

# **Black Sea Property PLC**

**HALF-YEARLY REPORT**

**FOR THE SIX MONTH PERIOD ENDED  
30 JUNE 2020**

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## Chairman's Statement

I am pleased to present the unaudited interim financial statements of the Company for the six months ended 30 June 2020.

The unaudited net asset value as at 30 June 2020 was €21.9 million or 1.21 cents per share (31 December 2019: €16.1 million or 1.27 cents per share).

During the period, the Company generated revenues of €129,476 (2019: €312,459) which resulted in a loss before taxation of €72,420 (2019: €2.526 million which included a loss on revaluation of investment properties of €1.897 million). The results reflect other income of €911,705, which relates to cash received against the receivable included in the acquisition of Camping South Beach EOOD (previously written off) and interest income accrued on this receivable (2019: €8,082) (note 11). The results also reflect property operating expenses of €381,301 (2019: €294,481), other operating expenses of €457,688 (2019: €386,472) and interest payable and other charges of €274,612 (2019: €317,964). Loss per share amounted to €0.01 cents (2019: €0.20 cents).

The impact of Covid-19 has adversely affected our operations during the period. The holiday season only started at the beginning of July, after the beaches on the Black Sea coast were opened in June, and occupancy levels at Camping South Beach have not reached expected levels. We are commencing our development of the Byala plots into a further camping operation. We are considering development proposals for Ivan Vazov 1 Building which we expect will enhance its value significantly.

In February 2020, we successfully completed the acquisition of European Convergence Development (Cayman) Limited and ECD Management (Cayman) Limited, both subsidiaries of European Convergence Development Company PLC ("ECDC"), for €3,582,638. We also signed agreements for the acquisition of 29.85% of ECDC at a price per share equal to the net asset value of the shares equivalent to €44,855. We paid €1 for the loan granted by ECDC to ECD Cayman of €122,221,701.

The main rationale for the acquisition of interests in ECDC Group includes: the opportunity to add two development plots suitable for logistics/industrial development (the site in Plovdiv) and residential, commercial or hospitality development (the site in Kraisormie), thus diversifying our portfolio. Both ECD Cayman and ECDC have established structures in place that will save time and costs for future investments.

In January 2020, we completed a share placing and simultaneous 'debt to equity' conversion. The overall amount raised before expenses was €4,585,682, through a placement of 416,880,162 new ordinary shares of nil par value at a price of €0.011 per Ordinary Share. In addition, Mamferay Holdings Limited ("Mamferay") converted all of its outstanding loans, including interest totalling €1,394,958 into 127,035,545 ordinary shares at €0.011 per share. Following this conversion, Mamferay, now has a 26.94% shareholding in the Company.

We are not yet able to assess fully the impact of the current restrictions on the results for the year ending 31 December 2020 as a result of the continuing impact of Covid-19 but, in the meantime, we are managing closely our cash flow and cost base. We believe that the potential for our camping operations with the refurbishment of the Ivan Vazov 1 will add significant value in due course.

Alex Borrelli  
Chairman  
29 September 2020

## Consolidated Statement of Comprehensive Income for the period ended 30 June 2020

|                                                                                  |       | (Unaudited)<br>6 months to<br>30 June 2020 | (Unaudited)<br>6 months to<br>30 June 2019 | (Audited)<br>Year to<br>31 December<br>2019 |
|----------------------------------------------------------------------------------|-------|--------------------------------------------|--------------------------------------------|---------------------------------------------|
|                                                                                  | Notes | €                                          | €                                          | €                                           |
| <b>Total revenue</b>                                                             |       |                                            |                                            |                                             |
| Revenue                                                                          |       | <b>129,476</b>                             | 312,459                                    | 671,030                                     |
| Property operating expenses                                                      |       | <b>(381,301)</b>                           | (294,481)                                  | (468,514)                                   |
| Net rental and related income                                                    |       | <b>(251,825)</b>                           | 17,978                                     | 202,516                                     |
| (Loss)/gain on revaluation of investment properties                              |       | -                                          | (1,896,721)                                | 4,564,767                                   |
| <b>Net (loss)/gain on investment property</b>                                    |       | <b>-</b>                                   | <b>(1,896,721)</b>                         | <b>4,564,767</b>                            |
| <b>Operating expenses</b>                                                        |       |                                            |                                            |                                             |
| Other operating expenses                                                         | 7     | <b>(457,688)</b>                           | (386,472)                                  | (977,728)                                   |
| <b>Total operating (loss)/profit</b>                                             |       | <b>(709,513)</b>                           | <b>(2,265,215)</b>                         | <b>3,789,555</b>                            |
| <b>Operating loss before interest and tax</b>                                    |       |                                            |                                            |                                             |
| Other income                                                                     | 11    | <b>911,705</b>                             | 8,082                                      | 1,318,513                                   |
| Interest payable and similar charges                                             |       | <b>(274,612)</b>                           | (317,964)                                  | (652,436)                                   |
| <b>(Loss)/profit before tax</b>                                                  |       | <b>(72,420)</b>                            | <b>(2,575,097)</b>                         | <b>4,455,632</b>                            |
| Tax expense                                                                      |       | -                                          | 49,310                                     | (391,178)                                   |
| <b>(Loss)/profit and total comprehensive income attributable to shareholders</b> |       | <b>(72,420)</b>                            | <b>(2,525,787)</b>                         | <b>4,064,454</b>                            |
| <b>(Loss)/earnings per share</b>                                                 |       |                                            |                                            |                                             |
| Basic & Diluted(loss)/earnings per share (cents)                                 | 12    | (0.01)                                     | (0.20)                                     | 0.32                                        |

The notes form an integral part of these financial statements.

## Consolidated Statement of Financial Position at 30 June 2020

|                                     |       | (Unaudited)<br>30 June 2020 | (Unaudited)<br>30 June 2019 | (Audited)<br>31 December<br>2019 |
|-------------------------------------|-------|-----------------------------|-----------------------------|----------------------------------|
|                                     | Notes | €                           | €                           | €                                |
| <b>Non-current assets</b>           |       |                             |                             |                                  |
| Investment properties               | 8     | 39,655,103                  | 27,566,766                  | 35,986,000                       |
| Investment in associate             | 5     | 46,626                      | -                           | -                                |
|                                     |       | <u>39,701,729</u>           | <u>27,566,766</u>           | <u>35,986,000</u>                |
| <b>Current assets</b>               |       |                             |                             |                                  |
| Other receivables                   |       | 347,846                     | 1,304,568                   | 351,367                          |
| Related party loan                  | 10    | 196,000                     | -                           | -                                |
| Cash and cash equivalents           |       | 948,275                     | 978,406                     | 717,945                          |
|                                     |       | <u>1,492,121</u>            | <u>2,282,974</u>            | <u>1,069,312</u>                 |
| <b>Total assets</b>                 |       | <u><u>41,193,850</u></u>    | <u><u>29,849,740</u></u>    | <u><u>37,055,312</u></u>         |
| <b>Equity and liabilities</b>       |       |                             |                             |                                  |
| Issued share capital                | 6     | 70,699,442                  | 64,774,886                  | 64,774,886                       |
| Retained deficit                    |       | (47,247,377)                | (53,765,198)                | (47,174,957)                     |
| Foreign exchange reserve            |       | (1,533,086)                 | (1,533,086)                 | (1,533,086)                      |
| Total equity                        | 13    | <u>21,918,979</u>           | <u>9,476,602</u>            | <u>16,066,843</u>                |
| <b>Non-current liabilities</b>      |       |                             |                             |                                  |
| Bank loans                          | 9     | 17,217,366                  | 16,576,585                  | 8,326,534                        |
| Deferred tax liability              |       | 1,903,784                   | 1,466,552                   | 1,903,784                        |
|                                     |       | <u>19,121,150</u>           | <u>18,043,137</u>           | <u>10,230,318</u>                |
| <b>Current liabilities</b>          |       |                             |                             |                                  |
| Trade payables                      |       | 153,721                     | 587,532                     | 496,684                          |
| Shareholder loan                    | 6     | -                           | 150,000                     | 1,394,958                        |
| Bank loans                          | 9     | -                           | 1,592,469                   | 8,866,509                        |
|                                     |       | <u>153,721</u>              | <u>2,330,001</u>            | <u>10,758,151</u>                |
| <b>Total equity and liabilities</b> |       | <u><u>41,193,850</u></u>    | <u><u>29,849,740</u></u>    | <u><u>37,055,312</u></u>         |
| Number of ordinary shares in issue  | 13    | 1,813,323,603               | 1,269,407,896               | 1,269,407,896                    |
| NAV per ordinary share (cents)      | 13    | 1.21                        | 0.75                        | 1.27                             |

The notes form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 September 2020 and were signed on their behalf by:

Chairman  
Alex Borrelli

Director  
Ventsislava Altanova

## Consolidated Statement of Changes in Equity for the period ended 30 June 2020

|                                          | Share<br>capital         | Retained<br>deficit        | Foreign<br>exchange<br>reserve | Total                    |
|------------------------------------------|--------------------------|----------------------------|--------------------------------|--------------------------|
|                                          | €                        | €                          | €                              | €                        |
| <b>At 1 January 2019</b>                 | 64,774,886               | (51,239,411)               | (1,533,086)                    | 12,002,389               |
| Loss for the six-month period            | -                        | (2,525,787)                | -                              | (2,525,787)              |
| <b>At 30 June 2019 (unaudited)</b>       | <u>64,774,886</u>        | <u>(53,765,198)</u>        | <u>(1,533,086)</u>             | <u>9,476,602</u>         |
| <b>At 1 January 2019</b>                 | 64,774,886               | (51,239,411)               | (1,533,086)                    | 12,002,389               |
| Profit for the year                      | -                        | 4,064,454                  | -                              | 4,064,454                |
| <b>At 31 December 2019 (audited)</b>     | <u>64,774,886</u>        | <u>(47,174,957)</u>        | <u>(1,533,086)</u>             | <u>16,066,843</u>        |
| <b>At 1 January 2020</b>                 | <b>64,774,886</b>        | <b>(47,174,957)</b>        | <b>(1,533,086)</b>             | <b>16,066,843</b>        |
| <i>Transactions with shareholders:</i>   |                          |                            |                                |                          |
| Conversion of shareholder loan to equity | 4,585,682                | -                          | -                              | 4,585,682                |
| Share capital issue                      | 1,397,391                | -                          | -                              | 1,397,391                |
| Less: share issue costs                  | (58,517)                 | -                          | -                              | (58,517)                 |
|                                          | <u>5,924,556</u>         | -                          | -                              | <u>5,924,556</u>         |
| Loss for the six-month period            | -                        | (72,420)                   | -                              | (72,420)                 |
| <b>At 30 June 2020 (unaudited)</b>       | <u><b>70,699,442</b></u> | <u><b>(47,247,377)</b></u> | <u><b>(1,533,086)</b></u>      | <u><b>21,918,979</b></u> |

The notes form an integral part of these financial statements.

## Consolidated Statement of Cash Flows for the period ended 30 June 2020

|                                                                  | (Unaudited)<br>6 months to<br>30 June 2020<br>€ | (Unaudited)<br>6 months to<br>30 June 2019<br>€ | (Audited)<br>Year to<br>31 December<br>2019<br>€ |
|------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| Operating activities                                             |                                                 |                                                 |                                                  |
| (Loss)/profit before tax                                         | (72,420)                                        | (2,575,097)                                     | 4,455,632                                        |
| Gain/(loss) on revaluation of investment properties              | -                                               | 1,896,721                                       | (4,564,767)                                      |
| Other income                                                     | (911,705)                                       | -                                               | (1,318,513)                                      |
| Finance expense                                                  | 274,612                                         | 317,964                                         | 652,436                                          |
| <b>Movement in net cash outflow from operating activities</b>    | <b>(709,513)</b>                                | <b>(360,412)</b>                                | <b>(775,212)</b>                                 |
| Decrease/(increase) in receivables                               | 3,521                                           | (695,342)                                       | (659,493)                                        |
| (Decrease)/increase in payables                                  | (510,218)                                       | 353,271                                         | 265,256                                          |
|                                                                  | (506,697)                                       | (342,071)                                       | (394,237)                                        |
| Withholding tax paid                                             | -                                               | 6,089                                           | -                                                |
| <b>Net cash outflow from operating activities</b>                | <b>(1,216,210)</b>                              | <b>(696,394)</b>                                | <b>(1,169,449)</b>                               |
| <b>Investing activities</b>                                      |                                                 |                                                 |                                                  |
| Acquisition of subsidiary, net of cash acquired                  | (3,032,745)                                     | -                                               | -                                                |
| Investment property additions                                    | (469,103)                                       | (1,896,721)                                     | (3,854,467)                                      |
| Investment in associate                                          | (46,626)                                        | -                                               | -                                                |
| Related party loan granted                                       | (196,000)                                       | -                                               | -                                                |
| Interest received                                                | 911,705                                         | -                                               | 1,318,513                                        |
| <b>Net cash (outflow)/ from investing activities</b>             | <b>(2,832,769)</b>                              | <b>(2,593,115)</b>                              | <b>(2,535,954)</b>                               |
| <b>Financing activities</b>                                      |                                                 |                                                 |                                                  |
| Proceeds from share capital issued                               | 4,585,682                                       | -                                               | -                                                |
| Conversion of shareholder loan to equity                         | 1,397,391                                       | -                                               | -                                                |
| Loans and interest repaid                                        | (274,612)                                       | (317,964)                                       | (669,849)                                        |
| Bank loan received                                               | -                                               | 41,246                                          | -                                                |
| Shareholder loans (converted to equity net of interest)/received | (1,394,958)                                     | 150,000                                         | 1,394,958                                        |
| Share capital issue costs                                        | (58,517)                                        | -                                               | -                                                |
| Bank loans repaid                                                | 24,323                                          | -                                               | -                                                |
| <b>Net cash inflow/(outflow) from financing activities</b>       | <b>4,279,309</b>                                | <b>(126,718)</b>                                | <b>725,109</b>                                   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>      | <b>230,330</b>                                  | <b>(2,719,833)</b>                              | <b>(2,980,294)</b>                               |
| <b>Cash and cash equivalents at beginning of period</b>          | <b>717,945</b>                                  | <b>3,698,239</b>                                | <b>3,698,239</b>                                 |
| <b>Cash and cash equivalents at end of period</b>                | <b>948,275</b>                                  | <b>978,406</b>                                  | <b>717,945</b>                                   |

The notes form an integral part of these financial statements.

# Notes to the Financial Statements for the period ended 30 June 2020

## 1. General information

Black Sea Property Plc (the Company) is a company incorporated and domiciled in the Isle of Man whose shares are publicly traded on the Aquis Stock Exchange in London.

## 2. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year-ended 31 December 2019.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 are available upon request from the Company's registered office at 55 Athol Street, Douglas, Isle of Man or at [www.blackseapropertyplc.com](http://www.blackseapropertyplc.com).

These interim consolidated financial statements were approved by the Board of Directors on 29 September 2020.

## 3. Significant accounting policies

The accounting policies applied in these interim financial statements, except for the ones listed below, are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

## 4. Financial risk management policies

The principal risks and uncertainties are consistent with those disclosed in preparation of the Group's annual financial statements for the year ended 31 December 2019.

## 5. Acquisition of ECDC Group

On 21 February 2020, the Company successfully completed the acquisition of 100% of European Convergence Development (Cayman) Limited ("ECD Cayman") and ECD Management (Cayman) Limited ("ECD Management"). The consideration paid for ECD Cayman and ECD Management in total was €3,582,638. Both companies were subsidiaries of European Convergence Development Company PLC, Isle of Man ("ECDC").

The Company also signed agreements for the acquisition of 29.85% of ECDC at a price per share equal to the net asset value of the shares of €0.00168 or a total of €44,855. The total cost net of share transaction fees was €46,626. €1 was paid for the loan granted by ECDC to ECD Cayman of €122,221,701.

The main rationale for the acquisition of interests in ECDC Group includes: the opportunity to add two development plots suitable for logistics/industrial development (the site in Plovdiv) and residential, commercial or hospitality development (the site in Kraimorie), thus diversifying BSP portfolio. Both ECD Cayman and ECDC have established structures in place that will save time and costs for future investments.

The fair value of assets and liabilities acquired are as follows:

|                     | (Unaudited)<br>21 Feb 2020<br>€ |
|---------------------|---------------------------------|
| Investment property | 3,200,000                       |
| Cash                | 549,893                         |
| Trade payables      | (167,255)                       |
|                     | <hr/> 3,582,638 <hr/>           |

## 6. Cash placing and debt to equity conversion

On 20 January 2020 the Company performed a share placing and simultaneous debt to equity conversion. The overall amount raised before expenses was €4,585,682, through a placement of 416,880,162 new ordinary shares of nil par value (the "Placing Shares") at a price of €0.011 per Ordinary Share (the "Placing").

In addition to the Placing, Mamferay Holdings Limited ("Mamferay") agreed to convert all its outstanding loans, including interest totalling €1,394,958 into 127,035,545 ordinary shares at €0.011 per share (the "Loan Shares").

## 7. Other administration fees and expenses

|                                          | (Unaudited)<br>6 months to<br>30 June 2020 | (Unaudited)<br>6 months to<br>30 June 2019 | (Audited)<br>Year to<br>31 December 2019 |
|------------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------------------|
|                                          | €                                          | €                                          | €                                        |
| Directors' remuneration                  | 49,847                                     | 40,547                                     | 81,039                                   |
| Investment advisory fees                 | 107,136                                    | 53,568                                     | 214,272                                  |
| Legal and professional fees              | 120,506                                    | 55,828                                     | 123,232                                  |
| Other administration and sundry expenses | 180,199                                    | 236,529                                    | 559,185                                  |
|                                          | <b>457,688</b>                             | <b>386,472</b>                             | <b>977,728</b>                           |

## 8. Investment properties

|                       | (Unaudited)<br>30 June 2020 | (Unaudited)<br>30 June 2019 | (Audited)<br>31 December 2019 |
|-----------------------|-----------------------------|-----------------------------|-------------------------------|
|                       | €                           | €                           | €                             |
| Beginning of year     | 35,986,000                  | 27,566,766                  | 27,566,766                    |
| Acquisition           | 3,200,000                   | -                           | 1,065,723                     |
| Fair value adjustment | -                           | (1,896,721)                 | 4,564,767                     |
| Additions             | 469,103                     | 1,896,721                   | 2,788,744                     |
| <b>End of year</b>    | <b>39,655,103</b>           | <b>27,566,766</b>           | <b>35,986,000</b>             |

The Directors confirm that there are no material changes in the valuation of investments as of 30 June 2020.

## 9. Bank Loans

|                                                         | (Unaudited)<br>30 June 2020 | (Unaudited)<br>30 June 2019 | (Audited)<br>31 December 2019 |
|---------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|
|                                                         | €                           | €                           | €                             |
| Loan and interest accrued from UniCredit                | 6,976,847                   | 7,066,023                   | 6,980,477                     |
| Loan and interest accrued from Central Cooperative Bank | 10,182,940                  | 11,103,031                  | 10,212,566                    |
|                                                         | <b>17,159,787</b>           | <b>18,169,054</b>           | <b>17,193,043</b>             |

The Central Cooperative Bank debt funding provided to Camping South Beach EOOD was due to expire on 24 June 2020, however it has been agreed with the lender to postpone repayment until 24 June 2021.

The Unicredit debt funding provided to BSPF Bulgaria EAD was due to expire in October 2020, however it has been agreed with the lender to postpone repayment until 30 April 2021.

## 10. Related party loan

On 18 June 2020, a subsidiary of the Company, BSPF Project 1 EAD ("Project 1"), entered into a loan agreement with Phoenix Capital Holding AD. Project 1 lent Phoenix €196,000 at a fixed annual interest rate of 4.5%, with a repayable date of 18 June 2021. Phoenix Capital Holding AD owns 79.99% of the shares of Phoenix Capital Management JSC, the Company's investment adviser, and is also a subsidiary of Mamferay Holdings which owns 26.94% of the shares of Black Sea Property plc.

## 11. Other income

|                                                                         | (Unaudited)<br>30 June 2020 | (Unaudited)<br>30 June 2019 | (Audited)<br>31 December 2019 |
|-------------------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|
|                                                                         | €                           | €                           | €                             |
| Interest income – receivable balances                                   | <b>232,843</b>              | 8,082                       | 271,551                       |
| Reversal of fair value adjustment of CSB acquisition receivable balance | <b>678,863</b>              | -                           | 1,046,962                     |
|                                                                         | <b>911,705</b>              | 8,082                       | 1,318,513                     |

## 12. (Loss)/earnings per share

The basic (loss)/earnings per ordinary share is calculated by dividing the net (loss)/profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

|                                                     | (Unaudited)<br>30 June 2020 | (Unaudited)<br>30 June 2019 | (Audited)<br>31 December<br>2019 |
|-----------------------------------------------------|-----------------------------|-----------------------------|----------------------------------|
| (Loss)/earnings attributable to owners of parent €  | <b>(72,420)</b>             | (2,525,787)                 | 4,064,454                        |
| Weighted average number of ordinary shares in issue | <b>1,287,431,251</b>        | 1,269,407,896               | 1,269,407,896                    |
| <b>Basic (loss)/earnings per share (cents)</b>      | <b>(0.01)</b>               | (0.20)                      | 0.32                             |

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

## 13. Net asset value per share

|                                                     | (Unaudited)<br>30 June 2020 | (Unaudited)<br>30 June 2019 | (Audited)<br>31 December<br>2019 |
|-----------------------------------------------------|-----------------------------|-----------------------------|----------------------------------|
| Net assets attributable to owners of the parent (€) | <b>21,918,979</b>           | 9,476,602                   | 16,066,843                       |
| Number of ordinary shares outstanding               | <b>1,813,323,603</b>        | 1,269,407,896               | 1,269,407,896                    |
| <b>Net Asset Value (cents)</b>                      | <b>1.21</b>                 | 0.75                        | 1.27                             |

## 14. Events after reporting date

There are no significant events after reporting date.