

Black Sea Property PLC

HALF-YEARLY REPORT

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2016**

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Chairman's Statement

I am pleased to present the unaudited half yearly report of the Company for the six months ended 30 June 2016. The unaudited net asset value as at 30 June 2016 was €1,198,956 or 0.32 cents per share (£1,000,422 or 0.27 pence per share (30 June 2015: (£54,161) or (0.03) pence per share)).

On 18 January 2016, trading of the Company's shares on AIM was cancelled, despite the Company having raised £1.52 million and our investment adviser having identified potential investment opportunities. This put the Company in breach of its Jersey regulatory obligation to maintain a listing on a stock exchange recognised for such purposes. On 4 March 2016, shareholders voted to continue as a property investing company. On 11 May 2016, shareholders voted in favour of re-domiciling the Company from Jersey to the Isle of Man and thereupon the change of the Company's name to Black Sea Property PLC. On 20 June 2016, shareholders voted in favour of the adoption by the Company of a new memorandum and articles, compliant with the requirements of a closed-end company in the Isle of Man and as a result the Company now has an indefinite period of existence. On 20 July 2016, the Company became Isle of Man incorporated under its new name.

Elena Fournadjieva was appointed to the Board as an executive Director with effect from 22 July 2016. Elena is a Bulgarian national and has a Masters Degree in Russian Philology and a Masters Degree in Law, both from universities in Bulgaria. From 2006 – 2009, Ms Fournadjieva was the Head of Legal and the Administrative department of East Balkan Properties PLC (formerly Equest Balkan Properties PLC). East Balkan Properties PLC was previously an AIM listed property fund with investments in Bulgaria, Romania, Macedonia and Serbia. Since 2006, Ms Fournadjieva has provided investment fund management and administration services for Trans Balkan Investment LTD (formerly Equest Investment Balkans PLC). Elena complements the roles of the existing Directors and adds valuable additional Bulgarian experience and local knowledge.

On 22 August 2016, the Company published its admission document in compliance with the requirements of the ISDX Rules, and I was delighted that our shares commenced trading on the ISDX Growth Market on 31 August 2016. This represented a significant achievement in the new life of the Company and demonstrated strong support from our main shareholders and our team of advisers.

The Directors are now able to focus on the implementation of the Company's business strategy to create a diverse portfolio of opportunistic Bulgarian real estate assets, including development land, partially completed construction projects and completed buildings. We are working closely with AG Asset Management, our investment adviser.

On 3 February 2016, Timothy Scott Warren, a Jersey resident and chartered accountant, joined the Board as a non-executive Director and resigned following the re-domiciliation of the Company from Jersey to the Isle of Man. I am grateful to Tim for his warm contribution during this period.

The Board now recognises the need to raise further capital to ensure the Company can be a credible participant in the real estate market in Bulgaria, and hopes for the continued support of the Company's existing shareholders in that endeavour.

Meanwhile, the real estate market in Bulgaria continues to show signs of recovery with increases in the number of transactions at higher prices and a higher yielding rental market against the background of stronger macro-economic factors. Whilst the Company currently has relatively limited cash resources for a real estate investor, the Board believes that the Company will be able to complete appropriate acquisitions and deliver value to our shareholders. The Board continues to review and evaluate attractive opportunities that meet the Company's investment criteria.

Alex Borrelli
Chairman

Consolidated Statement of Comprehensive Income for the period ended 30 June 2016

		(Unaudited) 6 months to 30 June 2016 £	(Unaudited) 6 months to 30 June 2015 £	(audited) Year to 31 Dec 2015 £
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	(205,715)	(232,931)	(389,479)
Foreign exchange gains		-	417	565
Total operating expenses		<u>(205,715)</u>	<u>(232,514)</u>	<u>(388,914)</u>
Operating loss before interest and tax		(205,715)	(232,514)	(388,914)
Bank interest receivable		495	800	1,988
Bank charges and interest payable	7	(1,625)	(1,461)	(3,026)
Loss before tax		<u>(206,845)</u>	<u>(233,175)</u>	<u>(389,952)</u>
Tax expense	4	-	-	-
Loss for the period after tax		<u>(206,845)</u>	<u>(233,175)</u>	<u>(389,952)</u>
Other comprehensive loss				
Items that may be reclassified to profit or loss				
Losses on translation of foreign operations		-	(8,911)	(8,206)
Total comprehensive loss in period		<u>(206,845)</u>	<u>(242,086)</u>	<u>(398,158)</u>
Loss per share				
Basic and Diluted loss per share (pence)		(0.06)	(0.11)	(0.14)

The notes form an integral part of these financial statements.

Consolidated Statement of Financial Position at 30 June 2016

	(Unaudited) 30 June 2016	(Unaudited) 30 June 2015	(Audited) 31 Dec 2015
<i>Notes</i>	£	£	£
Current assets			
Other receivables	1,254	24,346	10,905
Cash and cash equivalents	1,202,665	67,012	1,363,641
	<u>1,203,919</u>	<u>91,358</u>	<u>1,374,546</u>
Total assets	<u>1,203,919</u>	<u>91,358</u>	<u>1,374,546</u>
Equity and liabilities			
Issued share capital	47,895,564	46,478,064	47,895,564
Retained deficit	(45,580,922)	(45,217,300)	(45,374,077)
Foreign exchange reserve	(1,314,220)	(1,314,925)	(1,314,220)
Total equity	<u>1,000,422</u>	<u>(54,161)</u>	<u>1,207,267</u>
Liabilities			
Other payables	100,241	44,473	65,273
Loan payable	7 103,256	101,046	102,006
	<u>203,497</u>	<u>145,519</u>	<u>167,279</u>
Total equity and liabilities	<u>1,203,919</u>	<u>91,358</u>	<u>1,374,546</u>
Number of ordinary shares in issue	365,112,896	213,112,896	365,112,896
NAV per ordinary share (pence)	0.27	(0.03)	0.33

The notes form an integral part of these financial statements.

Consolidated Statements of Changes in Equity for the period ended 30 June 2016

	Share capital £	Retained deficit £	Foreign exchange reserve £	Total £
At 1 January 2016	47,895,564	(45,374,077)	(1,314,220)	1,207,267
Loss for the six-month period	-	(206,845)	-	(206,845)
At 30 June 2016	<u>47,895,564</u>	<u>(45,580,922)</u>	<u>(1,314,220)</u>	<u>1,000,422</u>
At 1 January 2015	46,478,064	(44,984,125)	(1,306,014)	187,925
Loss for the year	-	(389,952)	-	(389,952)
Other comprehensive loss	-	-	(8,206)	(8,206)
Transactions with owners				
Issue of share capital	1,520,000	-	-	1,520,000
Cost of share capital issue	(102,500)	-	-	(102,500)
At 31 December 2015	<u>47,895,564</u>	<u>(45,374,077)</u>	<u>(1,314,220)</u>	<u>1,207,267</u>
At 1 January 2015	46,478,064	(44,984,125)	(1,306,014)	187,925
Loss for the six-month period	-	(233,175)	-	(233,175)
Other comprehensive loss	-	-	(8,911)	(8,911)
At 30 June 2015	<u>46,478,064</u>	<u>(45,217,300)</u>	<u>(1,314,925)</u>	<u>(54,161)</u>

The notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the period ended 30 June 2016

	(Unaudited) 6 months to 30 June 2016 £	(Unaudited) 6 months to 30 June 2015 £	(Audited) Year to 31 Dec 2015 £
Operating activities			
Loss before tax	(206,845)	(233,175)	(389,952)
Foreign exchange gains	-	(417)	(565)
Interest received	(495)	(800)	(1,988)
Finance expense	1,625	1,461	3,026
Movement in net cash outflow from operating activities	(205,715)	(232,931)	(389,479)
Decrease/(increase) in other receivables	9,651	(4,063)	9,377
Increase/(decrease) in other payables	34,969	(8,309)	12,491
	(161,096)	(245,303)	(367,611)
Withholding tax paid	-	-	-
Net cash outflow from operating activities	(161,096)	(245,303)	(367,611)
Investing activities			
Proceeds on disposal of subsidiaries	-	-	-
Cash received on available for sale assets	-	-	-
Cash received on held for sale assets	-	-	-
Net cash inflow from investing activities	-	-	-
Financing activities			
Interest received	495	800	1,988
Interest paid	(375)	(415)	(1,020)
Loans received	-	100,000	100,000
Issue of share capital	-	-	1,520,000
Cost of share capital issue	-	-	(102,500)
Net cash inflow from financing activities	120	100,385	1,518,468
Net decrease in cash and cash equivalents	(160,976)	(144,918)	1,150,857
Cash and cash equivalents at beginning of period	1,363,641	220,424	220,424
Effect of foreign exchange rates	-	(8,494)	(7,640)
Cash and cash equivalents at end of period	1,202,665	67,012	1,363,641

The notes form an integral part of these financial statements.

Notes to the Financial Statements for the period ended 30 June 2016

1. General information

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.

The Company was originally incorporated on 27 January 2005 with limited liability in Jersey under the Companies (Jersey) Law 1991, as a closed-ended investment company with registered number 89392 under the name of The Black Sea Property Fund Limited. The Company adopted new articles of association as of re-domiciliation in the Isle of Man, and as a consequence the limitation of the Company's life to 31 December 2021, in accordance with the former Jersey articles of association, no longer applies.

The Company and its subsidiaries (together the "Group") seek to generate capital gains through the development, financing and sale of property in Bulgaria, including the prime areas of Bulgaria's Black Sea coast, the ski resorts and the capital, Sofia.

The Group has no employees.

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 2015.

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 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 26 September 2016.

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 2015.

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. Taxation

Isle of Man

There is no liability for income tax in the Isle of Man. Additionally, Isle of Man does not levy tax on capital gains.

Jersey

There is no taxation payable on the Company's or its Jersey subsidiaries' results as they are based in Jersey where the Corporate Income Tax rate for Jersey resident companies is zero per cent. Additionally, Jersey does not levy tax on capital gains. Shareholders resident outside Jersey will not suffer any income tax in Jersey 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 2016 is 10 per cent (2015: 10 per cent).

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.

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 2015.

6. Other administration fees and expenses

	(Unaudited) 6 months to 30 June 2016	(Unaudited) 6 months to 30 June 2015	(Audited) Year to 31 Dec 2015
Directors' remuneration	48,125	25,574	63,360
Administration fees	67,025	66,182	109,385
Legal and professional fees	42,887	48,638	39,385
Staff costs	-	18,755	24,292
Auditors' fee	18,150	6,809	27,797
Nominated advisor fees	3,050	16,983	25,850
Investment advisory fees	15,000	-	12,722
Registrar fees	5,846	7,947	19,194
Broker fees	5,632	22,418	43,904
Regulatory fees	-	19,625	7,600
	205,715	232,931	373,489

7. Loans payable

In 2015, the Company was provided with an unsecured loan facility of £350,000 from Mamferay Holdings Limited. On 5 February 2015, the Group received GBP 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 six months' period to 30 June 2016 was GBP 1,250.

The loan and associated interest is repayable in full on 29 January 2017. Additionally, the lender has the option of converting the loan and accrued interest into equity of the Company.

8. 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 2016	(Unaudited) 6 months to 30 June 2015	(Audited) Year to 31 Dec 2015
Loss attributable to owners of parent	(206,845)	(233,175)	(389,952)
Weighted average number of ordinary shares in issue	365,112,896	213,112,896	276,446,229
Basic loss per share (pence)	(0.10)	(0.11)	(0.14)

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

9. Net asset value per share

	(Unaudited) 30 June 2016	(Unaudited) 30 June 2015	(Audited) 31 Dec 2015
Net assets attributable to owners of the parent (£)	1,000,422	(54,161)	1,207,267
Number of ordinary shares outstanding	365,112,896	213,112,896	365,112,896
Net Asset Value	0.27	(0.03)	0.33

10. Events after reporting date

As detailed in the Chairman's report, the Company became Isle of Man incorporated under its new name on 20 July 2016 and commenced trading on the ISDX Growth Market on 31 August 2016.

Elena Fournadjieva was appointed an executive Director with effect from 22 July 2016. Timothy Scott Warren, a Jersey resident, who had served as a non-executive Director from 3 February 2016, resigned from the Board following the re-domiciliation of the Company from Jersey to the Isle of Man.

There were no other significant events after reporting date.