

THE BLACK SEA PROPERTY FUND LIMITED

Interim Report and Consolidated Financial Statements

for the period ended 30 June 2012

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

TABLE OF CONTENTS

	<u>Pages</u>
Chairman's Statement	2
Independent Review Report	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cashflows	7
Notes to the Consolidated Interim Financial Statements	8 to 13
Corporate Information	14

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Chairman's Statement

Dear Shareholders,

As I noted in my letter to you dated 7 June 2012, we have continued successfully to sell completed units at Nikea and consequently expect to be able to announce a distribution in the fourth quarter of this year. During the first six months of 2012 net cash proceeds from apartments sold totalled £541,000. There have been twelve further apartment sales at Nikea since 30 June 2012 and there are twenty-seven apartment sales in the pipeline for Nikea and Obzor (reservations and preliminary contracts). There have been a small number of apartment sales at Obzor and by year end, we will be entitled to take possession of the remaining unsold units. Ahead of that, we have been working on a plan to try to duplicate our sales success at Nikea. Assuming the current rate of sales continues, we are hopeful that by the end of 2013 we will have converted the majority of our inventory at Nikea and Obzor into cash. Our other assets, Evergreen, Byala and Borovets, are undeveloped land and remain virtually unsalable in the current market. Earlier this year, we retained Colliers, a leading global property marketing and advisory firm, to sell Evergreen. Despite their strong Bulgarian presence, they have so far been unsuccessful in their efforts to sell Evergreen. Unfortunately, as has been the case for several years, there remains no real market for large tracts of vacant Bulgarian land for development.

Byala and Borovets are included at a valuation of Euro 7.05m (2.7p per share). We are not aware of any recent transactions which we could use to benchmark the valuation of these assets. Accordingly we have continued to adopt the valuations that were prepared at the year end by our valuers. The lack of liquidity in capital markets also means that it may be difficult to achieve the successful sale of our remaining investment properties during the life of the Company.

Net asset value per share at the period end was 6.4 pence per share compared with 7.0 pence at the year end reflecting the impairment of valuations of Nikea and Obzor (to reflect current selling prices) and the costs of running the Group.

We expect our annual cash running expenses for 2012 to be around £500,000. About twenty-five percent of that figure reflects the costs of owning and managing our portfolio and encompasses our local costs in Bulgaria, including local taxes, staff and local directors for our six local companies, office rent and other expenses, and fees for two non-resident directors. The remaining seventy-five percent primarily reflects the costs of being a public company in a regulated jurisdiction. These expenses include the costs of administration, IFRS audits and accounting for our parent company in Jersey and our six subsidiaries in Bulgaria, valuation fees, listing, NOMAD and broker fees, legal fees, and fees for two local directors as required by Jersey law. Given the steps we have taken over the years to reduce costs, which this year includes dispensing with semi-annual external valuations, I do not believe it is possible to reduce materially our fee structure further so long as we remain a public company in a regulated jurisdiction – and that is a legal status that offers legal protections a significant number of our shareholders want.

The reality of Black Sea is difficult, but that reality is entirely a reflection of investment decisions that predated the current board and a country and sector that has not delivered the growth predicted when the investment decisions were made. We have always been forthright about this reality and endeavored to control that which we can control. Our plan, as set forth in my letters to you of 7 June 2012 and 2 December 2011, is to continue selling units at Nikea and Obzor, returning excess cash from those sales, and continuing to market directly and through agents the Company's remaining assets. Prior to 31 December 2014, we will put to shareholders a special resolution that a liquidator be appointed and the Company be wound up.

From time to time certain shareholders and opportunistic third parties claim other management arrangements would improve the situation. We do not believe that this point of view is realistic or based on a correct understanding of the facts. Rather than debate these proposals, we suggest that any shareholder or third party who believes he can do better makes a reasonable bid to buy out the other shareholders, delists the Company and runs it as he sees fit. We are also willing to offer the same brokerage arrangement we offered Colliers for the successful sale of our three large assets or a bulk purchase of the Nikea or Obzor units. Persons who are interested in this opportunity may contact me directly.

I look forward to writing to you again at year end.

Respectfully yours,

John D. Chapman
Chairman
The Black Sea Property Fund Limited

28 September 2012

Independent Review Report to the Shareholders of The Black Sea Property Fund Limited

Introduction

We have been engaged by the company to review the set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises 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.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

*Geraint Jones
For and on behalf of BDO LLP
Chartered Accountants
55 Baker Street
London
W1U 7EU
United Kingdom*

28 September 2012

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

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Consolidated Statement of Comprehensive Income

		(Unaudited) 6 months to 30 June 2012	(Unaudited) 6 months to 30 June 2011	(Audited) Year to 31 Dec 2011
	Notes	£	£	£
Total revenue				
(Loss)/gain on disposal of investment property		(32,835)	-	6,215
Revaluation of investment property		(203,973)	(8,560)	(432,737)
Net loss on investment property		<u>(236,808)</u>	<u>(8,560)</u>	<u>(426,522)</u>
Operating (expenses)/income				
Other operating expenses		(277,415)	(403,318)	(794,147)
Depreciation of plant and equipment		(26,960)	(4,773)	(53,921)
Foreign exchange gains/(losses)		159	431,730	(60,952)
Impairment of available for sale assets		(1,280,897)	-	-
Total operating (expenses)/income		<u>(1,585,113)</u>	<u>23,639</u>	<u>(909,020)</u>
Operating (loss)/profit before interest and tax		(1,821,921)	15,079	(1,335,542)
Bank interest receivable		93,444	118,856	242,017
Bank charges and interest payable		(1,776)	(1,467)	(4,097)
(Loss)/profit before tax		<u>(1,730,253)</u>	<u>132,468</u>	<u>(1,097,622)</u>
Tax expense	3	-	(110,120)	-
(Loss)/profit for the period after tax		<u>(1,730,253)</u>	<u>22,348</u>	<u>(1,097,622)</u>
Other comprehensive income				
(Loss)/gain in fair value of available for sale assets	5(c)	-	121,973	(169,678)
(Loss)/gain on translation of foreign operations		(210,194)	350,125	(320,488)
Recycle of cumulative losses in fair value of available for sale assets		644,425	-	-
Total comprehensive (loss)/income in period		<u>(1,296,022)</u>	<u>494,446</u>	<u>(1,587,788)</u>
(Loss)/earnings per share				
Basic (loss)/earnings per share (pence)	4	(0.81)	0.01	(0.52)
Diluted (loss)/earnings per share (pence)	4	(0.81)	0.01	(0.52)

All losses for the period and total comprehensive income are attributable to the owners of the parent.

The notes on pages 8 to 13 are an integral part of these Consolidated Financial Statements.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Consolidated Statement of Financial Position as at 30 June 2012

		(Unaudited) 30 June 2012	(Unaudited) 30 June 2011	(Audited) 31 Dec 2011
	Notes	£	£	£
Non-current assets				
Plant and equipment		26,961	103,653	53,921
Investment properties	5(a)	8,870,445	11,179,959	9,883,370
Available for sale assets	5(c)	1,190,728	2,104,423	1,830,328
		<u>10,088,134</u>	<u>13,388,035</u>	<u>11,767,619</u>
Current assets				
Other receivables		78,467	359,019	74,226
Cash and cash equivalents		3,466,873	5,567,288	3,132,519
		<u>3,545,340</u>	<u>5,926,307</u>	<u>3,206,745</u>
Total assets		<u>13,633,474</u>	<u>19,314,342</u>	<u>14,974,364</u>
Equity and liabilities				
Issued share capital		46,478,064	46,478,064	46,478,064
Retained deficit		(31,316,191)	(26,334,838)	(29,585,938)
Foreign exchange reserve		(1,575,534)	(694,727)	(1,365,340)
Available for sale reserve		-	(352,774)	(644,425)
Total equity		<u>13,586,339</u>	<u>19,095,725</u>	<u>14,882,361</u>
Liabilities				
Other payables		47,135	108,517	92,003
Tax payable		-	110,100	-
		<u>47,135</u>	<u>218,617</u>	<u>92,003</u>
Total equity and liabilities		<u>13,633,474</u>	<u>19,314,342</u>	<u>14,974,364</u>
Number of ordinary shares in issue	6	213,112,896	213,112,896	213,112,896
NAV per ordinary share (pence)	6	6.4	9.0	7.0

The financial statements on pages 4 to 13 were approved and authorised for issue by the Board of Directors on 28 September 2012 and were signed on its behalf by:

Director Antony Gardner-Hillman

Director Andrew Wignall

The notes on pages 8 to 13 are an integral part of these Consolidated Financial Statements.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Consolidated Statement of Changes in Equity

	Share capital	Retained deficit	Foreign exchange reserve	Available for sale reserve	Total
	£	£	£	£	£
At 1 January 2012	46,478,064	(29,585,938)	(1,365,340)	(644,425)	14,882,361
Loss for the six month period	-	(1,730,253)	-	-	(1,730,253)
Other comprehensive income	-	-	(210,194)	644,425	434,231
At 30 June 2012	<u>46,478,064</u>	<u>(31,316,191)</u>	<u>(1,575,534)</u>	<u>-</u>	<u>13,586,339</u>
At 1 January 2011	46,478,064	(26,357,186)	(1,044,852)	(474,747)	18,601,279
Profit for the six month period	-	22,348	-	-	22,348
Other comprehensive income	-	-	350,125	121,973	472,098
At 30 June 2011	<u>46,478,064</u>	<u>(26,334,838)</u>	<u>(694,727)</u>	<u>(352,774)</u>	<u>19,095,725</u>
At 1 January 2011	46,478,064	(26,357,186)	(1,044,852)	(474,747)	18,601,279
Loss for the year	-	(1,097,622)	-	-	(1,097,622)
Other comprehensive income	-	-	(320,488)	(169,678)	(490,166)
Transactions with owners					
- Special dividend	-	(2,131,130)	-	-	(2,131,130)
At 31 December 2011	<u>46,478,064</u>	<u>(29,585,938)</u>	<u>(1,365,340)</u>	<u>(644,425)</u>	<u>14,882,361</u>

The notes on pages 8 to 13 are an integral part of these Consolidated Financial Statements.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Consolidated Statement of Cashflows

	(Unaudited) 6 months to 30 June 2012	(Unaudited) 6 months to 30 June 2011	(Audited) Year to 31 Dec 2011
<i>Notes</i>	£	£	£
Operating activities			
(Loss)/profit for the period after tax	(1,730,253)	22,348	(1,097,622)
Depreciation of plant and equipment	26,960	4,773	53,921
Impairment of available for sale asset	1,280,897	-	-
Loss/(gain) on disposal of investment property	32,835	-	(6,215)
Revaluation of investment property	203,973	(8,560)	432,737
Foreign exchange losses/(gains)	(159)	(431,730)	60,952
Interest received	(93,444)	(118,856)	(242,017)
Finance expense	1,776	1,467	4,097
Tax expense	-	110,120	-
Movement in net cash outflow from operating activities	(277,415)	(420,438)	(794,147)
(Increase)/decrease in other receivables	(4,241)	(32,022)	252,771
Increase/(decrease) in other payables	(44,868)	(91,299)	(107,813)
Net cash (outflow)/inflow from operating activities	(326,524)	(543,759)	(649,189)
Withholding tax paid	-	(218,893)	(218,873)
Net cash outflow from operating activities	(326,524)	(762,652)	(868,062)
Investing activities			
Acquisition of plant and equipment	-	(805)	-
Proceeds on disposal of investment property	541,245	-	21,110
Cash received on available for sale assets	94,644	120,314	202,889
Net cash inflow from investing activities	635,889	119,509	223,999
Financing activities			
Interest received	1,928	18,724	41,754
Interest paid	(1,776)	(1,467)	(4,097)
Special dividend	-	-	(2,131,130)
Net cash inflow/(outflow) from financing activities	152	17,257	(2,093,473)
Net increase/(decrease) in cash and cash equivalents	309,517	(625,886)	(2,737,536)
Cash and cash equivalents at beginning of period	3,132,519	5,918,831	5,918,831
Effect of foreign exchange rates	24,837	274,343	(48,776)
Cash and cash equivalents at end of period	3,466,873	5,567,288	3,132,519

The notes on pages 8 to 13 are an integral part of these Consolidated Financial Statements.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

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 2012 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 2011, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union in accordance with Article 3 of the IAS Regulation (EC) No. 1606/2002 issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Committee of the IASB (IFRIC). 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 2012 are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2011 and are consistent with those that will be applied by the Group in its consolidated financial statements for the year ended 31 December 2012.

The consolidated interim financial statements for the current and comparative period 30 June 2011 are unaudited. The comparatives for 31 December 2011 are audited and received an unqualified opinion. Without qualifying the audit opinion, the auditors previously raised two matters of emphasis in relation to (i) going concern, and (ii) the uncertain outcome of environmental legislation.

With respect to the Company's ability to continue as a going concern, 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. The Company's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for at least 12 months from the date of approval of these interim financial statements and these consolidated financial statements are therefore prepared on a going concern basis.

The second emphasis of matter was raised specifically over the group's investment properties at Byala which are included in the European Union's NATURA 2000 network of sites, assigned for protection of certain species and habitats. Since the approval of the 2011 Audited Consolidated Financial Statements, the Ministry for the Environment has confirmed that the land at Byala does not fall into the restricted territory and can therefore be used for holiday village development.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

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.

Investment property

A directors' valuation has been used for the purposes of this interim reporting period. The property valuations upon which the directors base their valuation of investments are now prepared annually by Colliers International at each year end. In general, the directors' valuations of the individual investment properties presented in these interim accounts are consistent with Euro amounts presented in the audited consolidated financial statements at the end of 2011 as updated for subsequent sales activity in the six month accounting period. The changes in the GBP valuations over the six month period to 30 June 2012 are therefore mainly attributed to recent sales activity at Nikea and Obzor, a reassessment leading to an impairment of the value of remaining property at these sites along with foreign exchange movements on all investments.

The determination of the fair value of investment properties at each year end requires the use of estimates such as future cashflows from assets and discount rates applicable to those assets. In addition development risks are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at the previous year end and are then adjusted to reflect the sales activity in the accounting period and the local market conditions at the period end.

We are not aware of any comparable transactions and there is little or no market for the acquisition of speculative land for development such as our investments in Borovets and Byala. It is likely to be difficult to dispose of these properties at their carrying values in the short term. The directors note that this position is much the same as at 31 December 2011 and have therefore decided to continue to adopt the Colliers International valuations of that date for these properties.

The continuing volatility in the global financial system is reflected in the turbulence in commercial and residential property markets across the world. The low volume of transactions has continued. Therefore, in arriving at their estimates of market values at each year end, the valuers have used their market knowledge and professional judgment 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.

Borovets Lakes, Byala Land and Nikea Park

The Market Comparison Approach has been used to value investment property in Borovets Lakes and Byala as there is no approved concept design and future development is uncertain. The values were determined by reference (with necessary adjustments) to observable asking prices.

Evergreen, Sofia

The Income Approach (Extraction Method) and Market Comparison Approach has been used to value the development land in the Malinova District of Sofia as the land has been granted construction permits.

Available for sale assets - Obzor

The Income Approach has been used to value the Company's interest in the apartments in Obzor on the basis of the contractual relationship with the former owner of the property - Black Sea Investment Trust AD (BSIT).

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Notes to the Consolidated Financial Statements (continued)

3. Taxation

Jersey

There is no taxation payable on the Company's or its Jersey subsidiaries' earnings 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 2012 is 10 per cent (2011: 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 2012	Six months to 30 June 2011	Year to 31 Dec 2011
	£	£	£
(Loss)/profit for the period	(1,730,253)	22,348	(1,097,622)
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)/earnings per ordinary share (pence)	(0.81)	0.01	(0.52)

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

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

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Notes to the Consolidated Financial Statements (continued)

5. Investing activities

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

(a) Investment property

The valuations of the individual investment properties are as follows.

	Valuation		Valuation		Valuation	
	30 June 2012		30 June 2011		31 Dec 2011	
	€	£	€	£	€	£
Borovets Lakes	3,131,875	2,533,879	3,163,493	2,856,943	3,131,875	2,606,972
Byala	3,918,038	3,169,934	4,050,316	3,657,831	3,918,038	3,261,375
Evergreen	2,056,833	1,664,104	2,139,831	1,932,476	2,056,833	1,712,108
Nikea Park	1,857,124	1,502,528	3,025,929	2,732,709	2,766,596	2,302,915
	<u>10,963,870</u>	<u>8,870,445</u>	<u>12,379,569</u>	<u>11,179,959</u>	<u>11,873,342</u>	<u>9,883,370</u>

Except for the unit sales at Nikea Park as described below, there have been no additions, disposals nor significant developments at the above investment properties in the six month period to 30 June 2012. Except for the sales at Nikea Park (where disposals were at market value) the valuations of the other individual investment properties are consistent with Euro amounts presented in the audited consolidated financial statements at the end of 2011. The changes in the GBP valuations over the six month period to 30 June 2012 are therefore attributed to foreign exchange movements and the disposals at Nikea Park.

(b) Loans and receivables

Nikea Park

The original loan to Bulmix 97 Group OOD was for Euro 3,844,425 and was fully impaired in 2008.

The Group acquired a total of 106 apartment units when it called in security on the original loan agreement with the third party developer. In 2010, a total of 22 of these 106 units were sold for a total consideration of Euro 531,298 (£456,252) and net gain of Euro 51,954 (£44,586) to the Group.

Prior to conclusion of the legal proceedings an auction was held in November 2010 in order to sell the first 16 apartments. The remaining 90 units with a market value of Euro 1,667,736 (£1,435,476) became the property of the Group and are recognised as investment property.

Six of the remaining 90 units were sold in 2010 for a total consideration of Euro 168,650 (£145,030) and resulted in a net gain of Euro 51,954 (£44,586) to the Group. One sale occurred in 2011 with proceeds of Euro 24,320 (£21,110) and a net gain of Euro 7,159 (£6,215). In the six month ended 2012, 22 units were sold for proceeds of Euro 657,362 (£540,838) with a net loss of Euro 54,678 (£44,981). Since 30 June 2012, sales of a further 12 units have been completed and the Group continues to own the remaining 49 units.

Following the recent unit sales in 2012, the directors have re-assessed the value of the remaining properties and have reduced the remaining carrying value of the investment to Euro 1,857,124 (£1,502,528).

Magnolia, Pamporovo

The loan to Magnolia Holidays EAD was fully provided against as at 31 December 2011 and no interest was accrued as, in the opinion of the directors, there were significant doubts concerning its recoverability.

On 10 November 2011, the directors decided to seek settlement of all pending cases connected with Magnolia with no further consequences for the parties involved. An agreement to that effect has since been signed on 20 April 2012 and the Magnolia project is now closed.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Notes to the Consolidated Interim Financial Statements (continued)

5. Investing activities (continued)

(c) Available for sale financial assets

	30 June 2012	30 June 2011	31 Dec 2011
	£	£	£
At 1 January	1,830,328	2,002,632	2,002,632
Cash receipts on sale of AFS assets	(94,644)	(120,314)	(202,889)
Notional interest receivable	91,516	100,132	200,263
Movement in fair value on AFS assets	-	121,973	(169,678)
Impairment of AFS assets	(636,472)	-	-
	<u>1,190,728</u>	<u>2,104,423</u>	<u>1,830,328</u>

Obzor

A revised agreement with Black Sea investment Trust EAD (BSIT) was signed in June 2009 which governs the flow of revenues expected from the sales of the 86 apartment units and was subsequently amended on 1 January 2011. Marketing fees are no longer applicable and, in return, the Group's interest in the apartments has reduced by 3.5% to 66.5% of the net sales proceeds, if cumulative sales income is less than Euro 4,000,000, and from 80% to 76% thereafter.

Following the latest amendment to the agreement, the Group has the option to acquire any unsold properties as at 31 December 2012 (and will be liable for VAT and expenses on transfer) in return for the remainder of the loan being written off.

Five units were sold in 2011 for net proceeds of Euro 233,744 (£202,889) and a further 3 units were sold in the six months to 30 June 2012 for net proceeds of Euro 115,036 (£94,644). Since 30 June 2012, the Company has received reservations for a further 3 units out of the 35 units currently remaining unsold. Following the sales in June 2012, the Company now has the option to claim from BSIT in lieu of profit share in return for waiving the outstanding loan of £240,313. However, the Company does not anticipate exercising this option in 2012.

Following the recent unit sales in 2012, the directors have re-assessed the value of the remaining properties and have reduced the remaining carrying value of the investment to Euro 1,471,740 (£1,190,728).

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Notes to the Consolidated Financial Statements (continued)

6. Net asset value per share

	30 June 2012	30 June 2011	31 Dec 2011
	£	£	£
Total equity	13,586,339	19,095,725	14,882,361
Number of ordinary shares	213,112,896	213,112,896	213,112,896
Net asset value per ordinary share (pence)	6.4	9.0	7.0

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

No dividend has been declared or paid in the six month period to 30 June 2012.

On 15 December 2011, the Company paid a special dividend to ordinary shareholders of £2,131,130 in accordance with Article 115 of Companies (Jersey) Law 1991.

8. Segmental analysis

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

There have been no significant events since 30 June 2012 which impact the financial position or performance as disclosed in these financial statements.

THE BLACK SEA PROPERTY FUND LIMITED
Interim Report and Consolidated Financial Statements for the period ended 30 June 2012

Registered office

22-24 Seale Street
St. Helier
Jersey
Channel Islands
JE2 3QG

Registrar

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

Administrator

Saltgate Limited
22-24 Seale St
St. Helier
Jersey, Channel Islands
JE2 3QG

Property Investment Advisor

BSPF Bulgaria EAD
World Trade Centre Intreped
36 Dragan Tzankov Blvd
1040 Sofia
Bulgaria

Nominated Advisor & Broker

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ
United Kingdom

Auditors of the Company & Group

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

Legal Adviser (UK)

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL
United Kingdom

Legal Adviser (Jersey)

Mourant Ozannes
22 Grenville Street
St Helier
Jersey, Channel Islands
JE4 8PX

Investment Valuer

Colliers International
Business Park Sofia
Mladost 4
Build 13B
1715 Sofia
Bulgaria