolio. AG Capital, through its wholly owned subsidiary, Mamferay Holdings Limited ("Mamferay"), holds 28.54% of the issued share capital of the Company, and indirectly holds 90% of the issued share capital of BLD. The Company had previously announced on 29 January 2015 that it had entered into a loan agreement with Mamferay to provide the Company with an unsecured interest-bearing and convertible loan of up to £350,000 in order to fund the current running costs of the Company of which £100,000 has been drawn down.

On 3 February 2015 the Company announced the appointment of Yordan Naydenov as a non-executive Director. Mr Naydenov is a partner with the law firm Boyanov & Co, Sofia, where he is head of the Corporate and the M&A practice group. On 6 May 2015, the Company announced with great sadness the sudden death of Trevor Hunt, who had joined me as a non-executive Director in December 2014, and who had made a significant contribution to the Company since his appointment. The Company is seeking to appoint a further Jersey-based director in the near future.

We believe that there are now positive trends in the Bulgarian real estate sector with opportunities for the Company to acquire assets in line with our investing policy following the recent fund raising, which we expect will result in the restoration of trading in the Company's shares on AIM later this year.

Alex Borrelli
Chairman

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THE BLACK SEA PROPERTY FUND LIMITED
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Consolidated Statement of Comprehensive Income

		(Unaudited) 6 months to 30 June 2015	(Unaudited) 6 months to 30 June 2014	(Audited) Year to 31 Dec 2014
	Notes	£	£	£
Total revenue				
Gain on disposal of investment property		-	564,446	573,928
Loss on revaluation of investment property		-	(114,700)	-
Net gain on investment property		<u>-</u>	<u>449,746</u>	<u>573,928</u>
Operating expenses				
Other operating expenses		(232,931)	(416,892)	(689,838)
Foreign exchange gains/(losses)		417	(475)	(5,864)
Total operating expenses		<u>(232,514)</u>	<u>(417,367)</u>	<u>(695,702)</u>
Operating (loss)/gain before interest and tax		(232,514)	32,379	(121,774)
Bank interest receivable		800	1,429	20,997
Bank charges and interest payable	6	(1,461)	(1,751)	(2,343)
(Loss)/gain before tax		<u>(233,175)</u>	<u>32,057</u>	<u>(103,120)</u>
Tax expense	3	-	-	-
(Loss)/gain from continuing operations		<u>(233,175)</u>	<u>32,057</u>	<u>(103,120)</u>
Profit from discontinued operations		-	-	18,257
(Loss)/gain for the period after tax		<u>(233,175)</u>	<u>32,057</u>	<u>(84,863)</u>
Other comprehensive income				
Items that may be reclassified to profit or loss				
Losses on translation of foreign operations		(8,911)	-	(195,932)
Recycle of cumulative losses in foreign exchange reserve for discontinued operations		-	-	(432,250)
Total comprehensive (loss)/gain in period		<u>(242,086)</u>	<u>32,057</u>	<u>(713,045)</u>
Gain/loss per share				
Basic and Diluted (loss)/gain per share (pence)	4	(0.11)	0.02	(0.04)

Consolidated Statement of Financial Position

		(Unaudited) 30 June 2015	(Unaudited) 30 June 2014	(Audited) 31 Dec 2014
	Notes	£	£	£
Current assets				
Other receivables		24,346	30,971	20,283
Cash and cash equivalents		67,012	781,945	220,424
		<u>91,358</u>	<u>812,916</u>	<u>240,707</u>
Assets in disposal groups classified as held for sale	5	-	100,160	-
Total assets		<u><u>91,358</u></u>	<u><u>913,076</u></u>	<u><u>240,707</u></u>
Equity and liabilities				
Issued share capital		46,478,064	46,478,064	46,478,064
Retained deficit		(45,217,300)	(44,115,286)	(44,984,125)
Foreign exchange reserve		(1,314,925)	(1,559,748)	(1,306,014)
Total equity		<u>(54,161)</u>	<u>803,030</u>	<u>187,925</u>
Liabilities				
Other payables		44,473	110,046	52,782
Loan payable	6	101,046	-	-
		<u>145,519</u>	<u>110,046</u>	<u>52,782</u>
Total equity and liabilities		<u><u>91,358</u></u>	<u><u>913,076</u></u>	<u><u>240,707</u></u>
Number of ordinary shares in issue	7	213,112,896	213,112,896	213,112,896
NAV per ordinary share (pence)	7	(0.03)	0.4	0.1

Consolidated Statement of Changes in Equity

	Share capital £	Retained deficit £	Foreign exchange reserve £	Total £
At 1 January 2015	46,478,064	(44,984,125)	(1,306,014)	187,925
Loss for the six month period	-	(233,175)	-	(233,175)
Other comprehensive income	-	-	(8,911)	(8,911)
At 30 June 2015	<u>46,478,064</u>	<u>(45,217,300)</u>	<u>(1,314,925)</u>	<u>(54,161)</u>
At 1 January 2014	46,478,064	(41,781,790)	(1,542,332)	3,153,942
Profit for the six month period	-	32,057	-	32,057
Other comprehensive income	-	-	(17,416)	(17,416)
Transactions with owners - Special dividend (Note 8)	-	(2,365,553)	-	(2,365,553)
At 30 June 2014	<u>46,478,064</u>	<u>(44,115,286)</u>	<u>(1,559,748)</u>	<u>803,030</u>
At 1 January 2014	46,478,064	(41,781,790)	(1,542,332)	3,153,942
Loss for the year	-	(84,863)	-	(84,863)
Other comprehensive income	-	-	(195,932)	(195,932)
Recycle of cumulative losses in foreign exchange reserve for discontinued operations	-	(432,250)	432,250	-
Transactions with owners - Special dividend (Note 8)	-	(2,685,222)	-	(2,685,222)
At 31 December 2014	<u>46,478,064</u>	<u>(44,984,125)</u>	<u>(1,306,014)</u>	<u>187,925</u>

Consolidated Statement of Cash Flows

	(Unaudited) 6 months to 30 June 2015	(Unaudited) 6 months to 30 June 2014	(Audited) Year to 31 Dec 2014
Notes	£	£	£
Operating activities			
(Loss)/gain from continuing operations	(233,175)	32,057	(103,120)
Profit from discontinued operations	-	-	18,257
Gain on disposal of investment property	-	(564,446)	(573,928)
Loss in fair value of held for sale assets	-	114,700	-
Foreign exchange (gains)/losses	(417)	475	5,864
Interest received	(800)	(1,429)	(20,997)
Finance expense	6 1,461	1,751	2,343
Movement in net cash outflow from operating activities	(232,931)	(416,892)	(671,581)
(Increase)/decrease in other receivables	(4,063)	4,091	14,779
(Decrease)/increase in other payables	(8,309)	65,551	8,286
	(245,303)	(347,250)	(648,516)
Withholding tax paid	-	-	(101,695)
Net cash outflow from operating activities	(245,303)	(347,250)	(750,211)
Investing activities			
Proceeds on disposal of subsidiaries	-	-	1,213,412
Cash received on available for sale assets	-	1,845,862	-
Cash received on held for sale assets	-	-	900,106
Net cash inflow from investing activities	-	1,845,862	2,023,518
Financing activities			
Interest received	800	1,429	20,997
Interest paid	(415)	(1,751)	(2,343)
Special dividend	8 -	(2,365,553)	(2,685,222)
Loans received	6 100,000	-	-
Net cash inflow/(outflow) from financing activities	100,385	(2,365,875)	(2,666,568)
Net decrease in cash and cash equivalents	(144,918)	(867,263)	(1,393,261)
Cash and cash equivalents at beginning of period	220,424	1,659,042	1,659,042
Effect of foreign exchange rates	(8,494)	(9,834)	(45,357)
Cash and cash equivalents at end of period	67,012	781,945	220,424

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 six month period ended 30 June 2015 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 2014, 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.

The accounting policies applied by the Group in preparing the consolidated interim financial statements for the period ended 30 June 2015 are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2014 and are consistent with those that will be applied by the Group in its consolidated financial statements for the year ended 31 December 2015.

The consolidated interim financial statements for the current and comparative period 30 June 2014 are unaudited. The comparatives for 31 December 2014 are audited and received an unqualified opinion. Without qualifying the 31 December 2014 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, at the Extraordinary General Meeting of the Company on 10 April 2015, the Shareholders passed the resolution to extend the life of the Company to 31 December 2021.

During May 2015, the Company received approval from the Jersey Financial Services Commission for its proposals to amend its investing policy in order to invest the Company's resources in the Bulgarian real estate market in accordance with the new investing policy as set out in the circular to Shareholders dated 13 March 2015.

On 31 July 2015, the Company announced the completion of a placing of 152,000,000 new ordinary shares (the "Placing Shares") at 1p per share, raising £1,520,000 before expenses. Following the issue of the Placing Shares, the Company's total issued share capital is 365,112,896 ordinary shares.

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.

Investment property

There were no investment properties held at the period end. The valuations for the period ended 30 June 2014 determined by the Directors were based upon approved sales values.

Borovetz Lakes

On 27 June 2014, the Fund approved the sale of the Company's subsidiary BSPF Project 4 EAD which in turn owns Borovetz Lakes for a price of Euro 125,000. The sale completed on 15 July 2014.

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 2015 is 10 per cent (2014: 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.

4. Earnings per share

	Six months to 30 June 2015	Six months to 30 June 2014	Year to 31 Dec 2013
	£	£	£
(Loss)/gain for the period	(233,175)	32,057	(84,863)
Weighted average no. of ordinary shares	213,112,896	213,112,896	213,112,896
Diluted no. of ordinary shares	213,112,896	213,112,896	213,112,896
(Loss)/gain per ordinary share (pence)	(0.11)	0.02	(0.04)

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

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

5. Investing activities

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

Investment property – Held for sale financial assets

	Valuation 30 June 2015		Valuation 30 June 2014		Valuation 31 Dec 2014	
	€	£	€	£	€	£
Borovets Lakes	-	-	125,000	100,160	-	-
	-	-	125,000	100,160	-	-

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. As at 30 June 2014, the last remaining property was valued at the price that it was sold for following the period end.

6. Loans payable

During the period the Company was provided with an unsecured loan facility of £350,000 from Mamferay Holdings Limited. The loan bears an interest rate of 3 months' Euribor plus 2.5% per annum over the utilised portion of the loan. At the period end date, the Company had drawn down £100,000 of the loan facility and accrued interest payable for the period was £1,046.

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Notes to the Consolidated Financial Statements (continued)

7. Net asset value per share

	30 June 2015	30 June 2014	31 Dec 2014
	£	£	£
Total equity	(54,161)	803,029	240,707
Number of ordinary shares	213,112,896	213,112,896	213,112,896
Net asset value per ordinary share (pence)	(0.03)	0.4	0.1

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.

8. Special dividends

On 18 June 2014 and 5 August 2014, the Company paid special dividends to ordinary shareholders of £2,365,553 or 1.11 pence per share and £319,669 or 0.15 pence per share in accordance with Article 115 of Companies (Jersey) Law 1991.

9. 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.

10. Events after the reporting period

On 31 July 2015, the Company announced the completion of a placing of 152,000,000 new ordinary shares (the "Placing Shares") at 1p per share, raising £1,520,000 before expenses. Following the issue of the Placing Shares, the Company's total issued share capital is 365,112,896 ordinary shares.