

BLACK SEA PROPERTY PLC
("Black Sea Property" or the "Company")

Audited Results for the year ended 31 December 2022

The Board of Black Sea Property PLC is pleased to announce its audited results for year ended 31 December 2022.

Electronic copies of the annual report will be available at the Company's website www.blackseapropertyplc.com.

The Directors of the Company are responsible for the contents of this announcement.

For further information, please visit www.blackseapropertyplc.com or contact the following:

BLACK SEA PROPERTY PLC

simon.hudd@d3acap.com

Simon Hudd, Chairman

PETERHOUSE CAPITAL LIMITED

+44 (0) 20 7469 0930

AQSE Corporate Adviser

Heena Karani and Duncan Vasey

Market Abuse Regulation (MAR) Disclosure

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation EU 596/2014 as it forms part of retained EU law (as defined in the European Union (Withdrawal) Act 2018).

Black Sea Property PLC

Consolidated Annual Report
Year ended 31 December 2022

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Directors

Ventsislava Altanova
Yordan Naydenov
Miroslav Georgiev
Simon Hudd

Registered office

6th Floor
Victory House
Prospect Hill
Douglas, Isle of Man
IM1 1EQ

Administrator

Crowe Trust Isle of Man Limited
6th Floor
Victory House
Prospect Hill
Douglas, Isle of Man
IM1 1EQ

Website

www.blackseapropertyplc.com

AQSE Corporate Advisor

Peterhouse Capital Limited
15-17 Eldon Street
London
EC2M 7LD
United Kingdom

Registrar

Share Registrars Limited
27/28 Eastcastle Street
London
W1W 8DH
United Kingdom

Property Investment Advisor

Phoenix Capital Management JSC
109-115 Todor Aleksandrov Blvd
Sofia
Bulgaria

Auditor of the Company and Group

Grant Thornton Limited
Exchange House
54 – 62 Athol Street
Douglas, Isle of Man
IM1 1JD

Chairman's Statement

I am pleased to present the financial statements of Black Sea Property PLC ("Black Sea Property" or the "Company") for the year ended 31 December 2022.

The net asset value as at 31 December 2022 was €28,779,491 or 1.59 cents per share (2021: €24,930,250 or 1.37 cents per share).

The Company generated revenues from camping reservations of €1,159,445 (2021: €1,246,616). This resulted in earnings per share of 0.22 cents (2021: 0.14 cents).

Investments

Camping South Beach EOOD ("CSB")

In 2022 Camping South Beach preserved its prime position as a destination for luxury camping holidays and beach houses. However, the period was marked by the uncertainty caused by the military conflict in Ukraine and all consequences arising therefrom as well as the post-pandemic environment.

A significant factor that affected the whole economy in Europe was the rapidly rising inflation rate, in contrast to the situation before 2020 where it had been slightly increasing at a rate of 2-3% per annum. The inflation rate for consumer prices in Bulgaria by the end of 2022 reached 15.3%, mainly due to price increases in energy and raw materials.

During the accounting period, the prevailing economic environment for the hospitality segment in Bulgaria continued to be challenging, largely due to the consequences of the conflict in Ukraine.

The demand for high-end luxury camping holidays was driven generally by domestic guests. Camping South Beach achieved occupancy levels of around 44% in July and 50% in August 2022.

The 6.99% slight decrease in revenues from reservations in 2022 in comparison to 2021 reflects the overall economic uncertainty. Another reason is the post-Covid desire among domestic tourists to travel to nearby competitive destinations like Greece and Turkey, as travelling restrictions were relaxed.

In accordance with the terms of the beach concession agreement, signed in 2020 for 20 years, the Company fulfilled its investment requirements for 2022 in the amount of €76,182. The major part of the investments are required to be fulfilled in the first three years of the concession, and have already been realized by the Company.

The fair value of the investment property in CSB at the year-end was €16,430,000 which represents an increase of € 200,000 above the value at the end of the previous year.

In November 2022, CSB acquired several plots behind the camp site for total consideration of €1,470,562, with the aim to achieve synergy and optimization with the joint development and management of CSB, the newly acquired Black Sea Star Hotel and future developments on the plots.

Outlook for 2023

The expectations for the tourist segment in 2023 are positive despite the challenging environment arising from the war in Ukraine.

Over the years, an insignificant part of the Company's revenues was generated by tourists from the countries affected by the conflict, and the forecasts prepared by the management for the summer season 2023 do not include revenues from this segment.

The initial forecast by the management indicates an approximate increase of 10% in occupancy for 2023.

Star Mil

During the accounting period, Black Sea Property PLC, through its subsidiary has completed the purchase of a 100% stake in Star Mil EOOD, and acquired all outstanding loans due and payable to its previous parent company, in July 2022. The total consideration paid for Star Mil is approximately €5.15 million. Star Mil owns the Black Sea Star hotel complex, located in a prime location on the Black Sea Coast, behind the Company's existing site at Camping Gradina. The rationale behind the investment is the opportunity for synergy and economy of scale with the joint development and management of Camping Gradina and Black Sea Star.

The acquisition was partially financed through a loan from a leading Bulgarian commercial bank amounting to approximately €4.2 million for the acquisition of all receivables of Star Mil. The funding was secured by a commercial mortgage on the property of Star Mil and the Company agreed to provide additional security to the bank in accordance with normal commercial practice. The Company financed the outstanding €1 million of the consideration by way of cash.

Ivan Vazov 1 Building

In April 2022 the Company started reconstruction works for the historic Ivan Vazov building in central Sofia that is planned to be completed by the end of Q3 2023. Simultaneously with the restoration of the historical value of the building it is planned to be converted into a luxury office space meeting the highest requirements of the office segment.

The building consists of a basement floor, five floors and an attic floor with total built-up area of 9,107 m². The attic floor will be converted into a mansard floor with the reconstruction of the roof.

As the building is a historical monument (according to the National Institute of Cultural Monuments in Bulgaria) not only the outside, but also the inside of the building with elements such as the columns, the profiled cornices, the figures of Atlanteans and the mask of Goddess on the façade and the iron ornamental wrought of the entrance doors will be renovated.

The Company is carrying out all of the works in accordance with applicable regulations. The construction of the beautiful copper covered roof has been finalized and thus the building will be preserved according to the highest standards. The acceptance from the local authorities for receiving permission for use for the last floor and related reconstruction of the roof is planned for August 2023.

In parallel to the reconstruction process, the Company has commenced the process of securing suitable tenants for the premises.

The Ivan Vazov 1 Building was valued at €11,550,000 at 31 December 2022, which represents an increase of €365,270 above the balance at the end of the previous year.

Byala Plots of Land ("Byala")

The Urban Master Plan of Byala municipality region was not yet approved during the accounting period, which prevented the Company from making its intended progress with the planning process.

The Company is planning the development of plots of land at Byala as a camping site with luxury bungalows, which is anticipated to be complementary to existing investments at CSB. The project will add value to the portfolio of the Company reflecting the high demand of close-to-nature camp sites offering a safe and secure environment for visitors.

Byala plots were valued at €10,860,000 at 31 December 2022, which represents an increase of €130,000 above the balance at the end of the previous year.

ECDC Group

On 30 September 2021, Black Sea Property agreed to sell the remaining assets of ECDC Group for cash consideration of €4.5 million. Those assets were valued by the Company at €2.5 million at the time of the sale.

On 30 May 2023 Black Sea Property received €2.5 million from the price. The remaining balance were received on 6 July 2023.

The proceeds of the disposal were used to repay debt, granted by the major shareholder as stated below.

Loan from Neo London

In May 2022 the Company agreed and entered into lending terms with its major shareholder Neo London Capital AD for deposits that may be required in relation to the exploration of future property development opportunities.

Neo London Capital AD has agreed to lend the Company up to €2,500,000 in agreed allocated tranches for the exploration, which need to be utilised within agreed timescales. The loan was refunded in May 2023.

Outlook

The Company operates in a challenging environment and is not able to assess the full impact of the war in Ukraine. All sectors of the economy are significantly affected by the consequences of the military conflict in Ukraine, namely rising inflation levels, raw materials price increases and market uncertainty.

The Directors are taking cautious measures to diminish and manage the cash flow and cost base of the Company and are confident that the business is well equipped to withstand this near-term uncertainty.

Despite the tough environment, the Directors believe that in 2023 incomes from CSB will increase by approximately 10% compared to 2022, based on current reservations and forecasts. Traditionally, CSB relies mainly on domestic demand and an insignificant part of its revenues are generated by tourists from countries affected by the conflict in Ukraine.

The reconstruction of Ivan Vazov Building is planned to be successfully finalized by Q3 2023. The competitive advantages of the building are the unique architecture and prime downtown location. The letting of the prime office space will generate returns for the Company in due course.

Signed on behalf of the Board by:

Simon Hudd
Chairman

28 July 2023

Director's Report

As at 31 December 2022, the significant shareholders of Black Sea Property Plc ("the Company") were as follows:

Beneficial shareholder	Holding	Percentage
Neo London Capital Plc	515,126,806	28.41%
Compass Capital JSC	304,354,182	16.78%
Mamferay Holdings Limited	449,957,562	24.81%
Capman AM	92,000,000	5.07%
Interfund Investments Plc	89,500,000	4.94%

The shareholder structure as at 31 December 2021 is the following:

Beneficial shareholder	Holding	Percentage
Neo London Capital Plc	515,126,806	28.41%
Compass Capital JSC	304,354,182	16.78%
Mamferay Holdings Limited	449,957,562	24.81%
Capman AM	92,000,000	5.07%
Interfund Investments Plc	89,500,000	4.94%

Auditor

The Company's Auditor, Grant Thornton Limited, being eligible, has expressed their willingness to continue in office in accordance with Section 80C of the Isle of Man Companies Act 2006.

Directors' interests

No current Director has an interest in the share capital of the Company.

Directors' remuneration

Directors' remuneration comprises solely the fee 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 83.1 of the Company's Articles of Association is £100,000 (€112,970 at year-end exchange rate) per annum, plus expenses.

	Fees	Fees Payable	Fees	Fees payable
	Year ended	As at	Year ended	As at
	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021
	€	€	€	€
Ventsislava Altanova	13,552	13,552	13,901	3,249
Miroslav Georgiev	13,552	13,552	13,901	3,273
Boris Lagadinov	-	-	8,271	-
Simon Hudd	13,552	6,776	11,855	-
Yordan Naydenov	13,552	13,552	14,173	-
	54,208	47,432	62,101	6,522

Boris Lagadinov – resigned 30 October 2020

Corporate Governance

The Company is committed to applying the highest principles of corporate governance commensurate with its size.

While the Company is not required to comply in full with the provisions set out in the UK Corporate Governance Code Issued by the Financial Reporting Council, or to comment on its compliance with the provisions of that Code, the Board is nevertheless accountable to shareholders for the good corporate governance of the Company.

The Board consists of four Directors and holds at least four board meetings annually. Matters which would normally be referred to appointed committees, such as the Audit, Remuneration and Nomination Committees, are dealt with by the Board as a whole.

Going concern

The Group had €6,570,581 current assets at 31 December 2022, the majority of which are cash and cash equivalents, trade and other receivables.

Accordingly, the Directors have a reasonable expectation that the Company and the Group will continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of signing of these financial statements. Therefore, the financial statements have been prepared as a going concern.

Post balance sheet events

The Company has signed an agreement to acquire 98.27% of Grand Hotel Varna AD. Grand Hotel Varna AD wholly owns GHV-Dolphins EAD, a Bulgarian company which holds the title to real estate comprising three hotels and a beach marina resort, situated in a prime location on the Black Sea Coast. The assets being acquired also include a mutual fund portfolio, comprising readily realisable investments. The consideration payable for the acquisition is €28 million in cash, of which an initial non-refundable deposit of €1.6 million was paid upon signing of the agreement. The property assets being acquired have been independently valued at €19 million, and the mutual fund portfolio is currently valued at €12 million.

Signed on behalf of the Board by:

Simon Hudd
Chairman

28 July 2023

Statement of Director's Responsibilities

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

The Directors are required to prepare Group financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with the UK-adopted International Accounting Standards ("IASs") and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing each of the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IASs;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Signed on behalf of the Board by:

Simon Hudd
Chairman

28 July 2023

Independent auditor's report to the members of Black Sea Property PLC

Opinion

We have audited the financial statements of Black Sea Property PLC ("Company") and its subsidiaries (the "Group"), which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows for the year ended 31 December 2022, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted International Accounting Standards (UK-adopted IAS).

In our opinion, Group's financial statements:

- give a true and fair view in accordance with UK-adopted IAS of the financial position of the Group as at 31 December 2022 and of the Group's financial performance and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, including the FRC's Ethical Standard, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the validity of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's future cash flow forecasts, the process by which they were prepared, and assessed the calculations are mathematically accurate;
- Challenging the underlying key assumptions such as expected cash outflow for property operating and other operating expenses; and
- Obtained the letter of support from major shareholders to provide the required financial support.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Black Sea Property PLC (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and the directing of efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on these matters.

Overall audit strategy

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example, in respect of significant accounting estimate of valuation of investment properties. We also addressed the risk of management override of internal controls, including evaluating whether there was any evidence of potential bias that could result in a risk of material misstatement due to fraud.

Based on our considerations as set out below, our areas of focus included:

- Valuation of investment properties

How we tailored the audit scope

The group is property investment group, which seeks to generate capital gains through the development, financing and sale of property in Bulgaria. The group engages Phoenix Capital Management JSC as property investment advisor. We tailored the scope of our audit taking into account the components of the group, investment properties these hold and the involvement of third parties, the accounting processes and controls, and the industry in which the group operates.

We performed an audit of the complete financial information of all the Bulgarian components. We engaged component auditors to audit a certain number of the components. As group auditor, we retained overall responsibility for the audit of all components. The components where we performed full audit procedures accounted for 100% of the Group's Profit before tax from continuing operations, 100% of the Group's Revenue and 100% of the Group's Total Assets. The directors control the affairs of the group and are responsible for the overall investment property policy, which is determined by them.

The board has delegated certain responsibilities to Crowe Trust Isle of Man Limited ("the Administrator"). The company engages the administrator to manage certain duties and responsibilities with regards to the management of the company. The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the administrator.

In establishing the overall approach to our audit, we assessed the risk of material misstatement at group level, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the group's interaction with the administrator, and we assessed the control environment in place at the administrator.

Independent auditor's report to the members of Black Sea Property PLC (Continued)

Key audit matters (Continued)

Materiality and audit approach

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, such as our understanding of the entity and its environment, the history of misstatements, the complexity of the Group and the reliability of the control environment, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group as €882,000 being 1.7% of the Group's Total Assets at 31 December 2022. We have applied this benchmark because the group is primarily an investment property group with investment properties either for sale or intended to be let to generate income.

We have set Performance materiality for the group at €662,000 (75% of materiality) having considered our prior year experience of the risk of misstatements, business risks and fraud risks associated with the entity and its control environment. This is to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

We agreed with the Directors that we would report to them misstatements identified during our audit above triviality of €44,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Significant matters identified

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out below as significant matters together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the consolidated financial statements as a whole. This is not a complete list of all risks identified by our audit.

Independent auditor’s report to the members of Black Sea Property PLC (Continued)

Key audit matters (Continued)

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of Investment property</p> <p>As detailed in note 9, the group owns investment properties with a fair value of €47,517,500 at 31 December 2022.</p> <p>The determination of the fair value of the investment properties is considered to be a significant judgement as detailed in note 3 and we therefore considered this to be a significant audit risk and key audit matter.</p> <p>The group engages an independent valuer to determine the fair value of the properties at the year end. This valuation considers the nature of the property, its location and any comparable property transactions. The valuations require the independent valuer to make significant professional judgements in relation to expected future cash flows, market capitalisation yields and appropriate input information provided by the management in relation to occupancy and rental values. Any inaccuracies in this input information or unreasonable judgements made in the valuation could result in a material misstatement of the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the processes in place in relation to valuation of investment properties and tested the design and implementation of relevant controls. • We assessed the competency, independence, qualifications and objectivity of the independent valuer to confirm that they are appropriately qualified to value the properties. • We reviewed the valuation reports to ensure that all valuations have been carried out in line with relevant professional standards and in accordance with the group's accounting policy. • We assessed and challenged the significant judgements used in the valuations to ensure they are reasonable. • We reviewed the appropriateness of the disclosures within the group's financial statements in relation to the valuation methodology, key valuation inputs and valuation uncertainty. • We recalculated the movement in fair value based of revaluation reports, and agreed the movement posting to the financial statements. <p>As a result of our work we concluded that the valuation of the group’s investment properties is appropriate and in line with the group’s accounting policies.</p>

Independent auditor's report to the members of Black Sea Property PLC (Continued)

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Chairman's Statement and the Directors' Report as set out page 2 to 6. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement as set out page 7, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with UK-adopted IAS, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of an auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent auditor's report to the members of Black Sea Property PLC (Continued)

Responsibilities of the auditor for the audit of the financial statements (Continued)

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Isle of Man Companies Act 2006, Bulgarian and Jersey Company law and the listing regulations of Aquis Stock Exchange and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the taxation law. The Audit engagement director considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

The group engagement team shared the risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management and board on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Group's regulatory and legal correspondence and review of minutes of board meetings and annual general meeting during the year to corroborate inquiries made;
- gaining an understanding of the entity's current activities, the scope of authorisation and the effectiveness of its control environment to mitigate risks related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates, including valuation of investment property and debtors;
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management; and
- requested information from component auditors on instances of non-compliance with laws or regulations that could give rise to a material misstatement of the group financial statements.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

Independent auditor's report to the members of Black Sea Property PLC (Continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with the terms of engagement letter. 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.

Grant Thornton Limited
Douglas
Isle of Man

Date

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 Dec 22 €	Year to 31 Dec 21 €
Revenue	4)	1,159,445	1,246,616
Property operating expenses	4)	(1,409,106)	(568,559)
		<u>(249,661)</u>	<u>678,057</u>
Gain on revaluation of investment properties	9)	724,708	554,443
Net Gain on investment properties		<u>724,708</u>	<u>554,443</u>
Administration and other expenses	5)	(800,340)	(858,290)
Operating (loss) / profit		<u>(325,293)</u>	<u>374,210</u>
Other Income	7)	3,449,267	1,287,782
Bargain purchase	11)	2,127,765	-
Share of post-tax losses of equity accounted associate		(2,548)	(14,765)
Profit from disposal of subsidiary	6)	-	1,718,367
Interest payable and similar charges	7)	(862,551)	(825,739)
Profit before taxes		<u>4,386,640</u>	<u>2,539,855</u>
Taxation	8)	(537,399)	(53,471)
Profit and total comprehensive income		<u>3,849,241</u>	<u>2,486,384</u>
Profit and total comprehensive income attributable to the:			
- shareholders of the parent company		3,849,241	2,537,817
- non-controlling interest		-	(51,433)
Earnings per share			
Basic and Diluted earnings per share (cents)	20)	0.22	0.14

The results are derived from continuing operations during the year.

The notes on pages 19 to 39 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2023 and were signed on their behalf by:

Simon Hudd
Chairman

Ventsislava Altanova
Director

Consolidated Statement of Financial Position

	Notes	2022 €	2021 €
Non-current assets			
Investment properties	9)	47,517,500	38,144,730
Intangible assets	10)	450,390	513,377
Property, plant and equipment	12)	517,952	24,883
Investments in associates		-	2,548
Total non-current assets		48,485,842	38,685,538
Current assets			
Trade and other receivables	13)	6,331,172	4,906,752
Cash and cash equivalents	14)	239,409	326,188
Total current assets		6,570,581	5,232,940
Total assets		55,056,423	43,918,478
Equity and liabilities			
Issued share capital	18)	70,699,442	70,699,442
Retained earnings	19)	(40,386,865)	(44,236,106)
Foreign currency translation reserve	19)	(1,533,086)	(1,533,086)
Total equity, attributable to the shareholders of the parent company		28,779,491	24,930,250
Non-controlling interest		-	-
Total equity		28,779,491	24,930,250
Liabilities			
Non-current liabilities			
Bank loans	16)	18,185,200	14,521,076
Trade and other payables	15)	539,929	560,615
Deferred tax liability	8)	2,407,965	1,944,802
Total non-current liabilities		21,133,094	17,026,493
Current liabilities			
Trade and other payables	15)	726,326	193,000
Tax liability	15)	80,426	-
Bank loans	16)	1,771,278	1,768,735
Shareholder loan	26)	2,565,808	-
Total current liabilities		5,143,838	1,961,735
Total liabilities		26,276,932	18,988,228
Total equity and liabilities		55,056,423	43,918,478
Number of ordinary shares in issue	18)	1,813,323,603	1,813,323,603
NAV per ordinary share (cents)	20)	1.59	1.37

The notes on pages 19 to 39 are an integral part of these consolidated financial statements.

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Simon Hudd
Chairman

Ventsislava Altanova
Director

Consolidated Statement of Changes in Equity

	Share capital	Retained earnings	Foreign currency translation reserve	Total equity attributable to the parent company	Non-controlling interests	Total
	€	€	€	€	€	€
At 1 January 2021	70,699,442	(46,773,922)	(1,533,086)	22,392,434	(3,065,234)	19,327,199
Business disposal	-	-	-	-	3,116,667	3,116,667
Transactions with owners	-	-	-	-	3,116,667	3,116,667
Profit for the year	-	2,537,817	-	2,537,817	(51,433)	2,486,384
Total comprehensive income	-	2,537,817	-	2,537,817	(51,433)	2,486,384
At 31 December 2021	70,699,442	(44,236,106)	(1,533,086)	24,930,250	-	24,930,250
At 1 January 2022	70,699,442	(44,236,106)	(1,533,086)	24,930,250	-	24,930,250
Profit for the year	-	3,849,241	-	3,849,241	-	3,849,241
Total comprehensive income	-	3,849,241	-	3,849,241	-	3,849,241
At 31 December 2022	70,699,442	(40,386,865)	(1,533,086)	28,779,491	-	28,779,491

The notes on pages 19 to 39 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2023 and were signed on their behalf by:

Simon Hudd
Chairman

Ventsislava Altanova
Director

Consolidated Statement of Cash Flows

	Note	2022 €	2021 €
Operating activities			
Profit before taxation		4,386,640	2,539,855
Gain on revaluation of investment property	9)	(724,708)	(554,443)
Bargain Purchase on Acquisition	11)	(2,127,765)	-
Materials form purchase of subsidiary		232,737	-
Profit from disposal of subsidiaries		-	(1,718,367)
Loss from disposal of investment property		-	192,788
Loss from investments accounted for using the equity method		-	14,765
Amortization of intangible fixed assets	10)	62,987	142,499
Depreciation of property, plant and equipment		3,444	2,899
Interest received	7)	(898,689)	(1,277,756)
Bad debt recovered	7)	(2,550,578)	-
Finance expense	7)	862,551	825,739
Changes in working capital		(753,381)	167,979
(Increase)/Decrease in trade and other receivables		(1,451,996)	(238,422)
(Decrease)/Increase in trade and other payables		431,565	(940,143)
Cash used in operations		(1,773,812)	(1,010,586)
Tax refund/(paid)		6,190	-
Cash flows used in operating activities		(1,767,622)	(1,010,586)
Investing activities			
Investment property additions		(1,470,562)	(673,764)
Property, plant and equipment additions		(496,513)	-
Proceeds from disposal of investment property		-	1,270,800
Star Mill acquisition		(5,150,001)	-
Bad debt recovered		2,550,578	-
Interest received	7)	898,689	1,277,756
Cash held by the (disposed)/acquired subsidiary		151	(32,923)
Net cash (outflow) from investing activities		(3,667,658)	1,841,869
Financing activities			
Proceeds from issuing share capital		-	-
Loans issued		6,211,052	(272,286)
Interest paid and other charges	7)	(862,551)	(575,027)
Other flows from financing activities		-	(27,979)
Net cash (outflow)/inflow from financing activities		5,348,501	(875,292)
Net (decrease) in cash and cash equivalents	14)	(86,779)	(44,009)
Cash and cash equivalents at beginning of year		326,188	370,197
Cash and cash equivalents at end of year	14)	239,409	326,188

The notes on pages 19 to 39 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements For the year ended 31 December 2022

1) General information

Black Sea Property PLC (the “Company”) was originally incorporated in Jersey and re-domiciled to the Isle of Man with effect from 20 July 2016 and continues under the Isle of Man Companies Act 2006 with registered number 013712V.

The Company seeks to generate capital gains through the development, financing and sale of property in Bulgaria, including the prime areas of Bulgaria’s Black Sea coast, the ski resorts and the capital, Sofia. The Company has five wholly owned Jersey subsidiaries. In 2020 the parent-company purchased the ECDC group, including entities in Cayman Islands, Malta, Cyprus, Romania and Bulgaria. This ECDC group was subsequently sold in the prior year. The financial statements represent the financial position and effects of the operations of the Company and its subsidiaries (collectively referred as the “Group”).

Black Sea Property Plc is an entity listed on the Aquis stock exchange. Aquis is a primary and secondary market for equity and debt securities

2) Summary of significant accounting policies

a) Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

The consolidated financial statements have been prepared on a going concern basis under the historical-cost convention as modified by the revaluation of financial assets held at fair value through profit or loss and investment properties that have been measured at fair value.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the UK-adopted International Accounting Standards (“IASs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as applicable to an Isle of Man company under the Isle of Man Companies Act 2006.

Use of estimates and judgements

The preparation of financial statements in conformity with IASs requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors, which are believed to be reasonable under the circumstances, and are reviewed on an on-going basis. The Directors believe that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates. The most significant accounting estimate affecting the financial statements is the valuation of investment property (see note 3).

b) Standards and amendments which are first effective for the period beginning 1 January 2022

- Amendment to IFRS 16 COVID-19-Related Rent Concessions
- Annual improvements to IFRS Standards 2018-2020 – IFRS 1, IFRS 9, IFRS 16, IAS41
- Property, plant and equipment: Proceeds before Intended Use – Amendments to IAS 16
- Amendment to conceptual framework. The framework is not an IFRS standard and does not override any standard. This amendment will be applied prospectively.

None of the above listed amendments have had a significant effect on the financial statements. All other standards or amendments to standards that have been issued by the IASB, and are effective from 1 January 2022, onwards are not applicable or material to the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

c) **New standards, amendments and interpretations issued but not yet effective and not early adopted**

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'. Effective date for annual periods on or after 1 January 2023.
- Amendments to IAS 1 'Presentation of financial statements' on classification of liabilities. Effective date for annual periods on or after 1 January 2023.
- Amendments to IAS1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'. Effective date for annual periods on or after 1 January 2023.
- Amendments to IAS 8 'Definition of Accounting Estimates'. Effective date for annual periods on or after 1 January 2023.

d) **Basis of consolidation**

The financial statements comprise the results of the Company and its subsidiaries as set out in note 17. Subsidiaries in which the Company has the ability to exercise control are fully consolidated. Control is defined as having exposure, or rights, to variable returns due to involvement in an investee and the ability to affect those returns.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those of the Company.

e) **Going concern**

The Group had €6,570,581 current assets at 31 December 2022, the majority of which are trade receivables, cash and cash equivalents and other receivables. As part of their going concern assessment, the Board of Directors have reviewed cash flow forecasts for the 12 months from the date these financial statements were signed and with support by the shareholders, they believe that the group is able to continue as a going concern at least for the next 12 months from date of signing.

Accordingly, the Directors have a reasonable expectation that the Company and the Group will continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of signing of these financial statements. Therefore, the financial statements have been prepared as a going concern.

f) **Functional and presentation currency**

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Euros, which is the Company's presentational currency. The functional currency of each entity within the Group is a key judgement of management and the Directors. This judgement prioritises primary factors, such as the source of competitive forces and the denomination of sales prices and input costs, over secondary considerations such as the source of financing, in accordance with IAS21. These considerations indicate that the functional currency of the Bulgarian entities is Bulgarian Lev and the functional currency of the holding companies is the Euro. Amounts are rounded to the nearest Euro unless otherwise stated.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

f) Functional and presentation currency (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined, and the gain or loss is recognised in the consolidated statement of comprehensive income.

(iii) Foreign operations

The results and financial position of all the foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated to Euro at exchange rates at the reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of Other Comprehensive Income.

When a foreign operation is sold, such exchange differences are recognised in the Consolidated Statement of Comprehensive Income as part of the gain or loss on sale.

g) Fair value measurement principles

The Group measures its investments in properties at 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their mid quoted price or binding dealer price quotations, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

The valuations of investment properties are performed by an external accredited independent valuer with recognised and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. The valuations are prepared in accordance with the RICS Valuation - Global Standards, which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation standards (the "RICS Red Book"), as set out by the International Valuation Standards Council ("IVSC"), taking into consideration the relevant IFRS 13 requirements. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables. Properties are valued annually.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

g) Fair value measurement principles (continued)

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

h) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate.

i) Interest and other income

Interest and other income are recognised on a receivable basis.

j) Revenue recognition

Revenue comprise of camping reservations fees. Revenue is recognised at a point in time when the Company has satisfied its performance obligation of allocating a camp site reservation. Where the reservation fees are billed to the customers in advance, the unearned element of the fees billed during the year is carried forward as deferred income.

k) Expenses

Expenses including interest payable are accounted for on an accrual basis. The Group's property operating expenses, administration fees, finance costs and all other expenses are charged to the consolidated statement of comprehensive income and are accounted for on an accrual basis. Transaction costs directly attributable to the purchase of investment property are included within the cost of the property.

l) Loans payable at amortised cost

Loans payable are recognised on an amortised cost basis. Loans payable are recognised when cash is received from lenders and are derecognised when the cash, and related interest, has been repaid. Loans payable are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held at the bank and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Blocked cash and cash equivalents are funds on which the company can operate under certain conditions. Such assets are used by the Company as collateral for its obligations.

n) Trade and other receivables

Trade receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. The carrying value of trade receivables approximates their fair values. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

o) Investment properties

Property that is held for rental yields or for capital appreciation or both is classified as investment property. Investment property comprises freehold land, freehold buildings, and land held under long term operating leases. Investment property is measured initially at its cost, including related transaction costs and subsequently revalued annually to fair value.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Investment properties are accounted for on completion of contract when ownership is recorded in the trade registry.

p) Fixed assets investments

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. Investment in associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

q) Property, plant and equipment

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and equipment 10%/15% per annum on a reducing balance basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to consolidated statement of comprehensive income.

r) Assets under construction

Assets under construction are initially measured at cost and comprises actual cost relating to the construction.

s) Taxation

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

Current tax is payable on taxable profits for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

s) Taxation (continued)

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.

t) Trade and other payables

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

u) 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.

v) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. The bargain purchase is the amount by which the fair value of assets acquired exceeds purchase consideration and is recognised in consolidated statement of comprehensive income.

w) Disposal of businesses

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated statement of comprehensive income.

x) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

(i) Financial assets

Financial assets are classified at initial recognition. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2022

(i) Financial assets (continued)

Classification and measurement are based on both whether contractual cash flows are solely payments of principal and interest; and whether the debt instrument is held to collect those cash flows. In the case of the Company or Group, all financial assets meet these criteria and so are held at amortised cost.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECLs") – the ECL model.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate ("EIR").

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a '12-month ECL'). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a 'lifetime ECL').

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

It is the Group's policy to measure ECLs on such instruments on a 12-month basis.

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. The Group's financial liabilities include trade and other payables and loans.

Subsequent measurement

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss and OCI when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income and other comprehensive income. This category generally applies to trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income and other comprehensive income.

y) Intangible assets

Intangible assets include the rights under a concession agreement of 20 years and also software. They are accounted for using the cost model. The cost comprises discounted cash flows of the future payment according to the concession agreement.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

y) Intangible assets (continued)

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognised in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date. Software have a useful life of 5 years and are amortised at 20% per annum.

3) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A key judgement area for the Group is the valuation of investment properties. External independent valuers assessed the fair value of investment properties. The valuations are performed by a recognised valuer with a relevant professional qualification and recent experience in the location and category of the investment properties as described in note 2g. Details of investment properties held at fair value can be found in note (9).

The investment properties are valued annually. The Directors consider any relevant movements in property markets that may impact the carrying values of the property held between the date of the last valuation and the date of financial statements.

4) Net operating income

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	€	€
Camping reservations	1,159,445	1,246,616
Property operating expenses	(1,409,106)	(568,559)
	(249,661)	678,057

All income during the year is primarily due to camping reservations from CSB.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

5) Administration and other expenses

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Directors' remuneration	54,208	62,101
Administration fees – Isle of Man	64,579	70,544
Administration fees – Bulgaria	28,279	28,845
Legal and professional fees*	301,063	378,988
Auditors' remuneration	53,477	46,501
Foreign currency expenses	3,262	(2,379)
Other administration and professional fees	229,041	273,690
Depreciation expense and amortization	66,431	-
	800,340	858,290

*2021 depreciation and amortisation expense of €145,398 was included within legal and professional expense.

In 2022, key management personnel comprise the Board (2021: The Board). The Board's compensation comprised Directors' fees only during the year, the amount of which is summarised within the Directors' Report.

The average monthly number of persons (including directors) employed by the company during the year was: 4 (2021: 4).

6) Disposal of ECDC group

On 30 September 2021, the Company successfully completed the disposal of 100% of European Convergence Development (Cayman) Limited ("ECD Cayman") and ECD Management (Cayman) Limited ("ECD Management"). The consideration receivable for ECD Cayman and ECD Management in total was €4,500,000. Both companies were subsidiaries of Black Sea Property PLC.

The fair value of assets and liabilities disposed were as follows:	€
Investment properties	3,585,404
Trade and other receivables	723,333
Cash and cash equivalents	32,923
Trade payables	(20,224)
Loan payables	(4,632,418)
Net identifiable assets	(310,982)

The profit on disposal of the ECD Cayman group was presented as follows:	€
Net identifiable assets	(310,982)
FX differences on disposal	(24,052)
Non-controlling interest	3,116,667
Consideration receivable	(4,500,000)
	1,718,367

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

7) Finance income/(expense)

The following amounts have been included in the Consolidated Statement of Comprehensive Income line for the reporting periods presented:

Other income	Year ended 31 Dec 2022	Year ended
	€	31 Dec 2021
		€
Interest income – cash and deposit instruments	303,952	1,277,756
Bad debts recovered	2,550,578	-
Others	594,737	10,026
	3,449,267	1,287,782

Interest payable and similar charges	Year ended 31 Dec 2022	Year ended
	€	31 Dec 2021
		€
Interest expense on borrowings*	634,583	541,883
Amortisation of bank loan agreement fee	-	64,190
Other	227,968	219,666
	862,551	825,739

*The interest on borrowings relates mainly to the secured debt funding on (note 16).

8) Taxation

Isle of Man

There is no taxation payable on the Company's or its Jersey subsidiaries' results as they are based in the Isle of Man and in Jersey respectively where the Corporate Income Tax rates for resident companies are 0% (2021: 0%). Additionally, neither the Isle of Man nor Jersey levies tax on capital gains.

Consequently, shareholders resident outside of the Isle of Man and Jersey will not incur any withholding tax in those jurisdictions 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 the year was 10% (2021: 10%).

Cyprus

Subsidiaries of the Company incorporated in Cyprus are taxed in accordance with the applicable tax laws of Cyprus. The Cyprus corporate tax rate for the year was 12.5% (2021: 12.5%).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

8) Taxation (continued)

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Profit before tax	3,849,241	2,539,855
Profit on ordinary activities multiplied by the standard rate in the Isle of Man of 0% (2021: 0%)	-	-
Effect of different tax rates in different countries	74,236	50,468
Deferred tax liability on fair value uplift of investment property	463,163	3,003
Current charge for the year	537,399	53,471
Bulgarian tax losses brought-forward at 10%	(183,943)	(190,958)
Tax losses utilized in the year	-	7,015
Bulgarian tax losses carried-forward at 10%	(183,943)	(183,943)
Deferred tax liability		
Opening deferred tax liability balance	1,944,802	1,941,799
Deferred tax liability on fair value uplift of investment property on Acquisition/(disposal) of a subsidiary	-	(34,860)
Bulgarian deferred tax liability charge	-	3,063
Deferred tax movement on fair value uplift of investment property	463,163	34,800
Closing deferred tax liability balance	2,407,965	1,944,802

9) Investment properties

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Beginning of year (Level 3)	38,144,730	42,360,142
Additions – (note 11)	7,177,500	66,287
Additions – further plot CSB	1,470,562	-
Disposals	-	(4,836,142)
Fair value adjustment	724,708	554,443
Total investment property (Level 3)	47,517,500	38,144,730
Ivan Vazov 1 Building	11,550,000	11,184,730
CSB	16,430,000	16,230,000
CSB additional plots	1,500,000	-
Byala Land	10,860,000	10,730,000
Star Mil – Acquisition (note 11)	7,177,500	-
Total investment property	47,517,500	38,144,730

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2022

9) Investment properties (continued)

Upon the 2020 financial year purchase of ECD group, the group acquired three plots in Plovdiv with a fair value of €1,472,142 (through European Convergence Development (Malta) Limited) and two plots in Burgas with a fair value of €3,364,000 (through Targovski Park Kraimorie).

The fair value of the Tsaratsovo Plovdiv properties was measured at the most recent sale prices.

With the prior year sale of the ECD group, the group disposed of the three plots in Plovdiv (through European Convergence Development (Malta) Limited) and the two plots in Burgas with a fair value of €4,836,142.

The valuations of the other Group properties at 31 December 2022 and 31 December 2021 were based on the most recent independent valuation received for each property. The valuations were performed by external accredited independent valuers with recognised professional qualifications and with recent experience in the location and category of the investment properties being valued.

The fair value of completed investment property has been determined on a market value basis in accordance with the RICS "Red Book". In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement, historical transactional comparables and discounted cash flow forecasts. The highest and best use of the investment properties is not considered to be different from its current use.

The cost of the investment properties comprises their purchase price and directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services and stamp duty land tax.

In November 2022, CSB acquired several plots behind the camp site for total consideration of €1,470,562, with the aim to achieve synergy and optimization with the joint development and management of CSB, the newly acquired Black Sea Star Hotel and future developments on the plots.

10) Intangible assets

At the end of 2020, after participating in an open concession award procedure, the Group through Camping South Beach received the concession rights over the sea beach "Camping Gradina". During the active summer season of 2021, the beach was managed by CSB under the terms of a lease agreement. The concession agreement entered into force on 17 October 2020, and at the beginning of 2021 the handover of the sea beach by the grantor Ministry of Tourism to the concessionaire was carried out. The term of the contract is 20 years. The concession contract of CSB grants the right to operate the sea beach, performing alone or through subcontractors providing visitors to the sea beach of the following services: beach services, including the provision of umbrellas and sunbeds, services in fast food restaurants, sports and entertainment services, water attraction services, health and rehabilitation services and other events, after prior agreement with the grantor. A condition for operation of the concession site is the implementation of mandatory activities, which include provision of water rescue activities, security of the adjacent water area, health and medical services for beach users, sanitary and hygienic maintenance of the beach, maintenance for use of the elements of the technical infrastructure, the temporary connections, the movable objects, the facilities and their safe functioning.

In 2020 the Group paid the first due concession fee, which provides the period from the date of entry into force of the concession agreement until the end of the same calendar year and the period from January 1 of the last calendar year in which the concession agreement is valid until the date upon expiration of the contract.

According to the financial model presented by the Company, which is accepted by the grantor and is an integral part of the concession agreement, for the concession period the Group will make additional investments related to the implementation of mandatory activities and investments to improve access to the beach. After the expiration of the concession contract, all constructed sites remain the property of the grantor. The activities related to the operation of the concession site are performed by the concessionaire at his risk and at his expense. The cost of the acquired intangible assets was €655,876 and no amortization expenses were recognised in 2020. The acquired intangible asset was amortized by €62,987 (2021: €142,499). The amortisation expense has been included with in property operating expenses in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

10) Intangible assets (continued)

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Beginning of year	513,377	655,876
Additions	-	-
Disposals	-	-
Amortisation	(62,987)	(142,499)
Total Intangible assets at year end	450,390	513,377

11) Acquisition of a subsidiary

On 18 July 2022, the Company through its owned subsidiary, BSPF Project 1 EAD, acquired 100% of share capital Star Mil EOOD ("Star Mil") including all its assets and liabilities. Star Mil owns the Black Sea Star hotel complex, located in a prime location on the Black Sea Coast, behind the Company's existing site at Camping Gradina. The Acquisition of Star Mil provides opportunities for synergies and economies of scale with the joint development and management of Camping Gradina and Black Sea Star.

The consideration for this acquisition was €5.15 million. BSPF Project 1 EAD acquired €7.83 million worth of outstanding loans due to the company's previous parent company.

On 24 July 2022, the transaction for the shares was finalized and the acquisition recorded in the Trade Register in Bulgaria. This is the date that the group obtained control of Star Mil.

The property was deemed to have a fair value at acquisition of €7,177,500.

Since the acquisition Star Mill has contributed €20,740 to group revenue and loss of €429,377 to group profit. If the acquisition had occurred on 1 January 2022, group revenue would have been €1,159,445 and group profit for the year would have been €3,832,081.

The fair value of the identifiable assets and liabilities of Star Mil as at the date of acquisition were:

	Pre- acquisition carrying value €	Fair value adjustments €	Recognised value on acquisition €
Investment property (note 9)	3,270,579	3,906,921	7,177,500
Plant and equipment	-	-	-
Materials	232,738	-	232,738
Trade and other receivables	27,575	-	27,575
Cash and cash equivalents	151	-	151
Trade and other payables	(138,775)	-	(138,775)
Long/short loans	(7,855,597)	7,834,174	(21,423)
Total net identifiable assets	(4,463,329)	11,741,095	7,277,766
Purchase consideration transferred			5,150,001
Bargain purchase on acquisition			(2,127,765)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

12) Property, plant and equipment

	Plant and equipment €	Assets under construction €	Total €
Cost			
Cost at the beginning of the year	28,990	-	28,990
Additions during the year	8,180	-	8,180
Additions from acquisition (note 11)	10,349	-	10,349
Additions – Assets under construction	-	488,333	488,333
Cost at the end of the year	47,519	488,333	535,852
Accumulated depreciation			
Accumulated depreciation at the beginning of the year	4,107	-	4,107
Additions from acquisition (note 11)	10,349	-	10,349
Depreciation	3,444	-	3,444
Accumulated depreciation at the end of year	17,900	-	17,900
Net book value at the end of year 31 December 2022	29,619	488,333	517,952
Net book value at the end of year 31 December 2021	24,883	-	24,883

13) Trade and other receivables

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Trade receivables*	1,798,839	406,729
Amount receivable from the sale of the ECDC group*	4,500,000	4,500,000
Prepayments	32,333	23
	6,331,172	4,906,752

*All amounts are due within one year. The expected credit losses (ECL) for this amount is nil. On 30 May 2023 Black Sea Property received €2.5million from the price. The remaining balance were received on 6 July 2023.

14) Cash and cash equivalents

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Cash in hand	8,399	1,724
Cash at bank	231,010	324,464
	239,409	326,188

Cash and cash equivalents comprise cash on hand, cash held at the bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. € 87,549 cash are restricted according to the bank loan agreement with Unicredit.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

15) Trade and other payables

Non-current trade and other payables can be presented as follows:

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Concession payable	539,929	560,615
	539,929	560,615

The current trade and other payables can be presented as follows:

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Trade creditors	188,499	23,074
Concession payable	23,823	23,008
Other payables	514,004	146,918
	726,326	193,000
Tax liability	80,426	-

16) Bank loans

	Year ended 31 Dec 2022 €	Year ended 31 Dec 2021 €
Loan from UniCredit (a)	11,763,884	7,016,178
Central Cooperative Bank (b)	8,192,594	9,273,633
	19,956,478	16,289,811
Long term bank loans	18,185,200	14,521,076
Current bank loans	1,771,278	1,768,735

Reconciliation of bank loans

Beginning of year (gross loan)	16,289,811	17,385,138
Bank loan arrangement fees	-	-
Loan received	5,099,630	-
Interest charged	472,617	541,883
Principal repayments	(1,366,680)	(1,062,183)
Interest payments	(538,900)	(575,027)
Total bank loans	19,956,478	16,289,811

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

16) Bank loans (continued)

- (a) In October 2017, the Company entered into a secured debt funding of €7 million from UniCredit Bulbank AD ("UniCredit"), a leading Bulgarian commercial bank which was used to complete the acquisition of the Ivan Vazov 1 Building. The debt funding from UniCredit is secured by a commercial mortgage on the property valued at €11,550,000 (see note 9). The term of the debt funding is thirty-six months from date of execution of the loan documentation. The repayment shall be made as a one-off payment on the repayment deadline. The company renegotiated the terms of the loan, extending the repayment period until 30 November 2033 and changed the margin to the interest rate to 2%.

The interest on the loan is now the internal interest percentage by the bank plus 2.00% (2021: 2%).

The company entered into an agreement with Unicredit Bulbank AD ("UniCredit"), a leading Bulgarian commercial bank, which involved revised and extended lending terms for the construction of the Ivan Vazov 1 Building.

The bank has agreed to lend the Company up to BGN 4,498,409 (approximately £2.0 million) in agreed allocated tranches for the reconstruction, which need to be utilised within agreed timescales. The Funding will be secured by a commercial mortgage on the property and the Company has agreed to provide additional security to the bank in accordance with normal commercial practice.

In November 2021, the Company entered into a secured debt funding of up to €2.3 million from UniCredit Bulbank AD ("UniCredit"), a leading Bulgarian commercial bank which was used to partly finance the construction costs for the planned renovation of the roof and overhaul of the administrative building known as the Ivan Vazov 1 Building. The secured debt funding is made up of an investment limit of up to €1.8 million and a revolving limit of up to €0.5 million. The debt funding from UniCredit is secured by a commercial mortgage on the property valued at €11,550,000 (see note 9). The debt funding is also secured by a first rank pledge of all the receivables, claims, rights and interests, both current and future, of the company along with a second ranking registered pledge of the commercial enterprise of the company and a second ranking pledge of 100% of the shares of the capital of the company. The utilization deadline of €1.5 million of the investment limit is no later than 30 November 2023 while the utilization deadline of the remaining €0.3 million is no later than 30 November 2024. There is a grace period on the repayment of the principal amount due until 30 November 2023. After this date the principal will be repaid in equal monthly instalments. Interest is also repayable monthly with no grace period agreed. The repayment period is up until 30 November 2033. The utilization deadline of €0.5 million of the revolving limit is no later than 30 November 2023. The repayment of the revolving limit is made within 6 months of each utilized amount and the repayment period is up until 30 May 2024.

- (b) Central Cooperative bank loan and overdraft

	As at 31 Dec 2022 €	As at 31 Dec 2021 €
Central Cooperative Bank overdraft (i)	664,234	662,737
Central Cooperative Bank overdraft (ii)	6,178,112	6,938,614
Central Cooperative Bank investment loan (ii)	1,350,248	1,672,282
	8,912,594	9,273,633

- (i) This is an overdraft with Central Cooperative Bank. The interest on the account is 4% and was repayable on 24 June 2021 however the terms of the contract were extended to 24 June 2022. At the date these financial statements were signed the Company made an extension of the credit repayment period by 12 months.
- (ii) The interest rate on the overdraft and the investment loan is 3.6%. The maturity date for both the overdraft and the investment loan is 21 January 2028.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

16) Bank loans (continued)

In March 2020, the Group successfully negotiated reduction of the interest rates on the loans due to Central Cooperative Bank to 2.8%. The loan is secured by the commercial property of South Beach (Gradina) Camp which includes all the tangible fixed assets of the property along with the mortgage on the land.

17) 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	Nature of Business	Country of Incorporation
Held directly:			
BSPF (Property 2) Limited	100%	Property Investment	Jersey
BSPF (Property 3) Limited	100%	Property Investment	Jersey
BSPF (Property 4) Limited	100%	Property Investment	Jersey
BSPF (Property 5) Limited	100%	Property Investment	Jersey
BSPF (Property 6) Limited	100%	Property Investment	Jersey
BSPF Project 1 EAD	100%	Property Investment	Bulgaria
BSPF Super Borovetz EAD	100%	Property Investment	Bulgaria
BSPF Bulgaria EAD	100%	Property Investment	Bulgaria
European Convergence Company Plc	29.85%	Development	Isle of Man
Held indirectly:			
Camping South Beach EOOD	100%	Property Investment	Bulgaria
Star Mil EOOD	100%	Property Investment	Bulgaria

BSPF (Property 2 - 6) all are dormant companies.

18) Issued share capital

	As at 31 Dec 2022	As at 31 Dec 2021
Authorised		
Founder shares of no par value	10	10
Ordinary shares of no par value	Unlimited	Unlimited
Issued and fully paid	€	€
2 Founders shares of no par value (2021: 2)	-	-
1,813,323,603 ordinary shares of no par value (2021: 1,269,407,896)	70,699,442	70,699,442

The Founders shares do not carry any rights to dividends or profits and on liquidation they will rank behind Shares for the return of the amount paid up on each of them. The shares carry the right to receive notice of and attend general meetings, but carry no right to vote thereat unless there are no Participating Shares in issue.

Capital management

The Directors consider capital to be the net assets of the Group. The capital of the Company will be managed in accordance with the Investment Strategy documented on the Company's website.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

19) Reserves

The following describes the nature and purpose of each reserve within equity:

Retained earnings - The retained earnings represent cumulative net profits and losses recognised in the Group's statement of comprehensive income.

Foreign currency translation reserve - Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units). The Bulgarian subsidiaries' functional currency is the Bulgarian Lev which is pegged to the Euro at 1 EUR = 1.95583 BGN, hence there is no movement of foreign currency translation reserve during the year.

20) Profit and Net Asset Value per share

Profit per share

The basic profit per ordinary share is calculated by dividing the net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	€	€
Profit attributable to owners of parent (€)	3,849,241	2,537,817
Weighted average number of ordinary shares in issue	1,783,601,434	1,783,601,434
Basic profit per share (cents)	0.22	0.14

The Company has no dilutive potential ordinary shares; the diluted earnings per share is the same as the basic earnings per share.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	€	€
Net assets attributable to owners of the parent (€)	28,779,491	24,930,250
Number of ordinary shares outstanding	1,813,323,603	1,813,323,603
Net Asset Value per share (cents)	1.59	1.37

21) 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.

The Group is organised into one main operating and reporting segment focusing on investment in the Bulgarian property market.

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

22) Contingencies and commitments

There are no contingencies or commitments outstanding at 31 December 2022 (2021: nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

23) Directors' interests

Total compensation paid to the Directors during the period were €54,208 (2021: €62,101). Outstanding Directors' fees were € 47,432 (2021: €6,522).

24) Ultimate controlling party

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

25) 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. All of the Group's financial instruments are loans and receivables. 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.

As a result of the short term nature of the Group's financial instruments, the carrying values approximate to fair value.

i. Currency risk

The functional and presentational currency of the Group is Euros. The Group does not hedge this risk.

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

As at 31 December 2022	GBP €	EUR €	Bulgarian LEV €	Total €
Investment Property	-	-	47,517,500	47,517,500
Intangible assets	-	-	450,390	450,390
Property, plant and equipment	-	-	517,952	517,952
Trade and other receivables	-	4,500,000	1,831,172	6,331,172
Cash and cash equivalents	30	142	239,237	239,409
Trade and other payables	-	(347,797)	(998,884)	(1,346,681)
Shareholders loans	-	(2,565,808)	-	(2,565,808)
Deferred tax liability	-	-	(2,407,965)	(2,407,965)
Bank loans	-	-	(19,956,478)	(19,956,478)
Net exposure	30	1,586,537	27,192,924	28,779,491

As at 31 December 2021	GBP €	EUR €	Bulgarian LEV €	Total €
Investment Property	-	-	38,144,730	38,144,730
Intangible assets	-	-	513,377	513,377
Property, plant and equipment	-	-	24,883	24,883
Investment in associates	-	2,548	-	2,548
Trade and other receivables	-	4,500,000	406,752	4,906,752
Cash and cash equivalents	70	43,557	282,561	326,188
Trade and other payables	-	(50,208)	(703,407)	(753,615)
Deferred tax liability	-	-	(1,944,802)	(1,944,802)
Bank loans	-	(7,016,178)	(9,273,633)	(16,289,811)
Net exposure	70	(2,520,281)	27,450,461	24,930,250

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

i. Currency risk (continued)

Foreign currency sensitivity

The Bulgarian lev has been pegged to the Euro since its launch in 1999 at the rate of 1.95583 leva = 1 euro, hence effectively there is no foreign currency risk as long as the peg is in place. If the EUR/GBP exchange rate as at 31 December 2022 was to strengthen or weaken by +/-10% it would result in a decrease or increase respectively in the net liabilities of €12 (2021: a decrease or increase in net liabilities of €10).

ii. Credit risk

Credit risk arises on investments, cash balances and trade and other receivables. The amount of credit risk is equal to the amounts stated in the statement of financial position for each of these assets. Cash balances are limited to high-credit-quality financial institutions.

The allowance for expected credit losses (ECLs) are nil.

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 2022 or 31 December 2021. The interest rate profile of the Group's financial instruments excluding other receivables was as follows:

As at 31 December 2022	Variable rate	Fixed rate	Non-interest bearing	Total
	€	€	€	€
Trade and other receivables	-	-	6,331,172	6,331,172
Cash and cash equivalents	-	-	239,409	239,409
Trade and other payables	-	(563,751)	(782,930)	(1,346,681)
Bank loans	(19,956,478)	-	-	(19,956,478)
Shareholder loan	-	(2,565,808)	-	(2,565,808)
	(19,956,478)	(3,129,559)	5,787,651	(17,298,386)
As at 31 December 2021				
Trade and other receivables	-	-	4,906,752	4,906,752
Cash and cash equivalents	-	-	326,188	326,188
Trade and other payables	-	(583,623)	(169,992)	(753,615)
Bank loans	(16,289,811)	-	-	(16,289,811)
	(16,289,811)	(583,623)	5,062,948	(11,810,486)

Interest rate sensitivity

An increase of 100 basis points in interest rates during the year would have decreased the net assets attributable to shareholders and changes in net assets attributable to shareholders by €172,983 (2021: increase €161,229). A decrease of 100 basis points would not be possible because an interest rate floor has been set with loan providers which is currently in operation.

iv. Liquidity risk

'Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

iv. Liquidity risk (continued)

The Group's policy and the Boards approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions. The Group's financial assets include investment properties, which are generally illiquid. As a result, the Group may not be able to liquidate some of its investments in due time to meet its liquidity requirements. The Group's liquidity is managed on a daily basis by the administrators of the Company and its subsidiaries in accordance with policies and procedures in place. The Group's overall liquidity risk is managed on a monthly basis by the Board of Directors.

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

As at 31 December 2022	<1 Year €	1-5 Years €	>5 Years €	Total €
Trade and other payables	(1,346,681)	-	-	(1,346,681)
Shareholders loan	(2,565,808)	-	-	(2,565,808)
Bank loans and interest	(1,771,278)	(10,098,661)	(8,086,539)	(19,956,478)
	(5,683,767)	(10,098,661)	(8,086,539)	(23,868,967)
As at 31 December 2021	<1 Year €	1-5 Years €	>5 Years €	Total €
Trade and other payables	(193,000)	(560,615)	-	(753,615)
Bank loans and interest	(1,768,735)	(3,328,334)	(11,192,742)	(16,289,811)
	(1,961,735)	(3,888,949)	(11,192,742)	(17,043,426)

26) Related party transactions

In July 2017, the Company appointed Phoenix Capital Management JSC as its investment adviser with responsibility for advising on the investment of the Company's property portfolio. Phoenix Capital Holding JSC owns 79.99% of the Phoenix Capital Management JSC shares. Phoenix Capital Holding JSC, through its wholly owned subsidiary Mamferay, holds 24.81% (2021: 24.81%) of the issued share capital of the Company. Phoenix Capital Management JSC received fees of €268,062 (2021: €214,272). The amount outstanding as at year-end is €268,062 (2021: €53,568).

Yordan Naydenov is a Director of the Company and a partner with Boyanov & Co, a legal adviser to the Company. During the year, Boyanov & Co received fees of €104,284 (2021: €26,391). The amount outstanding as at year end is €28,298 (2021: nil).

The company agreed and entered into lending terms with its major shareholder Neo London Capital AD in relation to the exploration of future property development opportunities. Neo London Capital AD agreed to lend the Company up to €2,500,000 in agreed allocated tranches for the exploration, which need to be utilised within agreed timescales. The Funding was unsecured and was fully repaid on 30 May 2023.

The total amount outstanding at year end to the shareholders totaled €2,565,808.

27) Subsequent events

BSPF Property 2, subsidiary of the Company has signed an agreement to acquire 98.27% of Grand Hotel Varna AD. Grand Hotel Varna AD wholly owns GHV-Dolphins EAD, a Bulgarian company which holds the title to real estate comprising three hotels and a beach marina resort, situated in a prime location on the Black Sea Coast. The assets being acquired also include a mutual fund portfolio, comprising readily realisable investments. The consideration payable for the acquisition is €28 million in cash, of which an initial non-refundable deposit of €1.6 million was paid upon signing of the agreement. The property assets being acquired have been independently valued at €19 million, and the mutual fund portfolio is currently valued at €12 million. The completion of the acquisition would be no later than 30 October 2023.