

Black Sea Property PLC

HALF-YEARLY REPORT

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2018**

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Chairman's Statement

I am pleased to present the unaudited interim financial statements of the Black Sea Property Plc for the six months ended 30 June 2018.

The unaudited net asset value as at 30 June 2018 was €14.77 million or 1.16 cents per share (31 December 2017: €9.66 million or 0.76 cents per share).

During the period, the Company completed the acquisition of Camping South Beach EOOD ("CSB") (formerly Camping Gradina EOOD) in January 2018 for €2.76 million. CSB 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. The fair value of the identifiable assets and liabilities of CSB as at the date of acquisition was €8.10 million giving rise to a gain on acquisition of €5.34 million. Subsequent to its acquisition, we have increased the capital of CSB by €3.37 million to provide the needed funds for the further development of the company's business. As of the present moment the company has successfully completed the pilot project and put into operation the first three new bungalows, to be followed shortly by further bungalows, the construction of which is scheduled to commence in October 2018 (the construction activities on the Bulgarian Black Sea coast are prohibited by law during the active summer season).

We have also focused on the initial stages of the refurbishment of the office building at 1, Ivan Vazov Str., the UniCredit Building, acquired in 2017 for €10.52 million, financed by a bank loan of up to €7.00 million and the remainder by new equity.

The Company works in conjunction with Phoenix Capital Management JSC ("Phoenix"), its property investment adviser, on the development of both CSB and the UniCredit Building. 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 have undertaken a review of the Company in order to ensure we have a corporate structure appropriate to the Company's listed status and corporate governance requirements while, at the same time, ensuring we have the necessary real estate expertise for developing our asset base. Further to a request from Mamferay, we are considering the appointment of two additional Directors subject to regulatory approvals. Elena Fournadjieva has today resigned as a Director and we are grateful for her contribution to the Company.

The Board has determined that the Chairman will act in an executive capacity for the Company until the Board is able to consider one of the additional appointees taking on this role following their appointment as Directors. The Board further determined that the Company will be represented by the Chairman acting jointly with any of the other two directors.

We continue to investigate further investment opportunities for the Company, which are becoming available at reasonable valuations as local market conditions improve where we believe we can create significant value uplift for our shareholders.

We believe we have now established the first phase of a strong base for delivering value for our shareholders.

Alex Borrelli
Chairman
27 September 2018

Consolidated Statement of Comprehensive Income for the period ended 30 June 2018

		(Unaudited) 6 months to 30 June 2018 €	(Unaudited) 6 months to 30 June 2017 €	(Audited) Year to 31 December 2017 €
Total revenue	Notes			
Revenue		272,374	-	-
Property operating expenses		(143,904)	-	-
Net rental and related income		<u>128,470</u>	<u>-</u>	<u>-</u>
Bargain purchase on acquisition	6	5,338,623	-	-
Gain on disposal of investment property		-	-	428,792
Other income		2	-	-
Net gain on investment property		<u>5,338,625</u>	<u>-</u>	<u>428,792</u>
Operating expenses				
Other operating expenses	5	(298,573)	(160,444)	(443,737)
Total operating expenses		<u>(298,573)</u>	<u>(160,444)</u>	<u>(443,737)</u>
Operating loss before interest and tax				
Foreign currency exchange differences		(3,542)		(2,349)
Bank charges and interest payable		(58,397)	(1,727)	(41,405)
Profit/ (loss) before tax		<u>5,106,583</u>	<u>(162,171)</u>	<u>(58,699)</u>
Tax expense		-	-	(64,256)
Profit/(loss) for the period after tax		<u>5,106,583</u>	<u>(162,171)</u>	<u>(122,955)</u>
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss				
Gain on translation of foreign operations		-	2,619	-
Total comprehensive profit / (loss) in period		<u>5,106,583</u>	<u>(159,552)</u>	<u>(122,955)</u>
Earnings/(loss) per share				
Basic and Diluted earnings/(loss) per share (cents)	9	0.40	(0.04)	(0.02)

The notes form an integral part of these financial statements.

Consolidated Statement of Financial Position at 30 June 2018

		(Unaudited) 30 June 2018	(Unaudited) 30 June 2017	(Audited) 31 December 2017
	Notes	€	€	€
Non-current assets				
Investment properties	7	27,524,660	1,043,000	11,229,740
Fixed assets		729,364	-	-
		<u>28,254,024</u>	<u>1,043,000</u>	<u>11,229,740</u>
Current assets				
Other receivables		335,065	7,093	6,138,436
Cash and cash equivalents		3,811,844	21,024	2,238,811
		<u>4,146,909</u>	<u>28,117</u>	<u>8,377,247</u>
Total assets		<u><u>32,400,933</u></u>	<u><u>1,071,117</u></u>	<u><u>19,606,987</u></u>
Equity and liabilities				
Issued share capital		64,774,886	55,920,286	64,774,886
Retained deficit		(48,473,520)	(53,619,319)	(53,580,103)
Foreign exchange reserve		(1,533,086)	(1,530,467)	(1,533,086)
Total equity		<u>14,768,280</u>	<u>770,500</u>	<u>9,661,697</u>
Non-current liabilities				
Bank loans	8	17,445,368	-	6,933,596
Deferred tax liability		41,932	-	42,879
		<u>17,487,300</u>	<u>-</u>	<u>6,976,475</u>
Current liabilities				
Trade payables		139,678	-	207,839
Other payables		5,675	177,179	2,760,976
Loan payable		-	123,438	-
		<u>145,353</u>	<u>300,617</u>	<u>2,968,815</u>
Total equity and liabilities		<u><u>32,400,933</u></u>	<u><u>1,071,117</u></u>	<u><u>19,606,987</u></u>
		1,269,407,896	365,807,896	1,269,407,896
Number of ordinary shares in issue				
NAV per ordinary share (cents)	10	1.16	0.21	0.76

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 27 September 2018 and were signed on their behalf by:

Chairman
Alex Borrelli

Director
Yordan Naydenov

Consolidated Statement of Changes in Equity for the period ended 30 June 2018

	Share capital	Retained deficit	Foreign exchange reserve	Total
	€	€	€	€
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><u>55,920,286</u></u>	<u><u>(53,619,319)</u></u>	<u><u>(1,530,467)</u></u>	<u><u>770,500</u></u>
At 1 January 2017	55,920,286	(53,457,148)	(1,533,086)	930,052
Loss for the year	-	(122,955)	-	(122,955)
Other comprehensive loss	-	-	-	-
Transactions with owners				
Issue of share capital	9,036,000	-	-	9,036,000
Share issue costs	(181,400)	-	-	(181,400)
At 31 December 2017 (audited)	<u><u>64,774,886</u></u>	<u><u>(53,580,103)</u></u>	<u><u>(1,533,086)</u></u>	<u><u>9,661,697</u></u>
At 1 January 2018	64,774,886	(53,580,103)	(1,533,086)	9,661,697
Profit for the six-month period	-	5,106,583	-	5,106,583
At 30 June 2018 (unaudited)	<u><u>64,774,886</u></u>	<u><u>(48,473,520)</u></u>	<u><u>(1,533,086)</u></u>	<u><u>14,768,280</u></u>

The notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the period ended 30 June 2018

	(Unaudited) 6 months to 30 June 2018 €	(Unaudited) 6 months to 30 June 2017 €	(Audited) Year to 31 December 2017 €
Operating activities			
Profit/(loss) before tax	5,106,583	(162,171)	(58,699)
Gain on revaluation of investment property	-	-	(428,792)
Bargain purchase on acquisition	(5,338,623)	-	-
Finance expense	58,397	1,727	41,405
Movement in net cash outflow from operating activities	(173,643)	(160,444)	(446,086)
Decrease/(increase) in receivables	4,618,777	(2,956)	1,204
Increase/(decrease) in payables	(2,521,901)	72,247	102,907
	2,096,876	69,291	104,111
Withholding tax paid	(943)	-	(21,377)
Net cash outflow from operating activities	1,922,290	(91,153)	(363,352)
Investing activities			
Investment property additions	-	(1,043,000)	(10,800,948)
Fixed assets additions	(470,650)	-	-
Cash held by the acquired subsidiary (note 6)	780,231	-	-
Cash advance pre-acquisition	-	-	(3,374,527)
Net cash outflow from investing activities	309,581	(1,043,000)	(14,175,475)
Financing activities			
Loans and interest repaid	(658,838)	(289)	(159,809)
Bank loan received	-	-	7,000,000
Bank loan arrangement fees	-	-	(70,000)
Issue of share capital	-	-	8,854,600
Net cash (outflow)/inflow from financing activities	(658,838)	(289)	15,624,791
Net decrease in cash and cash equivalents	1,573,033	(1,134,442)	(1,085,965)
Cash and cash equivalents at beginning of period	2,238,811	1,152,847	1,152,847
Effect of foreign exchange rates	-	2,619	-
Cash and cash equivalents at end of period	3,811,844	21,024	2,238,811

The notes form an integral part of these financial statements.

Notes to the Financial Statements for the period ended 30 June 2018

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 2017.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 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 27 September 2018.

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 2017.

Changes in significant accounting policies

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. There were no material effects of initially applying IFRS 15 and IFRS 9 Financial Instruments.

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 2017.

5. Other administration fees and expenses

	(Unaudited) 6 months to 30 June 2018	(Unaudited) 6 months to 30 June 2017	(Audited) Year to 31 December 2017
	€	€	€
Directors' remuneration	32,535	67,655	112,079
Administration fees	109,671	43,392	102,550
Investment advisory fees	107,136	-	75,849
Legal and professional fees	16,550	11,797	53,574
Auditors' fee	2,404	7,000	39,395
Registrar fees	1,102	717	2,653
Broker fees	16,994	17,408	34,507
NEX Listing fees	-	-	-
Other administration and professional fees	12,181	12,475	23,130
	298,573	160,444	443,737

6. Acquisition of a subsidiary

On 2 January 2018, the Company through its owned subsidiary, BSPF Project 1 EAD, acquired Camp South Beach EOOD ("CSB") (formerly Camping Gradina EOOD) including all its assets and liabilities. CSB 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 fair value of the identifiable assets and liabilities of CSB as at the date of acquisition were:

The fair value of the identifiable assets and liabilities

	€
Land and buildings	16,294,872
Fixed assets	258,714
Receivables	2,531,841
Cash and cash equivalents	780,231
Total assets	19,865,658
Trade payables	
Bank loans	2,453,690
Other liabilities	9,116,038
	196,331
Total liabilities	11,766,059
Total identifiable net assets at fair value	8,099,599
Bargain purchase on acquisition	(5,338,623)
Purchase consideration transferred (BGN 5.40 million)	2,760,976

The purchase consideration was disclosed an advance in prior year accounts.

Pursuant to IFRS 3, Business Combinations, circumstances leading up to the sale of a business may result in recognition of a bargain purchase gain if the fair value of assets acquired and liabilities assumed exceeds the amount of consideration transferred. The resulting gain is recognized in net earnings of the acquirer on the acquisition date.

The acquisition of CSB resulted in a bargain purchase gain, mainly due to the purchase price reflecting the on-going difficulties of CSB in its ability to accumulate sufficient funds for execution of its investment plans, history of sustained losses, difficulty servicing loans, and its inability to pay off or refinance loans the cumulative effect of which effectively forced the sale of CSB. Through the Company, CSB acquisition, as part of a larger organization, gained the ability to recapitalize and refinance certain obligations with more favourable terms, realizing immediate synergy savings and operationally therefore, having the ability to expand its business potential.

7. Investment properties

	(Unaudited) 30 June 2018	(Unaudited) 30 June 2017	(Audited) 31 December 2017
	€	€	€
Beginning of year	11,229,740	-	-
Acquisition (note 7)	16,294,920	1,043,000	10,800,948
Fair value adjustment	-	-	428,792
End of year	27,524,660	1,043,000	11,229,740

The Directors confirm that there are no material changes in the valuation of investments as of 30 June 2018.

8. Bank Loans

	(Unaudited) 30 June 2018	(Unaudited) 30 June 2017	(Audited) 31 December 2017
	€	€	€
Loan and interest accrued from UniCredit	7,000,000	-	6,933,596
Loan and interest accrued from Central Cooperative Bank	10,445,368	-	-
	17,445,368	-	6,933,596

9. Earnings per share

The basic earnings/(loss) per ordinary share is calculated by dividing the net profit/(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 2018	(Unaudited) 6 months to 30 June 2017	(Audited) Year to 31 December 2017
Earnings/(loss) attributable to owners of parent (€)	5,106,583	(162,171)	(122,955)
Weighted average number of ordinary shares in issue	1,269,407,896	365,807,896	513,625,478
Basic earnings/(loss) per share (cents)	0.40	(0.04)	(0.02)

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

10. Net asset value per share

	(Unaudited) 30 June 2018	(Unaudited) 30 June 2017	(Audited) 31 December 2017
	€	€	€
Net assets attributable to owners of the parent (€)	14,768,280	770,500	9,595,293
Number of ordinary shares outstanding	1,269,407,896	365,807,896	1,269,407,896
Net Asset Value (cents)	1.16	0.21	0.76

11. Events after reporting date

There are no significant events after reporting date.