

Black Sea Property PLC

HALF-YEARLY REPORT

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2017**

Contents

Chairman's Statement	1
Consolidated Statement of Comprehensive Income	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to the Financial Statements.....	6

Chairman's Statement

I am pleased to present the unaudited interim financial statements of the Company for the six months ended 30 June 2017. The unaudited net asset value as at 30 June 2017 was €770,500 or 0.21 cents per share (30 June 2016: €1,167,893 or 0.32 cents per share). The Company changed its functional currency and presentation currency from Pounds Sterling to Euro with effect from 1 January 2017. The financial statements are therefore presented in Euros.

During the period, the Company announced on 14 March 2017 that it was successful in its tender offer to acquire from UniCredit Bulbank AD ("UniCredit") an office building at 1, Ivan Vazov Str., a prime location in Sofia (the "UniCredit Building"), subject to the approval of UniCredit's Management and Supervisory boards. The total consideration for the acquisition is €10,520,000, which the Board proposes will be financed by a bank loan of up to €7,000,000 and the remainder by new equity. To date, the Company has paid a deposit of €1,043,000 (the "Deposit") from its cash resources.

We received the necessary approvals from UniCredit in July 2017 and we expect to complete its acquisition by the end of September 2017, in conjunction with an equity fund raise supported by our major shareholders and the successful conclusion of securing adequate bank finance. We are delighted to have secured the agreement to acquire the UniCredit Building which we believe, following its acquisition, will represent a major asset for the Company and capable of generating significant returns for our shareholders. If we fail to complete the acquisition, shareholders should be aware that the Deposit will be forfeited.

Following our due diligence into the market opportunity to acquire the whole of the equity interest in Varna Project Investment OOD which owns six apartments and a plot of development land in Varna, we concluded, together with our property investment adviser, that the project would yield an insufficient return to the Company and we decided not to proceed with its acquisition.

We announced the appointment of Phoenix Capital Management JSC as the Company's property investment adviser to replace AG Asset Management AD, following the sale of AG Capital Group's holding in the Company. Phoenix Capital Holding JSC, which owns 99.99% of the property investment adviser, holds 104,814,581 ordinary shares in the Company (representing 28.65% of the Company's issued share capital) through its wholly owned subsidiary, Mamferay Holdings Limited ("Mamferay").

We were pleased to conclude an extension of the repayment of £100,000 from the unsecured loan facility of £350,000 from Mamferay to 31 July 2017, and subsequently to 30 September 2017. We agreed a further drawdown of €100,000 from this facility in August 2017 to fund the Company's ongoing working capital requirements, repayable with interest at the lender's option or convertible into new ordinary shares.

During the period, we continued to investigate further investment opportunities for the Company which are becoming increasingly available at reasonable valuations as the local market macro economics improve which delayed our fund raising for the UniCredit Building. We will continue to seek to acquire further acquisitions where we believe we can create significant value uplift for our shareholders.

While our cash resources are currently effectively depleted following the payment of the Deposit for the UniCredit Building, we are confident that we will be able to conclude successfully in the near future an equity fund raising with support from our major shareholders to complete this acquisition, together with an agreement for the necessary bank finance, and to provide for the necessary ongoing working capital requirements of the Company.

Alex Borrelli
Chairman

Consolidated Statement of Comprehensive Income for the period ended 30 June 2017

	(Unaudited)	(Unaudited)	(Audited)
	6 months to	6 months to	Year to
	30 June	30 June	31 December
	2017	2016	2016
<i>Notes</i>	€	€	€
Total revenue			
Gain on disposal of investment property	-	-	-
Loss on revaluation of investment property	-	-	-
Net gain on investment property	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses			
Other operating expenses	6 (160,444)	(240,152)	(483,613)
Total operating expenses	<u>(160,444)</u>	<u>(240,152)</u>	<u>(483,613)</u>
Operating loss before interest and tax			
Bank interest receivable	-	578	656
Bank charges and interest payable	8 (1,727)	(1,897)	(4,494)
Loss before tax	<u>(162,171)</u>	<u>(241,471)</u>	<u>(487,451)</u>
Tax expense	-	-	-
Loss for the period after tax	<u>(162,171)</u>	<u>(241,471)</u>	<u>(487,451)</u>
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Gain on translation of foreign operations	2,619	-	1,134
Total comprehensive loss in period	<u>(159,552)</u>	<u>(241,471)</u>	<u>(486,317)</u>
Loss per share			
Basic and Diluted loss per share (cents)	(0.04)	(0.07)	(0.13)

The notes form an integral part of these financial statements.

Consolidated Statement of Financial Position at 30 June 2017

		(Unaudited) 30 June 2017 €	(Unaudited) 30 June 2016 €	(Audited) 31 December 2016 €
Current assets				
Investments	7	1,043,000	-	-
Other receivables		7,093	1,464	4,137
Cash and cash equivalents		21,024	1,403,991	1,152,847
		<u>1,071,117</u>	<u>1,405,455</u>	<u>1,156,984</u>
Total assets		<u><u>1,071,117</u></u>	<u><u>1,405,455</u></u>	<u><u>1,156,984</u></u>
Equity and liabilities				
Issued share capital		55,920,286	55,913,281	55,920,286
Retained deficit		(53,619,319)	(53,211,168)	(53,457,148)
Foreign exchange reserve		(1,530,467)	(1,534,220)	(1,533,086)
Total equity		<u>770,500</u>	<u>1,167,893</u>	<u>930,052</u>
Liabilities				
Other payables		177,179	117,021	104,932
Loan payable	8	123,438	120,541	122,000
		<u>300,617</u>	<u>237,562</u>	<u>226,932</u>
Total equity and liabilities		<u><u>1,071,117</u></u>	<u><u>1,405,455</u></u>	<u><u>1,156,984</u></u>
Number of ordinary shares in issue		365,807,896	365,112,896	365,807,896
NAV per ordinary share (cents)		0.21	0.32	0.25

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 14 September 2017 and were signed on their behalf by:

Chairman
Alex Borrelli

Executive Director
Elena Fournadjieva

Consolidated Statement of Changes in Equity for the period ended 30 June 2017

	Share capital €	Retained deficit €	Foreign exchange reserve €	Total €
At 1 January 2016	55,913,281	(52,969,697)	(1,534,220)	1,409,363
Loss for the six-month period	-	(241,471)	-	(241,471)
At 30 June 2016 (unaudited)	<u>55,913,281</u>	<u>(53,211,168)</u>	<u>(1,534,220)</u>	<u>1,167,892</u>
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 loss	-	-	1,134	1,134
Transactions with owners				
Issue of share capital	7,005	-	-	7,005
At 31 December 2016 (audited)	<u>55,920,286</u>	<u>(53,457,148)</u>	<u>(1,533,086)</u>	<u>930,052</u>
At 1 January 2017	55,920,286	(53,457,148)	(1,533,086)	930,052
Loss for the six-month period	-	(162,171)	2,619	(159,552)
At 30 June 2017 (unaudited)	<u>55,920,286</u>	<u>(53,619,319)</u>	<u>(1,530,467)</u>	<u>770,500</u>

The notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the period ended 30 June 2017

	(Unaudited) 6 months to 30 June 2017 €	(Unaudited) 6 months to 30 June 2016 €	(Audited) Year to 31 December 2016 €
Operating activities			
Loss before tax	(162,171)	(241,471)	(487,450)
Interest received	-	(578)	(657)
Finance expense	1,727	1,897	4,494
Movement in net cash outflow from operating activities	(160,444)	(240,152)	(483,613)
(Increase)/decrease in other receivables	(2,956)	11,266	8,592
Increase in other payables	72,247	40,823	35,738
	69,291	52,089	44,330
Withholding tax paid	-	-	-
Net cash outflow from operating activities	(91,153)	(188,063)	(439,283)
Investing activities			
Investment additions	(1,043,000)	-	-
Net cash outflow from investing activities	(1,043,000)	-	-
Financing activities			
Interest received	-	578	657
Interest paid	(289)	(439)	(1,577)
Net cash (outflow)/inflow from financing activities	(289)	139	(920)
Net decrease in cash and cash equivalents	(1,134,442)	(187,924)	(440,203)
Cash and cash equivalents at beginning of period	1,152,847	1,591,915	1,591,915
Effect of foreign exchange rates	2,619	-	1,135
Cash and cash equivalents at end of period	21,024	1,403,991	1,152,847

The notes form an integral part of these financial statements.

Notes to the Financial Statements for the period ended 30 June 2017

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 NEX Exchange.

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 2016.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man or at www.blackseapropertyplc.com.

These interim consolidated financial statements were approved by the Board of Directors on 14 September 2017.

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 2016.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company.

4. Functional and presentation currency

The Company changed its functional currency and presentation currency from Pounds Sterling to Euro with effect from 1 January 2017. The financial statements are therefore presented in Euros. All year to date balances at the date of change and all comparative information have been translated to Sterling at the GBP: EUR rate of 1.1674 being the rate on 1 January 2017.

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

5. 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 2016.

6. Other administration fees and expenses

	(Unaudited) 6 months to 30 June 2017 €	(Unaudited) 6 months to 30 June 2016 €	(Audited) Year to 31 December 2016 €
Directors' remuneration	67,655	56,181	104,906
Administration fees	43,392	78,245	97,197
Legal and professional fees	11,797	50,066	94,070
Auditors' fee	7,000	21,188	28,893
Registrar fees	717	6,825	-
Broker fees	17,408	6,575	18,249
NEX Listing fees	-	-	113,190
Other administration and professional fees	12,475	21,072	27,108
	160,444	240,152	483,613

7. Investments

The Company announced on 14 March 2017 that it was successful in its tender offer to acquire from UniCredit Bulbank AD ("UniCredit") an office building at 1, Ivan Vazov Str., a prime location in Sofia (the "UniCredit Building"), subject to the approval of UniCredit's Management and Supervisory boards. The total consideration for the acquisition is €10,520,000, which the Board proposes will be financed by a bank loan of up to €7,000,000 and the remainder by new equity. To date, the Company has paid a deposit of €1,043,000 from its cash resources.

If the Group fails to complete on the acquisition of the UniCredit Building, the €1,043,000 deposit to acquire UniCredit building will be forfeited and additional costs may be incurred.

8. Loans payable

In 2015, the Company was provided with an unsecured loan facility of £350,000 from Mamferay Holdings Limited ("Mamferay"). On 5 February 2015, the Group received £100,000 in relation to the facility.

Interest on borrowed amounts is calculated on the 3 months' Euro Interbank Offered Rate plus 2.5% per annum. Total interest charged during the period was €1,727.

The loan and associated interest was contractually repayable in full on 29 January 2017. The Company has agreed with Mamferay an extension of the repayment of the drawdown with interest to 30 September 2017.

As detailed in note 11, a further draw down of €100,000 was agreed on 10 August 2017.

9. 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 period.

	(Unaudited) 6 months to 30 June 2017	(Unaudited) 6 months to 30 June 2016	(Audited) Year to 31 December 2016
Loss attributable to owners of parent (€)	(162,171)	(241,471)	(487,450)
Weighted average number of ordinary shares in issue	365,807,896	365,112,896	365,289,978
Basic loss per share (cents)	<u>(0.04)</u>	<u>(0.07)</u>	<u>(0.13)</u>

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

10. Net asset value per share

	(Unaudited) 30 June 2017 €	(Unaudited) 30 June 2016 €	(Audited) 31 December 2016 €
Net assets attributable to owners of the parent (€)	770,500	1,167,893	930,053
Number of ordinary shares outstanding	365,807,896	365,112,896	365,807,896
Net Asset Value (cents)	<u>0.21</u>	<u>0.32</u>	<u>0.25</u>

11. Events after reporting date

On 10 August 2017, the Company made a further draw down of €100,000 from the Mamferay loan facility to fund running costs.