

THE BLACK SEA PROPERTY FUND LIMITED

Annual Report and Consolidated Financial Statements

for the year ended 31 December 2014

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

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Chairman's Statement

As your new Chairman, I am pleased to present the financial statements of the Company for the year ended 31 December 2014. Following the realisation of the Company's remaining assets, the net asset value as at 31 December 2014 was £187,925 or 0.1 pence per share (2013: £3,153,942 or 1.5 pence per share).

I was appointed to the Board on 12 December 2014, together with Trevor Hunt, joining Antony Gardner-Hillman and replacing John Chapman, Stephen Coe and Andrew Wignall. These Board changes succeeded the Extraordinary General Meeting held on that date when shareholders voted overwhelmingly in favour of the two new directors in place of the three former directors in order for the new Board to be able to pursue the adoption of a new investing policy extending the life of the Company and the raising of new funds for investment in the Bulgarian real estate market. The new Board's proposals are subject to the approval of the Jersey Financial Services Commission (JFSC).

During the year, the then Board pursued the Company's stated strategy of selling assets and returning excess cash to shareholders. The Company's life had previously been extended by 24 months to 30 June 2014 which the Board had considered was optimal for asset realisation on the best terms and by such means as it considered to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company by 31 December 2014 and then proposing its winding up.

On 3 June 2014, the Board announced a return of capital from the sale proceeds of the Evergreen land and remaining units at Obzor amounting to approximately £2,365,553 or 1.11 pence per share to shareholders. The Board also announced on that date completion of the sale of the Byala land for net proceeds of approximately €850,000 and, on 16 July 2014, the Board announced the sale of the Company's last remaining asset, the Borovets land, for net proceeds of €125,000. On 22 July 2014, the Board announced a final return of capital of £319,669 or 0.15 pence per share to shareholders and that shareholders should not expect any further returns of capital. At that time, the Board expected to put to shareholders a special resolution for the winding up or other ultimate disposition of the Company.

During the year, the composition of the shareholder base had changed substantially and three significant new investors joined the shareholder register following share acquisitions, including AG Capital AD through Mamferay Holdings Limited which holds 28.54% of the issued share capital. On 3 November 2014, the Company announced that it had received a requisition for an extraordinary general meeting from Fitel Nominees Limited, the nominee for Mamferay Holdings Limited, to remove three directors and appoint Trevor Hunt and myself as new directors. This followed AG Capital AD having informed the Company that it opposed the proposal to wind up the Company and instead wanted the Company to continue in business and to retain its AIM quotation.

Following the Extraordinary General Meeting on 12 December 2014, the Board announced the appointment of Cairn Financial Advisers LLP as nominated adviser and Peterhouse Corporate Finance as sole broker and its intention to appoint AG Capital AD as investment adviser subject to the agreement of terms and the approval of the JFSC.

The Board believes that there are opportunities for investment in the residential real estate, holiday homes, commercial real estate and distressed real estate markets of Bulgaria. In January 2015, the Board with its advisers was able to inspect a number of potential acquisition opportunities in and around Sofia and, as a result, is confident that the Company will be able to make appropriate investments when funds are raised.

The Company was pleased to announce on 3 February 2015 the appointment as a non-executive director of Yordan Naydenov, a Bulgarian lawyer who is a partner of Boyanov & Co in Sofia where he heads the Corporate and M&A practice group.

I believe that the Board now has the requisite skills and expertise for the successful development of the Company.

A circular was released on 13 March 2015 detailing the proposals for our new investing policy and the raising of funds for investment in the Bulgarian real estate market. An EGM has been scheduled for 10 April 2015 to discuss the proposals to be implemented in sufficient time to avoid the shares being suspended from trading on AIM.

Alex Borrelli
Chairman



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Directors' Report

The Directors submit their Report and audited Consolidated Financial Statements for the year ended 31 December 2014.

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

On 4 March 2009, the shareholders resolved to apply for listed fund status and on 5 March 2009, listed fund status was granted to the Group. The Group is now self-managed.

Listing

The Company is quoted on AIM.

Investment objective and policy

In accordance with the resolution passed at the annual general meeting held on 28 June 2012, the shareholders authorised the directors to pursue a strategy of asset realisation on the best terms and by such means as they considered to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company and then proposing, not later than 30 June 2014, a resolution that a liquidator be appointed and the Company be wound up.

Following the change of the management of the Group, as approved at the EGM held on 12 December 2014, it is the intention of the Group to pursue real estate investment in the Black Sea region.

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 10 of this Annual Report and Consolidated Financial Statements. The Directors announced special dividends of £2,365,553 or 1.11 pence per share and £319,669 or 0.15 pence per share (2013: £nil) to shareholders which were paid on 18 June 2014 and 5 August 2014 respectively.

The date for the next AGM for shareholders to receive the Annual Report and Consolidated Financial Statements will be sent to shareholders in the near future.

Property asset valuations

During the year the Company disposed of its final asset. In prior years, valuations of properties were based upon valuations performed by Colliers, which took into account the remaining life of the Company. The commercialisation values reflected the discounts which, in the opinion of Colliers, needed to be given to potential purchasers of the properties.

Going concern

On 28 June 2012 a special resolution was passed at the AGM which authorised the Directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company and then proposing to the Members not later than 30 June 2014 a resolution (which will be proposed as a special resolution) that a liquidator be appointed and the Company be wound up.

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Directors' Report (continued)

Going concern (continued)

Following the change of the management of the Group, as approved at the Extraordinary General Meeting ("EGM") held on 12 December 2014, it is the intention of the Group to pursue real estate investment in the Black Sea region.

An EGM of the shareholders has been convened to be held on 10th April 2015 in order to consider either delisting and winding up the Company (the "Wind Up Resolutions"), or to extend the life of the Company by approximately six years and nine months, to appoint an Investment Advisor, to enable the Directors to issue new Participating Shares and to adopt an investing policy (the "Continuation Resolutions").

The directors are confident that the Wind Up Resolution will be rejected and the Continuation Resolution will be passed at the EGM. Shareholders representing 28.54 per cent of the current issued Participating Shares have signed irrevocable undertakings to vote against the Wind Up Resolutions to delist and wind up the Company and to vote in favour of the Continuation Resolutions.

If the Continuation Resolutions are passed, the Company will need to raise funds to provide sufficient working capital to fulfil the investing policy. The Company proposes to achieve this through the issue of new Participating Shares by way of a subscription or placing as soon as practical following conclusion of the EGM. There can be no guarantee that any such proposed subscription or placing will be successful.

In the event that the Wind Up Resolutions are passed the Company is of the opinion that the Company has sufficient capital available to meet the obligations of the wind up process. The directors do not believe that any adjustments would need to be made to the financial statements should the Wind Up Resolutions be passed.

As at 31 December 2014, the Board is of the opinion that the Company holds sufficient liquid assets to fund its operating expenses for the coming 12 month period. On 29 January 2015, the Company entered into a loan agreement with Mamferay Holdings Limited for a facility of up to £350,000 with a one year term. The purpose of the loan facility is to fund the running costs of the Company.

Accordingly, the directors, at the time of approving the financial statements, are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Life of the Group

A special resolution was passed at the AGM held on 28 June 2012 in order to extend the life of the Company for an additional two years until 30 June 2014. The Company's life may be further extended by special resolution of Shareholders. An Extraordinary General Meeting of the Company has been convened to be held on 10th April 2015 to consider either the wind up of the Company or the extension of the Company's life by approximately six years and nine months.

Board of Directors

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

John Chapman (resigned on 12/12/2014)
Stephen Coe (resigned on 12/12/2014)
Andrew Wignall (resigned on 12/12/2014)
Antony Gardner-Hillman
Alex Borrelli (appointed on 12/12/2014)
Trevor Hunt (appointed on 12/12/2014)
Yordan Naydenov (appointed on 03/02/2015)

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Directors' Report (continued)

Shareholders' Interests

The following table shows the spread of the Company's shareholder base as at 31 December 2014.

<i>Extent of holdings (number of shares)</i>	<i>No. of shareholders</i>
1-10,000	9
10,001-100,000	34
100,001-500,000	17
>500,000	23
	<u>83</u>

At 31 December 2014, the Company has been informed of the following interests of 3% or more in the ordinary share capital of the Company from beneficial owners:

<i>Beneficial owner</i>	<i>Shares are held in the name of</i>	<i>Number</i>	<i>Percentage interest</i>
Nomokanon- 2000 Ltd	Citibank Nominees (Ireland)	63,126,806	29.62%
Mamferay Holdings Limited	Fitel Nominees Limited	60,814,581	28.54%
Compass Capital JSC	Citibank Nominees (Ireland)	27,936,000	13.11%
GLG Partners	Pershing Nominees	20,550,000	9.64%

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

Group Auditors

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

Auditors

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

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

Directors' interests

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

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Directors' Report (continued)

Directors' remuneration

Directors' remuneration is solely 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 30.03 of the Company's Articles of Association is £100,000 per annum, plus expenses. The Directors received in aggregate £92,069 (2013: £63,000) for the year ended 31 December 2014. In addition John Chapman received special remuneration under Article 30.04 of £53,101 by way of fees pursuant to contracts for Services with the Group (2013: £58,654).

	2014	2013
	£	£
Alex Borrelli	548	-
Trevor Hunt	438	-
John Chapman	53,101	58,654
Antony Gardner-Hillman	25,000	25,000
Stephen Coe	48,991	20,000
Andrew Wignall	17,092	18,000
	<u>145,170</u>	<u>121,654</u>

Corporate Governance

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

The Board of Directors is accountable to shareholders for the good corporate governance of the Company. As the Company is listed on AIM, it is not required to comply in full with the provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council, nor is it required to comment on its compliance with the provisions.

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, AIM compliance, Remuneration and Nomination Committees, are dealt with and approved by the Board as a whole.


By Order Of The Board
SJ Secretaries Limited
Secretary

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Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

We have audited the consolidated financial statements of The Black Sea Property Fund Limited for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cashflows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as adopted by the EU and the Companies (Jersey) Law 1991.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the Financial Statements

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in note 1(c) to the financial statements concerning the company's ability to continue as a going concern. A special resolution is to be proposed at an Extraordinary General Meeting ('EGM') to either wind up the company or extend the life of the company for approximately six years and nine months, approve a continuing investment strategy and raise funds to fulfil the investment policy. The company proposes to achieve this through the issue of new Participating shares by way of subscription or placing as soon as practical following conclusion of the EGM. If the resolution is not passed then the company will be wound up as soon as practicable. The directors are confident that the special resolution will be passed by shareholders to extend the company's life and that further funds will be raised to continue the group's activities however, there can be no guarantee that this will happen.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Matters on which we are required to report by exception

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

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

 BDO LLP

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

Date: 27 March 2015

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

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2014 £	2013 £
Total revenue			
Gain on disposal of held for sale assets		573,928	-
Gain on disposal of investment property		-	287,969
Loss on revaluation of investment property	6(a)	-	(487,099)
Total gain/(loss) on investment		<u>573,928</u>	<u>(199,130)</u>
Operating expenses			
Impairment of available for sale assets		-	(412,953)
Other operating expenses	3	(689,838)	(691,923)
Foreign exchange losses		(5,864)	(1,077)
Total operating expenses		<u>(695,702)</u>	<u>(1,105,953)</u>
Operating loss before interest and tax		<u>(121,774)</u>	<u>(1,305,083)</u>
Bank interest receivable	4	20,997	62,164
Bank charges and interest payable		(2,343)	(2,635)
Loss before tax		<u>(103,120)</u>	<u>(1,245,554)</u>
Tax expense	5	-	(102,214)
Loss from continuing operations		<u>(103,120)</u>	<u>(1,347,768)</u>
Profit/(loss) from discontinued operations	6 (e)	<u>18,257</u>	<u>(56,942)</u>
Loss for the year after tax		<u>(84,863)</u>	<u>(1,404,710)</u>
Other comprehensive income			
Items that may be reclassified to profit or loss			
(Losses)/gains on translation of foreign operations		(195,932)	113,547
Recycle of cumulative losses in foreign exchange reserve for discontinued operations		(432,250)	-
Total comprehensive loss for the year		<u><u>(713,045)</u></u>	<u><u>(1,291,163)</u></u>
Loss per share			
Basic and diluted loss per share (pence)	11	(0.04)	(0.66)

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

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

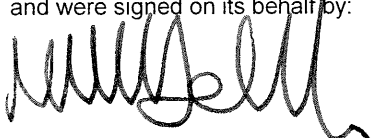
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**Consolidated Statement of Financial Position
As at 31 December 2014**

		31 December 2014	31 December 2013
	Notes	£	£
Non-current assets			
Plant and equipment	6(a)	-	-
Investment properties	6(a)	-	-
Available for sale assets	6(c)	-	-
		-	-
Current assets			
Other receivables	8	20,283	35,062
Cash and cash equivalents		220,424	1,659,042
Assets in disposal group classified as held for sale	6(d)	-	1,606,548
		240,707	3,300,652
Total assets		240,707	3,300,652
Equity and liabilities			
Issued share capital	10	46,478,064	46,478,064
Retained deficit		(44,984,125)	(41,781,790)
Foreign exchange reserve		(1,306,014)	(1,542,332)
Total equity		187,925	3,153,942
Liabilities			
Other payables	9	52,782	44,496
Tax payable		-	102,214
		52,782	146,710
Total equity and liabilities		240,707	3,300,652
Number of ordinary shares in issue	10	213,112,896	213,112,896
Net asset value per ordinary share (pence)	11	0.1	1.5

The financial statements on pages 10 to 32 were approved and authorised for issue by the Board on and were signed on its behalf by:



Director



Director

27 March 2015

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

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Consolidated Statement of Changes in Equity

	Share capital £	Retained deficit £	Foreign exchange reserve £	Available for sale reserve £	Total £
At 1 January 2014	46,478,064	(41,781,790)	(1,542,332)	-	3,153,942
Loss for the year	-	(84,863)	-	-	(84,863)
Other comprehensive income	-	-	(195,932)	-	(195,932)
Recycle of cumulative losses in foreign exchange reserve for discontinued operations		(432,250)	432,250		-
Dividends paid in year	-	(2,685,222)	-	-	(2,685,222)
At 31 December 2014	<u>46,478,064</u>	<u>(44,984,125)</u>	<u>(1,306,014)</u>	<u>-</u>	<u>187,925</u>
At 1 January 2013	46,478,064	(40,377,080)	(1,655,879)	-	4,445,105
Loss for the year	-	(1,404,710)	-	-	(1,404,710)
Other comprehensive income	-	-	113,547	-	113,547
At 31 December 2013	<u>46,478,064</u>	<u>(41,781,790)</u>	<u>(1,542,332)</u>	<u>-</u>	<u>3,153,942</u>

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

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Consolidated Statement of Cashflows

		31 December 2014	31 December 2013
	Notes	£	£
Operating activities			
Loss from continuing operations		(103,120)	(1,347,768)
Profit/(loss) from discontinued operations	6(e)	18,257	(56,942)
Gain on disposal of investment property		(573,928)	(287,969)
(Gain)/loss on revaluation of investment property	6(a)	-	487,099
(Gain)/loss in fair value of available for sale assets	6(c)	-	412,953
Foreign exchange (gains)/losses		5,864	1,077
Interest received	4	(20,997)	(62,164)
Finance expense		2,343	2,635
Tax expense		-	102,214
Movement in net cash outflow from operating activities		(671,581)	(748,865)
Decrease in other receivables	8	14,779	16,415
Increase in other payables	9	8,286	2,059
Net cash outflow from operating activities		(648,516)	(730,391)
Withholding tax paid		(101,695)	-
Net cash outflow from operating activities		(750,211)	(730,391)
Investing activities			
Proceeds on disposal of subsidiaries	6(e)	1,123,412	-
Proceeds on disposal of investment property	6(a)	-	674,608
Cash received on available for sale assets	6(b)	-	114,657
Cash received on held for sale assets		900,106	-
Net cash inflow from investing activities		2,023,518	789,265
Financing activities			
Interest received	4	20,997	1,855
Interest paid		(2,343)	(2,635)
Special dividend	16	(2,685,222)	-
Net cash outflow from financing activities		(2,666,568)	(780)
Net (decrease)/increase in cash and cash equivalents		(1,393,261)	58,094
Cash and cash equivalents at beginning of year		1,659,042	1,575,280
Effect of foreign exchange rates		(45,357)	25,668
Cash and cash equivalents at end of year		220,424	1,659,042

The notes on pages 14 to 32 are an integral part of these consolidated financial statements

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Notes to the Consolidated Financial Statements

1. Accounting policies

(a) Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the financial statements of the Company and its subsidiaries (together, the "Group") and have been prepared in accordance with International Financial Reporting Standards ("IFRS"); endorsed for use in the European Union.

The Black Sea Property Fund Limited is incorporated in Jersey with company number 89392 and registered office located at 1 Waverley Place, Union Street, St Helier, Jersey, Channel Islands, JE1 1SG.

(b) Basis of consolidation

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

(c) Going concern

On 28 June 2012 a special resolution was passed at the AGM which authorised the Directors to pursue a strategy of asset realisation on the best terms and by such means as they consider to be reasonably achievable, with the view to liquidating as much as possible of the assets of the Company and then proposing to the Members not later than 30 June 2014 a resolution (which will be proposed as a special resolution) that a liquidator be appointed and the Company be wound up.

Following the change of the management of the Group, as approved at the Extraordinary General Meeting ("EGM") held on 12 December 2014, it is the intention of the Group to pursue real estate investment in the Black Sea region.

An EGM of the shareholders has been convened to be held on 10th April 2015 in order to consider either delisting and winding up the Company (the "Wind Up Resolutions"), or to extend the life of the Company by approximately six years and nine months, to appoint an Investment Advisor, to enable the Directors to issue new Participating Shares and to adopt an investing policy (the "Continuation Resolutions").

The directors are confident that the Wind Up Resolutions will be rejected and the Continuation Resolutions will be passed at the EGM. Shareholders representing 28.54 per cent of the current issued Participating Shares have signed irrevocable undertakings to vote against the Wind Up Resolutions to delist and wind up the Company and to vote in favour of the Continuation Resolutions.

If the Continuation Resolutions are passed the Company will need to raise funds to provide sufficient working capital to fulfil the investing policy. The Company proposes to achieve this through the issue of new Participating Shares by way of a subscription or placing as soon as practical following conclusion of the EGM. There can be no guarantee that any such proposed subscription or placing will be successful.

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Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(c) Going concern (continued)

In the event that the Wind Up Resolutions are passed the Company is of the opinion that the Company has sufficient capital available to meet the obligations of the wind up process. The directors do not believe that any adjustments would need to be made to the financial statements should the Wind Up Resolutions be passed.

As at 31 December 2014, the Board is of the opinion that the Company holds sufficient liquid assets to fund its operating expenses for the coming 12 month period. On 29 January 2015, the Company entered into a loan agreement with Mamferay Holdings Limited for a facility of up to £350,000 with a one year term. The purpose of the loan facility is to fund the running costs of the Company.

Accordingly, the directors, at the time of approving the financial statements, are confident that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

(d) Investment and interest income

Income on investments is recognised on an accruals basis.

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

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

(e) Expenses

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

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

(f) Investments

During the year the Company disposed of its final asset and consequently has no investments held at the year end. As a result of the previous change in the Company's strategy on 28 June 2012, the basis of the property asset valuations had been revised to take into account the limited time frame that the Group had to realise its assets. This had resulted in significant discounts.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Investment property

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Changes in fair value are recorded in the consolidated statement of profit or loss and other comprehensive income. There was no investment property held at the year end date.

Financial assets – Available for sale

Non-derivative financial assets not included in loans and receivables are classified as available-for-sale. These comprised of the Group's investment in Obzor which was sold in the year and consequently there are no such assets at the year end. During the year these assets were carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve.

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

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

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

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

Loans and receivables at amortised cost

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

From time to time, the Group elects to renegotiate the terms of receivables due. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

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

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

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

(g) Movements in fair value

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

(h) Other receivables

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

(i) Cash and cash equivalents

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

(j) Trade and other payables

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

(k) Taxation

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

THE BLACK SEA PROPERTY FUND LIMITED
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Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

(k) Taxation (continued)

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

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

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be sufficient profits from which the future reversal of the temporary differences can be deducted.

(l) Foreign currency

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

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities are translated at the date of each statement of financial position using the year end rate. The closing rate used at the end of 2014 was Euro 1.2779 per GBP (2013: Euro 1.1979 per GBP). Income and expenses are translated at year average exchange rates. The average rate used for 2014 was Euro 1.2406 per GBP (2013: Euro 1.1965 per GBP). All resulting exchange differences are recognised in other comprehensive income.

(m) Share capital

Ordinary share capital

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

Founder shares

Founder shares are classified as equity.

(n) Operating leases

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

(o) Changes in accounting policies and disclosures

A number of new and amended standards have become effective since the beginning of the year. None of the new and amended standards are expected to materially affect the Group.

There are a number of new standards and amendments to and interpretations of existing standards which have been published and are not yet mandatory and which the Group has decided not to adopt early. None of these are expected to materially affect the Group when adopted.

THE BLACK SEA PROPERTY FUND LIMITED
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Notes to the Consolidated Financial Statements (continued)

2. Significant accounting judgements, estimates and assumptions

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

Investment property

There were no investment properties held at the year end. The prior year property valuations upon which the Directors based their valuation of investments were prepared annually by Colliers International.

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

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

Borovetz Lakes

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

Evergreen, Sofia

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

Byala

In June 2014 the Fund sold its outstanding interest in Byala for a total net consideration of Euro 850,000.

Obzor

In March 2014 the Fund sold its outstanding interest in the remaining 20 units in Obzor for a total net consideration of Euro 266,707.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

3. Other operating expenses

	2014	2013
	£	£
Directors' remuneration	145,170	121,654
Administration fees	87,298	84,756
Legal and professional fees	120,238	100,168
Staff costs	- Wages and salaries	64,047
	- NI and social security	7,196
	6,100	13,266
Rates and local authority charges	29,115	13,266
Auditors' remuneration	- Parent company audit	39,075
	- Subsidiaries audit	24,129
	13,325	35,000
Nominated advisor fees	48,813	35,000
Repairs and maintenance at Nikea	-	10,044
Registrar fees	31,567	12,358
Bulgaria office rent	5,796	12,237
Regulatory fees	15,374	12,179
Valuation fees	5,506	9,070
Other operating expenses	35,879	146,744
	<u>689,838</u>	<u>691,923</u>

In 2014, in addition to the four (2013: four) Directors there was one (2013: three) employee in Bulgaria. Key management personnel comprise the Board. Their compensation comprised salary payments only during the year, the amount of which is summarised within the Director's Report.

Other operating expenses include £5,796 (2013: £12,237) for the rental of office premises in Sofia, Bulgaria. The lease for Bulgarian office premises was terminated during 2014.

4. Interest receivable

	2014	2013
	£	£
Notional Interest on Available for Sale assets (Note 6)	-	60,309
Bank interest receivable	20,997	1,855
	<u>20,997</u>	<u>62,164</u>

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

5. Taxation

Jersey

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

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

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

5. Taxation (continued)

Bulgaria

Subsidiaries of the Company incorporated in Bulgaria are taxed in accordance with the applicable tax laws of Bulgaria. The Bulgarian corporate tax rate for the year was 10% (2013: 10%).

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

A reconciliation of the tax charge for the year to the standard rate of corporation tax for Jersey of Nil% (2013: Nil%) is shown below.

	2014	2013
Loss before tax	(103,120)	(1,245,554)
Loss on ordinary activities multiplied by the standard rate in Jersey of Nil% (2013: Nil%)	-	-
Bulgarian tax at 10% (2013: 10%)		
- Net trading profit/(loss) in Bulgarian subsidiaries at 10%	37,009	(18,139)
- Tax losses created/(utilised) in the year	(37,009)	18,139
- Withholding tax	-	102,214
Current charge for the year	-	102,214
Bulgarian tax losses brought-forward at 10%	(3,287,723)	(3,269,584)
Bulgarian profits/(losses) used/(created) in the year at 10%	37,009	(18,139)
Bulgarian tax losses carried-forward at 10%	(3,250,714)	(3,287,723)

Withholding tax may arise on the distribution of assets and/or funds realising such assets from Bulgaria to Jersey. A reasonable estimate of this liability was provided for in the prior year financial statements and payment made in the year in relation to this liability.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

6. Investing activities

During the year the Group sold its investments relating to freehold land at Borovets Lakes, Byala, Evergreen (Sofia) and freehold holiday home apartments at Obzor that were classified as held for sale financial assets.

(a) Investment property and plant and equipment

Valuation or cost	Investment property £	Plant and equipment £	Total £
At 1 January 2014	-	137,039	137,039
Disposals	-	-	-
Revaluation	-	-	-
Currency translation differences	-	-	-
Transferred to held for sale financial assets	-	-	-
At 31 December 2014	-	137,039	137,039
Depreciation			
At 1 January 2014	-	137,039	137,039
Write-down in the year	-	-	-
Disposals	-	-	-
At 31 December 2014	-	137,039	137,039
NBV at 31 December 2014	-	-	-
At 1 January 2013	2,257,697	137,039	2,394,736
Disposals - Nikea Park	(384,075)	-	(384,075)
Revaluation	(487,099)	-	(487,099)
Currency translation differences	66,360	-	66,360
Transferred to held for sale financial assets	(1,452,883)	-	(1,452,883)
At 31 December 2013	-	137,039	137,039
Depreciation			
At 1 January 2013	-	137,039	137,039
Write-down in the year	-	-	-
Disposals	-	-	-
At 31 December 2013	-	137,039	137,039
NBV at 31 December 2013	-	-	-

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

6. Investing activities (continued)

The valuations of the individual investment properties are as follows:

	Valuation		Valuation	
	2014	2014	2013	2013
	€	£	€	£
Borovets Lakes	-	-	268,146	223,843
Byala	-	-	222,292	185,565
Evergreen	-	-	1,250,000	1,043,475
Nikea Park	-	-	-	-
	-	-	1,740,438	1,452,883

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

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

(b) Available for sale financial assets

		2014	2013
	Note	£	£
At 1 January		-	603,088
Cash receipts on sale of available for sale assets		-	(114,657)
Notional interest receivable (Note 4)		-	60,309
Movement in fair value on available for sale asset		-	17,878
Impairment of available for sale assets		-	(412,953)
Transferred to held for sale financial assets	6(d)	-	(153,665)
		-	-

IFRS 7 requires financial instruments measured at fair value to be classified by the fair value hierarchy in this standard. In the prior year the Group had only one financial instrument being the above available for sale asset which was a level 3 asset within this hierarchy.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

6. Investing activities (continued)

(c) Recurring fair value measurement of assets and liabilities

	2014			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investment properties	-	-	-	-
Available for sale assets	-	-	-	-
	-	-	-	-

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

There were no transfers between Level 1, Level 2 or Level 3 during the years ended 31 December 2014 and 31 December 2013.

(d) Held for sale financial assets

	Notes	2014 £	2013 £
Investment properties	6(a)	-	1,452,833
Available for sale assets	6(b)	-	153,665
		-	1,606,548

Valuation technique

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

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

As detailed in Note 2, Evergreen had been valued at the sales value achieved on 22 January 2014.

The directors had considered that the current use of the property represented its "highest and best use" and the valuation had been performed on that basis.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

6. Investing activities (continued)

(e) Discontinued operations

The Group sold 100% of its interest in BSPF Tchernomore EAD in January 2014 and BSPF Project 4 EAD in July 2014 for £1,027,961 and £95,451 respectively. Both subsidiaries were classified as held for sale in December 2013.

The gain on disposal of discontinued operations was determined as follows:

	2014	2013
	£	£
<i>Disposal of discontinued operations</i>		
Cash consideration	1,131,712	-
Cash disposed of	(8,300)	-
Net cash inflow on disposal	1,123,412	-
 Net assets disposed of:		
Fixed assets	(1,088,041)	-
Trade and other receivables	(925)	-
Trade and other payables	1,487	-
	(1,087,479)	-
Gain/(loss) on disposal	35,933	-
 <i>Results of discontinued operations</i>		
Revenue	-	2,564
Expenses excluding finance costs	(17,549)	(59,011)
Finances costs	(127)	(495)
Gain/(loss) on disposal	35,933	-
Profit/(loss) for the year	18,257	(56,942)
 <i>Earnings per share from discontinued operations</i>		
Basic and diluted gain/(loss) per share (pence)	0.01	(0.03)

The statement of cash flows includes the following amounts relating to discontinued operations:

	2014	2013
	£	£
<i>Statement of cash flows</i>		
Operating activities	(17,549)	(56,447)
Investing activities	1,131,712	-
Financing activities	(127)	(495)
Net cash from discontinued operations	1,114,036	(56,942)

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

7. Details of Group undertakings

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

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

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

8. Other receivables

	2014	2013
	£	£
Bank and deposit interest receivable	-	112
Prepayments and accrued income	20,203	19,415
Other debtors	80	15,535
	<u>20,283</u>	<u>35,062</u>

All amounts are due within one year.

9. Other payables

	2014	2013
	£	£
Trade payables	2,110	6,091
Accruals	50,672	38,405
	<u>52,782</u>	<u>44,496</u>

None of the amounts are past due or impaired.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

10. Issued share capital

	2014	2013
Authorised:	Number	Number
Founder shares of no par value	10	10
Ordinary shares of no par value	Unlimited	Unlimited
Issued and fully paid:	£	£
2 founder shares of no par value	-	-
213,112,896 (2013: 213,112,896) ordinary shares of no par value	<u>46,478,064</u>	<u>46,478,064</u>

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

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

Capital management

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

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

11. Profit and Net Asset Value per share

The loss per ordinary share of 0.04 pence (2013: loss of 0.66 pence) is based on the loss for the year of £84,863 (2013 loss: £1,404,710) and on the weighted average number of ordinary shares in issue of 213,112,896 (2013: 213,112,896).

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

The net asset value per ordinary share of 0.1 pence (2013: 1.5 pence) is based on the net assets attributable to ordinary shareholders, divided by 213,112,896 (2013: 213,112,896) being the number of outstanding ordinary shares in issue at the year end.

12. Segmental analysis

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

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

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

13. Contingencies and Commitments

There are no contingencies or commitments outstanding at 31 December 2014.

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies

The Group's financial instruments comprise cash and cash equivalents, receivables and payables that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and receivables for accrued income. The main risks the Group faces from its financial instruments are (i) market price risk (comprising currency risk, interest rate risk and other price risk), (ii) liquidity risk and (iii) credit risk.

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

i. Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions as a consequence of price movements and movements in exchange rates. The Board meets regularly in order to review investment strategy.

Market price sensitivity

The table below details the Group's sensitivity to a 5% decrease in the value of financial instruments available for sale. The analysis is performed on the same basis for 2013.

	2014	2013
	£	£
Obzor	-	7,683
	-	7,683

ii. Currency risk

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

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

	Sterling GBP	Euro	Bulgarian LEV	Total
	£	£	£	£
As at 31 December 2014				
Financial instruments				
Available for sale	-	-	-	-
Other receivables	18,905	-	1,378	20,283
Cash and cash equivalents	204,343	893	15,188	220,424
Other payables	(49,825)	-	(2,957)	(52,782)
Net exposure	173,423	893	13,609	187,925
As at 31 December 2013				
Financial instruments				
Available for sale	-	-	-	-
Other receivables	21,692	-	13,370	35,062
Cash and cash equivalents	1,219,850	399,069	40,123	1,659,042
Other payables	(7,896)	-	(36,600)	(44,496)
Net exposure	1,233,646	399,069	16,893	1,649,608

THE BLACK SEA PROPERTY FUND LIMITED
Annual report and consolidated financial statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies (continued)

Foreign currency sensitivity

The table below details the Group's sensitivity to a 5% increase in the value of sterling against the relevant currency. With all other variables held constant, net assets attributable to shareholders and the change in net assets attributable to shareholders per the consolidated statement of profit or loss and other comprehensive income would have decreased by the amounts shown below. The analysis is performed on the same basis for 2013.

	2014		2013	
	Euro	Bulgarian	Euro	Bulgarian
	£	LEV	£	LEV
Financial instruments	45	680	19,953	845
Effect on comprehensive income	(45)	(680)	(19,953)	(845)

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

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 2014. The interest rate profile of the Group's financial instruments excluding other receivables was as follows:

	Variable rate	Non-interest bearing
	£	£
As at 31 December 2014		
Other payables	-	(52,782)
Euro cash deposit	893	-
Bulgarian Lev cash deposit	15,188	-
Sterling GBP cash deposit	204,343	-
	220,424	(52,782)
As at 31 December 2013		
Other payables	-	(44,496)
Euro cash deposit	399,069	-
Bulgarian Lev cash deposit	40,123	-
Sterling GBP cash deposit	1,219,850	-
	1,659,042	(44,496)

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Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies (continued)

Interest rate sensitivity

An increase of 100 basis points in interest rates during the year would have increased the net assets attributable to shareholders and changes in net assets attributable to shareholders by £2,204 (2013: £16,590). A decrease of 100 basis points would have had an equal but opposite effect.

iv. Liquidity risk

The liquidity risk to the Group is the risk of not being able to meet the Group's funding commitments. A significant portion of the Group's assets comprises of cash balances. As at 31 December 2014, the Group does not have any significant liabilities due and therefore the liquidity risk is deemed insignificant.

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

	On demand	< 1 year £	Total £
As at 31 December 2014			
Cash and cash equivalents	220,424	-	220,424
Available for sale assets	-	-	-
Other payables	-	(52,782)	(52,782)
	<u>220,424</u>	<u>(52,782)</u>	<u>167,642</u>
As at 31 December 2013			
Cash and cash equivalents	-	1,659,042	1,659,042
Available for sale assets	-	-	-
Other payables	-	(44,496)	(44,496)
	<u>-</u>	<u>1,614,546</u>	<u>1,614,546</u>

v. Credit risk

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

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

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

	2014 £	2013 £
Amounts held with a credit rating of A or above	209,820	1,225,327
Amounts held with a credit rating of B or above	10,604	433,715
Amounts held with a credit rating less than B	-	-
Cash and cash equivalents as at 31 December	<u>220,424</u>	<u>1,659,042</u>

THE BLACK SEA PROPERTY FUND LIMITED
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Notes to the Consolidated Financial Statements (continued)

14. Financial risk management objectives and policies (continued)

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

vi. Credit risk exposure

In summary, compared to the amounts in the Consolidated Statement of Financial Position, the maximum exposure to credit risk at 31 December 2014 was as follows:

	2014		2013	
	Statement of financial position	Maximum exposure	Statement of financial position	Maximum exposure
	£	£	£	£
Non-current assets				
Cash	220,424	220,424	1,659,042	1,659,042
Available for sale assets	-	-	153,665	153,665
	<u>220,424</u>	<u>220,424</u>	<u>1,812,707</u>	<u>1,812,707</u>

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

15. Events after the reporting period

On 29 January 2015, the Company entered into a loan agreement with Mamferay Holdings Limited for a facility of up to £350,000. On 5 February 2015, £100,000 of the total loan facility was drawdown.

There have been no other significant events since 31 December 2014 which affect the financial position or performance as disclosed in these financial statements.

16. Special dividend

On 18 June 2014 and 5 August 2014, the Company paid special dividends to ordinary shareholders of £2,365,553 or 1.11 pence per share and £319,669 or 0.15 pence per share (2013: £nil) in accordance with Article 115 of Companies (Jersey) Law 1991.

17. Related Party Transaction

The key management personnel costs paid are disclosed in Note 3. As at 31 December 2014, the amounts due to Trevor Hunt and Alex Borrelli were unpaid.

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Notes to the Consolidated Financial Statements (continued)

18. Directors' Interests

Total compensation paid to the Directors during the period was £145,170 (2013: £121,654).

19. Ultimate controlling party

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

20. Company Domicile

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

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Corporate information

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