Black Sea Property PLC

Annual Report and Consolidated Financial Statements

for the year ended 31 December 2017

Table of contents

Chairman's Statement

I am pleased to present the financial statements of the Group for the year ended 31 December 2017.

The net asset value as at 31 December 2017 was € 9,661,697 or 0.76 cents per share (2016: €930,000 or 0.25 cents per share).

Investments and Financings
We completed in October 2017 the acquisition of an iconic asset, an office building at 1, Ivan Vazov Str., a prime location in Sofia (the "UniCredit Building"), for a cash consideration of €10.52 million. This acquisition represented a significant first step in the realisation of the Company's investing strategy to create a diverse portfolio of opportunistic and value-added Bulgarian real estate assets.

The acquisition was financed by a mix of equity raised in October 2017 and debt finance. We completed an equity fund raise of €5.4 million through the placement of 540,000,000 new ordinary shares at €0.01 per share. The Company also secured debt funding of €7 million in October 2017 from UniCredit Bulbank AD, a leading Bulgarian commercial bank. The property has remained empty and non-income producing since acquisition whilst refurbishment is undertaken.

Subsequent to the year end, we completed the acquisition of Camping Gradina EOOD in January 2018 for €2.76 million ("CGE"). CGE owns four contiguous plots of land on the beachfront of the Black Sea Coast, close to the City of Sozopol, with a total area of 63,193 sqm, and with permission to develop a camping complex. The acquisition was financed from a further equity fund raise of €3.528 million in December 2017 through the placement of 352,800,000 new ordinary shares at €0.01 per share. In addition, the Company invested €3.37 million direct into CGE, to enable the redevelopment of the camping site and for associated costs.

The Directors had been advised on the acquisitions of the UniCredit Building and CGE by Phoenix Capital Management JSC ("Phoenix") which superseded AG Asset Management AD as the Company's property investment adviser. Phoenix Capital Holding JSC, which owns 99.99% of Phoenix, holds 377,814,581 ordinary shares in the Company (representing 29.76% of the Company's issued share capital) through its wholly owned subsidiary, Mamferay Holdings Limited ("Mamferay").

Further to the unsecured loan facility of £350,000 with Mamferay, the Company drew down an additional €100,000 in August 2017. This sum, together with the initial drawdown of £100,000, was repaid with interest in October 2017 following completion of the equity fund raise.

Annual General Meeting and Resolutions
The resolutions for the forthcoming Annual General Meeting are contained in a separate Notice and are available to shareholders on the website http://www.blackseapropertyplc.com/. In addition to the customary resolutions and authorities to be sought for issuing new ordinary shares, we will be seeking approval for the award of options to the Directors, while maintaining existing levels of remuneration, as a means of incentivising them and so aligning their interests with shareholders.

The Directors recommend shareholders to vote in favour of all the resolutions and a form of proxy is being despatched to all shareholders for this purpose.

The AGM will be held at the Company's registered office at 12:00 noon on 29 June 2018.

Outlook
We are pleased to have completed the acquisitions of the UniCredit Building in Sofia, which we believe is capable of generating significant returns, and also the beachfront plots on an attractive area of the Black Sea Coast, for development during 2018 into a high-quality holiday camp. We are grateful for the significant support of our major shareholders in being able to secure these assets.

The Bulgarian property market has performed strongly in 2017 for the first time since 2007/2008, particularly in the real estate market in Sofia and in the holiday property segment. The market has seen increases in property prices, the number of property transactions, with a background of low mortgage rates, and the demand for rental properties. While our immediate focus is on the refurbishment of the UniCredit Building and the development of the beachfront holiday camp, we will continue to investigate further investment opportunities for the Company with the potential for asset accretion.

We believe we now have a strong base for delivering value uplift for our shareholders.

Alex Borrelli
Chairman

Date: 31 May 2018

Directors' Report

The Directors ("the Board") of Black Sea Property PLC ("the Company") and its subsidiaries (together "the Group") present their report and the Consolidated financial statements for the year ended 31 December 2017.

Originally incorporated in Jersey in 2005 with the name The Black Sea Property Fund Limited, the Company was re-domiciled to the Isle of Man with effect from 20 July 2016 and continues under the Isle of Man Companies Act 2006 as a close-ended investment company with the name Black Sea Property PLC and with registered number 013712V. With effect from re-domiciliation in the Isle of Man, the Company adopted new articles of association and thereupon ceased to be a limited life company and now has an indefinite period of existence.

The Company's shares were traded on AIM up to 15 July 2015. The share trading was suspended with effect from 16 July 2015 as the Company had not implemented its investing policy within a year of the disposal of the last of its assets. Pursuant to the AIM Rules for Companies, as the investing policy was not implemented within six months of the start of the suspension, the admission of the Company's shares to trading on AIM was cancelled on 18 January 2016. On 22 August 2016, the Company published its admission document in compliance with the requirements of the ISDX Growth Market (now the NEX Exchange Growth Market) Rules. Dealings on the NEX Exchange Growth Market commenced on 31 August 2016.

Investment objective and policy

As a result of the poor performance of the Bulgarian real estate market since 2008, local banks, real estate developers and various investment companies have accumulated a significant amount of distressed real estate assets and are looking for opportunities to dispose of them. The Directors now believe that there are positive trends in the Bulgarian real estate sector (an increase in sales volumes, price stabilisation, and a rise in the volume of mortgage loans) and consider that there are opportunities within the residential real estate, holiday homes, commercial and distressed real estate markets of Bulgaria. The Directors proposed the adoption of a new investing policy and the appointment of a new investment advisor which were approved by shareholders at an Extraordinary General Meeting held on 10 April 2015.

The new investing policy is as follows:

The Board is seeking to create a diverse portfolio of opportunistic and value-added Bulgarian real estate assets. The portfolio may comprise direct holdings of real estate assets, as well as stakes in collective investment vehicles, direct and indirect investments and co-investments in distressed companies holding real estate and real estate assets that need restructuring and further financing, and controlling and non- controlling stakes in real estate companies listed on regulated stock exchanges invested primarily in Bulgaria. The focus will be Bulgaria but exceptionally the Board may look at real estate opportunities and investments in neighbouring countries. The Board will strive to build a portfolio that will maximize value for its shareholders.

The Board will seek to invest in the following real estate opportunities:

Distressed residential projects, primarily in the largest 3-4 cities in Bulgaria, Sofia, Plovdiv, Varna and Burgas, which are close to completion and capable of generating sales revenue within 12 months from the initial investment.

Investment objective and policy (continued)

Commercial buildings, primarily in Sofia, with opportunities to improve occupancy through active asset management for example renovation, remodelling, remarketing, operational management and optimization of cost structure.

Hotels and holiday homes with opportunities to improve operations and cost structure.

Investments in distressed companies and assets that need restructuring and further financing, capable of offering a high growth potential.

The targeted size of each individual investment is anticipated to be in the range 5-20 per cent of the overall funds under management. The Group intends to use gearing levels of up to 70 per cent loan to value when acquiring real estate assets. Except in the event of a Reverse Takeover, the proposed asset allocation of the respective types of direct and/or indirect real estate investment is:

- 40 - 60 per cent of funds to be invested in residential projects of a minimum lot size of 20 units;
- 20 - 40 per cent of funds to be invested in commercial property with a minimum Gross Lettable Area of 2,000 sqm; and
- 10 - 30 per cent of funds to be invested in business, leisure and apartments, hotels and holiday homes, with a minimum of 20 rooms or units.

Initially, the Board's focus will be searching for companies where there may be a number of opportunities to acquire interests in undervalued properties.

The Group may be both an active and a passive investor depending on the nature of the individual investments. The Board will place no minimum or maximum limit on the length of time that any property investment may be held. The Group intends to retain sufficient cash resources for prudent management of its working capital requirements. The Board will however ensure that any investments meet criteria designed to mitigate risks. There will be no limit on the number of properties or investments into which the Group may invest, and the Group's financial resources may be invested in a number of propositions or in just one investment. The Board believes that the status of the Group as an investing company will enable it to fund real estate investments or acquisitions using a mixture of cash, equity and/or debt and intend to actively monitor these investments.

Results and dividends

The Consolidated Statement of Comprehensive Income is set out on page 12 of this Annual Report and Consolidated Financial Statements.

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.

Directors' Report (continued)

Board of Directors

The current Directors of the Company are:

Alex Borrelli
Elena Fournadjieva
Boris Lagadinov
Yordan Naydenov

On 5 May 2017, Antony Gardner-Hillman, a Jersey resident and solicitor, resigned from the Board. On 16 May 2017, the Company announced the appointment of Boris Lagadinov, both a Bulgarian and British citizen, as a non-executive Director.

All Directors are non-executive except Elena Fournadjieva.

Shareholders' Interests

As at 31 December 2017, the significant shareholders of the Company were as follows:

Beneficial shareholder	Holding	Percentage
Mamferay Holdings Limited	377,814,581	29.76%
Compass Capital JSC	217,936,000	17.17%
Neo London Capital AD	372,126,806	29.31%
Capman AM	105,000,000	8.27%

Group Auditor

BDO LLP are the Auditor of the Company. 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 resolution to be proposed at the meeting will be sent in a separate circular to shareholders.

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 Auditor are unaware;
- and each Director has taken 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 Auditor are aware of the information.

Directors' interests

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

Directors' remuneration

Directors' remuneration comprises solely the fee payments received by the Directors. No Directors received any benefits under long term or short term incentive schemes.

The maximum amount of the aggregate Directors' ordinary remuneration permitted under Article 30.03 of the Company's Articles of Association is £100,000 (€112,595 at year-end exchange rate) per annum, plus expenses.

	2017		2016
	€		€
Alex Borrelli	**34,152**	*	32,104
Antony Gardner-Hillman (resigned 5 May 2017)	**24,798**		29,185
Yordan Naydenov	**22,149**		23,348
Elena Fournadjieva	**22,750**		10,405
Timothy Scott-Warren (resigned 21 July 2016)	**-**		9,864
Boris Lagadinov	**8,230**		-
	112,079		104,906

*includes 20% VAT charge.

Corporate Governance

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

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

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

Going concern

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2017, the Directors have prepared cash-flow forecasts, and stress-tested the assumptions in those forecasts. The conclusion reached is that while there will always remain inherent uncertainty within the cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of signing of these financial statements.
Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2017.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").
The financial statements for any period are required to give a true and fair view of the state of affairs of the Group at the end of that period, and of the profit or loss of the Group for the period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time its financial position and to enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

On behalf of the Board

Alex Borrelli
Chairman
31 May 2018

Independent Auditor's report to the shareholders of Black Sea Property PLC (formerly The Black Sea Property Fund Limited)

Opinion
We have audited the financial statements of Black Sea Property PLC and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprises the comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Key audit matter	How we addressed the key audit matter in the audit
Valuation of investment properties As detailed in note 6, the Group owns an investment property which is held at fair value in the Group financial statements. As described in note 2, the Group's note of significant accounting judgements, estimates and assumptions, determination of the fair value of investment properties is a key area of estimation and we therefore considered this to be an area of significant audit risk and focus. The Group engages an independent expert valuer (Forton) to determine the fair value of the property at the year end. The valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The valuation of the Group's investment property requires significant judgements to be made by the independent valuer in relation to the appropriate market capitalisation yields and estimated rental values and appropriate input information to be provided by management in relation to the passing rents and lease particulars. Any input inaccuracies or unreasonable valuation judgements could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuation in order to achieve performance targets to meet market expectations.	Our audit work included, but was not restricted to, the following: • We assessed the competency, qualifications, independence and objectivity of Forton to confirm that they were appropriate qualified to undertake the valuations and reviewed the terms of their engagement to confirm that there were not any unusual arrangements. • We appointed an independent valuer to re-perform the valuation of the Group's investment property. • We obtained and read Forton's valuation report and confirmed that all valuations had been prepared on a basis that was in accordance with the Group's accounting policy and appropriate for determining the carrying value in the Group's financial statements. • We reviewed the significant judgements made by Forton and in particular the market capitalisation yields and estimated rental values by comparing these to our own independent valuer. • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty.

Key observations

Based on our work, we are satisfied that the valuation of the Group's investment property is appropriate and in line with the Group's accounting policies.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements,

and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
The materiality for the financial statements as a whole was set at €392,000 (2016 - €19,846). This was determined with reference to a benchmark of Group's total assets (of which it represents 2.0 per cent (2016 – 2%)) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of this asset based Group.

The materiality level applied in the previous year was €23,348. The same benchmark percentages were applied in each year, with the increases in the current year figures arising as a result of the increases in the Group's total assets. We set component materiality between €100,000 and €105,000 based on the overall size and respective risk of each component.

When performing our audit procedures we apply a lower level of materiality, known as performance materiality, to address the risk that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated. We set performance materiality at 75% of the respective materiality level, having considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude toward proposed adjustments.

We agreed with the Board that we would report to the Board all individual audit differences in excess of €19,600 (prior year €467). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level.

In determining the scope of our audit, we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole. A full scope audit was carried out on each component.

We tailored the extent of the work to be performed at each component based on our assessment of the risk of material misstatement at each component. BDO LLP reviewed the working papers of the subsidiary auditor (a BDO member firm) to enable sufficient appropriate audit evidence to be obtained on the subsidiaries held in Bulgaria.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors
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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 80C of the Companies Act 2006. 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.

BDO LLP
Chartered Accountants
London
United Kingdom

Date: 31 May 2018

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

Consolidated Statement of Comprehensive Income

	Notes	**Year to 31 Dec 17 €**	Year to 31 Dec 16 €
Total revenue		**-**	-
Gain on revaluation of investment property	2	**428,792**	-
Net gain on investment property		**428,792**	-
Operating expenses			
Other operating expenses	3	**(443,737)**	(483,613)
Total operating expenses		**(443,737)**	(483,613)
Operating loss		**(14,945)**	(483,613)
Foreign currency exchange differences		**(2,349)**	-
Bank interest receivable	4	**-**	656
Bank charges and interest payable	4	**(41,405)**	(4,494)
Loss before tax		**(58,699)**	(487,451)
Tax expense	5	**(64,256)**	-
Loss after tax		**(122,955)**	(487,451)
Other comprehensive (loss)/income			
Gain on translation of foreign operations		**-**	1,134
Total comprehensive loss		**(122,955)**	(486,317)
Loss per share			
Basic and Diluted loss per share (cents)	13	**(0.02)**	(0.13)

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

The notes on pages 16 to 28 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	2017 €	2016 €
Non-current assets			
Investment property	6	**11,229,740**	-
		11,229,740	-
Current assets			
Trade and other receivables	7	**6,138,436**	4,137
Cash and cash equivalents		**2,238,811**	1,152,847
		8,377,247	1,156,984
Total assets		**19,606,987**	1,156,984
Equity and liabilities			
Issued share capital	11	**64,774,886**	55,920,286
Retained deficit		**(53,580,103)**	(53,457,148)
Foreign exchange reserve		**(1,533,086)**	(1,533,086)
Total equity		**9,661,697**	930,052
Liabilities			
Non-current liabilities			
Bank loans	9	**6,933,596**	-
Deferred tax liability	5	**42,879**	-
		6,976,475	-
Current liabilities			
Trade payables	8	**207,839**	104,932
Other payables	20	**2,760,976**	-
Loans payable		**-**	122,000
		2,968,815	226,932
Total liabilities		**9,945,290**	226,932
Total equity and liabilities		**19,606,987**	1,156,984
Number of ordinary shares in issue	11	**1,269,407,896**	365,289,978
NAV per ordinary share (cents)	13	**0.76**	0.25

The notes on pages 16 to 28 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2018 and were signed on their behalf by:

Chairman
Alex Borrelli

Executive Director
Elena Fournadjieva

Consolidated Statement of Changes in Equity

	Share capital	Retained deficit	Foreign exchange reserve	Total
	€	€	€	€
At 1 January 2016	**55,913,281**	**(52,969,697)**	**(1,534,220)**	**1,409,364**
Loss for the year	-	(487,451)	-	(487,451)
Other comprehensive income	-	-	1,134	1,134
Transactions with owners				
Issue of share capital	7,005	-	-	7,005
At 31 December 2016	**55,920,286**	**(53,457,148)**	**(1,533,086)**	**930,052**
At 1 January 2017	**55,920,286**	**(53,457,148)**	**(1,533,086)**	**930,052**
Loss for the year	-	(122,955)	-	(122,955)
Transactions with owners				
Issue of share capital	9,036,000	-	-	9,036,000
Share issue costs	(181,400)	-	-	(181,400)
At 31 December 2017	**64,774,886**	**(53,580,103)**	**(1,533,086)**	**9,661,697**

The notes on pages 16 to 28 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	**2017 €**	2016 €
Operating activities			
Loss before tax for the year		**(58,699)**	(487,451)
Gain on revaluation of investment property	2	**(428,792)**	-
Interest received	4	**-**	(656)
Finance expense	4	**41,405**	4,494
Decrease in other receivables	7	**1,204**	8,592
Increase in trade and other payables		**102,907**	35,739
Tax paid	5	**(21,377)**	-
Net cash outflow from operating activities		**(363,352)**	(439,282)
Investing activities			
Investment property additions	2	**(10,800,948)**	-
Cash advance pre-acquisition	20	**(3,374,527)**	-
Net cash outflow from investing activities		**(14,175,475)**	-
Financing activities			
Interest received	4	**-**	656
Interest paid and sundry bank charges	4	**(37,809)**	(1,577)
Loans received	9	**100,000**	-
Loans repaid	9	**(222,000)**	-
Bank loan received	9	**7,000,000**	-
Bank loan arrangement fees	9	**(70,000)**	-
Issue of share capital	11	**8,854,600**	-
Net cash inflow/(outflow) from financing activities		**15,624,791**	(921)
Net increase/(decrease) in cash and cash equivalents		**1,085,965**	(440,203)
Cash and cash equivalents at beginning of year		**1,152,847**	1,591,915
Effect of foreign exchange rates		**-**	1,135
Cash and cash equivalents at end of year		**2,238,811**	1,152,847

The notes on pages 16 to 28 are an integral part of these consolidated financial statements.

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 2017 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 EU.

Originally domiciled in Jersey, the Company was re-domiciled to the Isle of Man with effect from 20 July 2016 and continues under the Isle of Man Companies Act 2006 with the name Black Sea Property PLC and with registered number 013712V. The Company operates as a close ended investment company for the purposes of the Isle of Man Collective Investment Schemes Act 2008 and the Isle of Man Collective Investment Schemes (Definition) Order 2008.

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

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2017, the Directors have prepared cash-flow forecasts, and stress-tested the assumptions in those forecasts. The conclusion reached is that while there will always remain inherent uncertainty within the cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2017.

d) Functional and presentation currency

Change in presentation currency

From 1 January 2017 the Group has changed its presentation currency to EUR. Comparative information has been restated in EUR in accordance with the guidance defined in IAS 21.

Assets and liabilities were translated into EUR at closing rates of exchange. Trading results were translated into EUR at average rates of exchange. Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to reserves. Share capital, share premiums and other reserves were translated at historic rates prevailing at the dates of transactions.

Notes to the Consolidated Financial Statements (continued)

Change in functional currency

The Company changed its functional currency from Pounds Sterling to Euro with effect from 1 January 2017. The effect of a change in functional currency is accounted for prospectively. The Company translated all items into the new functional currency using the exchange rate at the date of the change (GBP: EUR rate of 1.1674).

The change was made to reflect that EUR has become the predominant currency in the Company, counting for a significant part of the company's cash flow, cash flow management and financing.

The change in presentational currency does not have any effect on net assets attributable to equity holders of the Company.

e) Investment and interest income

Income on investments is recognised on an accruals basis.

f) Expenses

Expenses are charged through the consolidated statement of comprehensive income.

g) Loans payable at amortised cost

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

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 include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

j) Investment property

Property that is held for rental yields or for capital appreciation or both is classified as investment property. Investment property comprises freehold land, freehold buildings, and land held under long term operating leases. Investment property is measured initially at its cost, including related transaction costs and subsequently revalued annually to fair value using an income capitalisation technique. The valuation is obtained from third party valuers, based upon assumptions including future rental value, anticipated property costs, future development costs and the appropriate discount rate. Reference is also made to market evidence of transaction prices for similar properties. More information is provided in the 'Investment Properties' note.

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

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

Notes to the Consolidated Financial Statements (continued)

k) Taxation

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

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

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) 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.

m) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are offset if there is a legally enforceable right to set off the recognised amounts and interests and it is intended to settle on a net basis.

Investments of the Group where the Group does not have control are designated as at fair value through profit or loss on initial recognition. They are measured at fair value. Unrealised gains and losses arising from revaluation are recognised in profit or loss. Investments in entities over which the Group has control are consolidated in accordance with IFRS 10.

The fair value of unquoted securities is estimated by the Directors using the most appropriate valuation technique for each investment.

Securities quoted or traded on a recognised stock exchange or other regulated market are valued by reference to the last available bid price.

n) 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.

Notes to the Consolidated Financial Statements (continued)

o) Changes in accounting policies and disclosures

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following relevant standards and interpretations with an effective date after the date of these financial statements:

- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2018)
- IFRS 15 revenue from contracts with customers (effective 1 January 2018).
- IFRS 16 — Leases (effective 1 January 2019).

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

2) Significant accounting judgements, estimates and assumptions

These disclosures supplement the commentary on financial risk management (see note 16).

Key sources of estimation uncertainty
Determining fair values
The determination of fair values for Investment property for which there are no observable market prices requires the use of valuation techniques as described in "valuation of investment property" below and in note 6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affection the specific instrument.

Critical judgements in applying the Company's accounting policies
Critical judgements made in applying the Company's accounting policies include:

Valuation of investment property
The Company's accounting policy on fair value measurements is discussed in accounting policy note 1(i). The Company measures fair value using the following hierarchy that reflects the significant of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for and identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category included instruments valued using: quoted market prices in active markets for similar instruments: quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the Consolidated Financial Statements (continued)

All the Company's investment properties are measured at fair value have been valued on the basis of Level 3 described above. See further details on note 6.

A reconciliation from the beginning balances to the ending balances for Level 3 investments is as follows:

	2017	**2016**
	€	**€**
Beginning of year	-	-
Acquisition	**10,800,948**	-
Fair value adjustment	**428,792**	-
End of year	**11,229,740**	**-**

Financial instruments not measured at fair value
The carrying value of short-term financial assets and financial liabilities (cash, debtors and creditors) approximate their fair value.

3) Other operating expenses

	2017	2016
	€	€
Directors' remuneration	**112,079**	104,906
Administration fees	**102,550**	97,197
Legal and professional fees	**53,574**	94,070
Auditor's remuneration	**39,395**	28,893
Registrar fees	**2,653**	-
Broker fees	**34,507**	18,249
NEX admission related fees	**-**	113,190
Other administration and professional fees	**98,979**	27,108
	443,737	483,613

In 2017, key management personnel comprise the Board (2016: in addition to the Board there was one employee in Bulgaria). The Board's compensation comprised Directors' fees only during the year, the amount of which is summarised within the Directors' Report.

4) Finance income and finance costs

Finance income and finance costs include all finance-related income and expenses. The following amounts have been included in the Consolidated Statement of Comprehensive Income line for the reporting periods presented:

	2017	2016
	€	€
Interest on short-term bank deposits	**-**	656
Finance income	**-**	656
Interest expense on borrowings (*)	**36,988**	2,913
Amortisation of bank loan arrangement fee	**3,596**	-
Bank charges	**821**	1,581
Finance costs	**41,405**	4,494

*The interest on borrowings relates mainly to the secured debt funding of €7 million from UniCredit Bulbank (see note 9).

Notes to the Consolidated Financial Statements (continued)

5) Taxation

Isle of Man

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

Consequently, shareholders resident outside Isle of Man and Jersey will not incur any withholding tax in those jurisdictions on any distributions made to them.

Bulgaria

Subsidiaries of the Company incorporated in Bulgaria are taxed in accordance with the applicable tax laws of Bulgaria. The Bulgarian corporate tax rate for the year was 10% (2016: 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 the Isle of Man of Nil% (2016: Nil%) is shown below.

	2017	2016
	€	€
Loss before tax	**(125,103)**	(487,451)
Loss on ordinary activities multiplied by the standard rate in the Isle of Man of Nil% (2016: Nil%)	**-**	-
Bulgarian tax at 10% (2016: 10%)		
- Net trading profit in Bulgarian subsidiaries at 10%	**-**	-
- Deferred tax liability on fair value uplift of investment property	**(42,879)**	-
- Property taxes	**(21,377)**	-
Current charge for the year	**(64,256)**	-
Bulgarian tax losses brought-forward at 10%	**(3,250,158)**	(3,250,158)
Tax losses utilised in the year	**-**	-
Bulgarian profit used in the year at 10%	**-**	-
Bulgarian tax losses carried-forward at 10%	**(3,250,158)**	(3,250,158)
Deferred tax liability		
Opening deferred tax liability balance	**-**	-
Bulgarian deferred tax liability charge	**42,879**	-
Closing deferred tax liability balance	**42,879**	-

Notes to the Consolidated Financial Statements (continued)

6) Investment property

	2017	2016
	€	**€**
Beginning of year	-	-
Acquisition	**10,800,948**	-
Fair value adjustment	**428,792**	-
End of year	**11,229,740**	**-**

On 24 October 2017, the Company announced that its fully owned subsidiary, BSPF Bulgaria EAD, has successfully completed the acquisition from UniCredit Bulbank AD of the office building at 1, Ivan Vazov Street (the "Building"), Sofia, (UniCredit building). The total consideration for the acquisition was €10,800,948. The property was vacant at year end and awaiting refurbishment.

The year-end valuations of the UniCredit building was performed by Forton, a commercial real estate advisory company which is a subsidiary of AG Capital, the largest real estate company in Bulgaria, and Member of the Cushman & Wakefield Alliance in Bulgaria. The fair value of the Group's investment property is based on the net leasable area.

The most significant assumptions relate to the estimated rental yields and the estimated rental values. Rental yields of 6% - 8% were used. If rental yields were to increase or decrease by 0.5% then the valuation would decrease or increase by €0.7 million.

7) Trade and other receivables

	2017	2016
	€	€
Advance pre-acquisition (see note 20)	**6,135,503**	-
Prepayments	**69,337**	4,137
	6,204,840	4,137

All amounts are due within one year. None of the amounts are past due or impaired.

8) Trade payables

	2017	2016
	€	€
Trade creditors	**80,952**	74,874
Accruals	**126,887**	30,058
	207,839	104,932

9) Bank and Loans payable

Bank loan

	2017	2016
	€	€
Loan from UniCredit	**7,000,000**	-
Bank loan arrangement fees	**(70,000)**	
Amortisation of bank loan arrangement fee	**3,596**	-
Interest charged	**34,233**	
Interest paid	**(34,233)**	
Closing balance	**6,933,596**	-

9) Bank and Loans payable (continued)

Loans payable	**2017**	2016
	€	€
Opening loan balance	**122,000**	122,000
Loan from Mamferay	**100,000**	-
Interest charged	**2,755**	-
Interest paid	**(2,755)**	-
Mamferay loan repayment	**(222,000)**	-
Closing balance	**-**	122,000

(i) In October 2017, the Company entered into a secured debt funding of €7 million from UniCredit Bulbank AD ("UniCredit"), a leading Bulgarian commercial bank which was used to complete the acquisition from UniCredit building. The debt funding from UniCredit is secured by a commercial mortgage on the property valued at €11,229,740 (see note 6). The term of the debt funding is thirty-six months from date of execution of the loan documentation. The repayment shall be made as a one-off payment on the repayment deadline.

The interest on the loan is the 3-month Sofia Interbank Offered Rate (SOFIBO) plus 3. The interest rate cannot be lower than 3%. At year-end date the applicable annual interest rate of the loan is 3.048%.

(ii) In 2015, the Company was provided with an unsecured loan facility of £350,000 from a shareholder, Mamferay Holdings Limited ("Mamferay"). On 5 February 2015, the Group received £100,000 in relation to the facility. On 10 August 2017, the Company made a further draw down of €100,000 from the Mamferay loan facility to fund running costs. Interest on borrowed amounts is calculated on the 3 months' Euro Interbank Offered Rate plus 2.5% per annum. The loan was fully repaid in October 2017 (total amount paid €222,000 plus interest of €2,755).

10) 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**
Held directly:				
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
Held indirectly:				
BSPF Super Borovetz EAD	**17,522**	**100%**	Property investment	Bulgaria

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

Notes to the Consolidated Financial Statements (continued)

11) Issued share capital

	2017	2016
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	**-**	-
1,269,407,896 (2016: 365,807,896) ordinary shares of no par value	**64,774,886**	55,920,286

On 2 October 2017, the Company issued 540,000,000 new ordinary shares for consideration of €0.01 per share. The Company issued 10,800,000 new ordinary Shares at a price of €0.01 per share (total €108,000) to Peterhouse Capital Limited ("Peterhouse") in lieu of 2% commission for the equity funding.

19 December 2017, the Company issued 352,800,000 new issued ordinary shares for consideration of €0.01 per share. The Company paid €70,560 for the 2% commission for the equity funding to Peterhouse.

The total share issue costs incurred relating to the two equity raise was €181,400 (including the value of the shares issued to Peterhouse).

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

Capital management

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

The capital of the Company will be managed in accordance with "Investment objective and policy" as disclosed in the Directors' Report.

12) Reserves

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

Retained deficit - The retained deficit represent cumulative net losses recognised in the Group's statement of consolidated income.

Foreign exchange reserve - Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units).

Notes to the Consolidated Financial Statements (continued)

13) Loss and Net Asset Value per share

Loss per share

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

	2017	2016
	€	€
Loss attributable to owners of parent (€)	**(122,955)**	(487,450)
Weighted average number of ordinary shares in issue	**513,625,478**	365,289,978
Basic loss per share (cents)	**(0.02)**	(0.13)

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

Net asset value per share

	2017	2016
Net assets attributable to owners of the parent (€)	**9,595,293**	930,053
Number of ordinary shares outstanding	**1,269,407,896**	365,807,896
Net Asset Value per share (cents)	**0.76**	0.25

14) 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.

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

15) Contingencies and Commitments

There are no contingencies or commitments outstanding at 31 December 2017.

16) Directors' Interests

Total compensation paid to the Directors during the period was €112,079 (2016: €104,906). Outstanding Directors' fee was €11,396 (2016: €11,814).

17) Ultimate controlling party

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

Note to the Consolidated Financial Statements (continued)

18) Financial risk management objectives and policies

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

The Board regularly considers risks applicable to the portfolio.

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

i. Currency risk

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

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

	GBP	Bulgarian LEV	Total
	€	**€**	**€**
As at 31 December 2017			
Other receivables	2,933	6,135,503	6,138,436
Cash and cash equivalents	102,969	1,556,218	1,659,187
Trade and other payables	(83,040)	(78,502)	(161,542)
Loan payable	-	(2,760,976)	(2,760,976)
Bank loans	-	(6,933,596)	6,933,596
Net exposure	**22,862**	**(2,081,353)**	**(2,058,491)**

	GBP	Bulgarian LEV	Total
	€	€	€
As at 31 December 2016			
Other receivables	2,624	1,513	4,137
Cash and cash equivalents	1,149,822	3,025	1,152,847
Trade and other payables	(100,668)	(4,264)	(104,932)
Loan payable	(122,000)	-	(122,000)
Net exposure	**929,778**	**274**	**930,052**

<u>Foreign currency sensitivity</u>

The Bulgarian lev has been pegged to the Euro since its launch in 1999 at the rate of 1.95583 leva = 1 euro, hence effectively there is no foreign currency risk as long as the peg is in place.

ii. Credit risk

Credit risk arises on investments, cash balances and debtor balances. The amount of credit risk is equal to the amounts stated in the statement of financial position for each of these assets. Cash balances are limited to high-credit-quality financial institutions. There are no impairment provisions as at 31 December 2017 (2016: nil).

Notes to the Consolidated Financial Statements (continued)

18) Financial risk management objectives and policies (continued)

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 2016. 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 2017		
Trade and other payables	-	(250,718)
Cash and cash equivalents	2,238,811	-
Loan payable	(2,760,976)	-
Bank loans	(6,933,596	-
	(7,455,761)	**(250,718)**
As at 31 December 2016		
Trade and other payables	-	(104,932)
Cash and cash equivalents	1,152,847	-
Loan payable	(122,000)	-
	1,030,847	**(104,932)**

<u>Interest rate sensitivity</u>

An increase of 100 basis points in interest rates during the year would have decreased the net assets attributable to shareholders and changes in net assets attributable to shareholders by €75,221 (2016: increase €10,308). A decrease of 100 basis points would have had an equal but opposite effect.

iv. Liquidity risk

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

	< 1 year	1-5 years	Total
As at 31 December 2017	€	€	€
Trade and other payables	**(250,718)**	-	**(250,718)**
Loan payable	-	(2,760,976)	**(2,760,976)**
Bank loans and interest	-	(7,563,596)	**(7,563,596)**
	(250,718)	**(10,324,572)**	**(10,575,290)**
As at 31 December 2016			
Trade and other payables	(104,932)	-	(104,932)
Loan payable	(122,000)	-	(122,000)
	(226,932)	**-**	**(226,932)**

Notes to the Consolidated Financial Statements (continued)

19) Related Party Transaction

As noted in note 9, the Mamferay loan of €220,000 plus interest of €2,755 was repaid in October 2017. Mamferay currently holds 29.76% (2016: 28.71%) of the issued share capital of the Company.

In July 2017, the Company appointed Phoenix Capital Management JSC as its investment adviser with responsibility for advising on the investment of the Company's property portfolio. Phoenix Capital Holding JSC owns 99.99% of the Phoenix Capital Management JSC shares. Phoenix Capital Holding JSC through its wholly owned subsidiary, Mamferay, holds 29.76% (2016: 28.71%) of the issued share capital of the Company.

As per note 11, on 2 October 2017 the Company issued 10,800,000 new ordinary shares for consideration of €0.01 per share to Peterhouse to settle private placing fees outstanding fees of €108,000. In addition, fees of €70,560 were paid in December 2017.

Yordan Naydenov is a Director of the Company and a partner with Boyanov & Co, a legal adviser to the Company. During the year, Boyanov & Co received fees of €42,000 (2016: €4,600). The amount outstanding as at year-end is € nil (2016: € nil).

20) Subsequent events

On 19 December 2017, the Company through its owned subsidiary, BSPF Project 1 EAD, committed to the acquisition of Camping Gradina EOOD ("CGE") including all assets and liabilities. CGE owns four plots of land situated next to each other with a total area of 63,193 sqm, with permission to develop a camping complex. The four plots are located at the beachfront on the Black Sea Coast, close to the City of Sozopol.

The consideration for this acquisition was €2,760,976 of which €2.40m was through the assumption of a balance payable to CGE documented in a novation agreement dated 29 December 2017. On 20 December 2017, the Group invested an additional €3,374,526 in CGE in the form of additional share capital.

On 2 January 2018, the transaction for shares was finalised and the acquisition recorded in the Trade Register in Bulgaria. This is the date that the Group obtained control of CGE.

21) Company Domicile

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

Corporate Information

Directors
Alex Borrelli
Elena Fournadjieva
Boris Lagadinov
Yordan Naydenov

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

Registered office
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

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

Administrator
FIM Capital
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

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

Website
www.blackseapropertyplc.com

Auditor of the Company and Group
BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom