

Black Sea Property PLC

HALF-YEARLY REPORT

**FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2019**

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Chairman's Statement

I am pleased to present the unaudited interim financial statements of the Company for the six months ended 30 June 2019.

The unaudited net asset value as at 30 June 2019 was €9.48 million or 0.75 cents per share (31 December 2018: €12.0 million or 0.95 cents per share).

During the period, the Company continued its re-construction of Camping South Beach EOOD ("CSB") while also marketing the development as a destination for luxury camping holidays which resulted in further revenue generation in the period. While the value of CSB has been accounted for at its valuation at 31 December 2018, the investment in the project during the period, which amounted to €1.897 million, has been expensed. The Directors will seek a further valuation at the year-end date of 31 December 2019 which they expect will result in a material uplift reflecting the investment made during the year.

We are currently preparing further development proposals for the UniCredit Building which will be submitted for further approvals in due course. There is currently no letting of the building and we expect to be in a position shortly to advance its refurbishment significantly.

The Directors were disappointed by the delays in completing the accounts for the year ended 31 December 2018, which were published on 1 November 2019. This was a result of concerns raised by the auditors over the relatively high levels of unbanked cash at CSB at the time of its acquisition and unsatisfactory accounting procedures for recording bookings and reservations which were not appropriate for the Company as a listed entity and trading in the Company's shares was suspended.

All recommendations of the auditors have since been addressed and implemented promptly:

1. The Company has since adopted an internationally recognised reservations system.
2. The accounting function has been outsourced to Crowe Bulgaria, the Bulgarian member of Crowe Global which is one of the leading international accounting networks, the eighth largest accounting network in the world in order to improve the accounting and internal control function.
3. Available cash resources have been utilised in the Company's normal business operations for settlement of liabilities to contractors and suppliers.

Following publication of these unaudited interim results to 30 June 2019, we expect trading in the Company's shares to re-commence in the near future.

We are experiencing increasing demand for our luxury camping business at CSB and are confident that the development on completion will become a popular holiday destination during the summer season. We are also confident that our plans for the UniCredit building will enhance its valuation on completion of its refurbishment.

I look forward to reporting on further progress with the full year results

Alex Borrelli
Chairman
04 November 2019

Consolidated Statement of Comprehensive Income for the period ended 30 June 2019

	(Unaudited) 6 months to 30 June 2019 €	(Unaudited) 6 months to 30 June 2018 €	(Audited) Year to 31 December 2018 €
Total revenue			
Revenue	312,459	272,374	433,410
Property operating expenses	(294,481)	(143,904)	(382,146)
Net rental and related income	<u>17,978</u>	<u>128,470</u>	<u>51,264</u>
Bargain purchase on acquisition	-	5,338,623	3,759,352
Loss on revaluation of investment properties	(1,896,721)	-	(497,881)
Other income	-	2	-
Net (loss)/gain on investment property	<u>(1,896,721)</u>	<u>5,338,625</u>	<u>3,261,471</u>
Operating expenses			
Other operating expenses	5 (386,472)	(298,573)	(628,599)
Total operating expenses	<u>(2,265,215)</u>	<u>5,168,522</u>	<u>2,684,136</u>
Operating loss before interest and tax			
Foreign currency exchange differences	-	(3,542)	420,847
Interest Income	8,082	-	-
Bank charges and interest payable	(317,964)	(58,397)	(740,646)
(Loss)/profit before tax	<u>(2,575,097)</u>	<u>5,106,583</u>	<u>2,364,337</u>
Tax expense	49,310	-	(23,645)
(Loss)/profit and total comprehensive income attributable to shareholders	<u>(2,525,787)</u>	<u>5,106,583</u>	<u>2,340,692</u>
Earnings/(loss) per share			
Basic and Diluted earnings/(loss) per share (cents)	8 (0.20)	0.40	0.18

The notes form an integral part of these financial statements.

Consolidated Statement of Financial Position at 30 June 2019

		(Unaudited) 30 June 2019	(Unaudited) 30 June 2018	(Audited) 31 December 2018
	Notes	€	€	€
Non-current assets				
Investment properties	6	27,566,766	28,254,024	27,566,766
		<u>27,566,766</u>	<u>28,254,024</u>	<u>27,566,766</u>
Current assets				
Other receivables		1,304,568	335,065	566,263
Cash and cash equivalents		978,406	3,811,844	3,698,239
		<u>2,282,974</u>	<u>4,146,909</u>	<u>4,264,502</u>
Total assets		<u>29,849,740</u>	<u>32,400,933</u>	<u>31,831,268</u>
Equity and liabilities				
Issued share capital		64,774,886	64,774,886	64,774,886
Retained deficit		(53,765,198)	(48,473,520)	(51,239,411)
Foreign exchange reserve		(1,533,086)	(1,533,086)	(1,533,086)
Total equity	9	<u>9,476,602</u>	<u>14,768,280</u>	<u>12,002,389</u>
Non-current liabilities				
Bank loans	7	16,576,585	17,445,368	16,535,339
Deferred tax liability		1,466,552	41,932	1,509,773
		<u>18,043,137</u>	<u>17,487,300</u>	<u>18,045,112</u>
Current liabilities				
Trade payables		587,532	139,678	234,261
Other payables		150,000	5,675	
Bank loans	7	1,592,469	-	1,549,506
		<u>2,330,001</u>	<u>145,353</u>	<u>1,783,767</u>
Total equity and liabilities		<u>29,849,740</u>	<u>32,400,933</u>	<u>31,831,268</u>
Number of ordinary shares in issue	9	1,269,407,896	1,296,407,896	1,269,407,896
NAV per ordinary share (cents)	9	0.75	1.16	0.95

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 04 November 2019 and were signed on their behalf by:

Chairman
Alex Borrelli

Director
Ventsislava Altanova

Consolidated Statement of Changes in Equity for the period ended 30 June 2019

	Share capital	Retained deficit	Foreign exchange reserve	Total
	€	€	€	€
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>64,774,886</u>	<u>(48,473,520)</u>	<u>(1,533,086)</u>	<u>14,768,280</u>
At 1 January 2018	64,774,886	(53,580,103)	(1,533,086)	9,661,697
Profit for the year	-	2,340,692	-	2,340,692
At 31 December 2018 (audited)	<u>64,774,886</u>	<u>(51,239,411)</u>	<u>(1,533,086)</u>	<u>12,002,389</u>
At 1 January 2019	64,774,886	(51,239,411)	(1,533,086)	12,002,389
Loss for the six-month period	-	(2,525,787)	-	(2,525,787)
At 30 June 2019 (unaudited)	<u>64,774,886</u>	<u>(53,765,198)</u>	<u>(1,533,086)</u>	<u>9,476,602</u>

The notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the period ended 30 June 2019

	(Unaudited) 6 months to 30 June 2019 €	(Unaudited) 6 months to 30 June 2018 €	(Audited) Year to 31 December 2018 €
Operating activities			
(Loss)/profit before tax	(2,575,097)	5,106,583	2,364,337
Loss on revaluation of investment properties	1,896,721	-	497,881
Bargain purchase on acquisition	-	(5,338,623)	(3,759,352)
Finance expense	317,964	58,397	740,646
Movement in net cash outflow from operating activities	(360,412)	(173,643)	(156,488)
(Increase)/decrease in receivables	(695,342)	4,618,777	(628,870)
Increase/(decrease) in payables	353,271	(2,521,901)	(323,539)
	(342,071)	2,096,876	(952,409)
Withholding tax paid	6,089	(943)	(85,309)
Net cash (outflow)/inflow from operating activities	(696,394)	1,922,290	(1,194,206)
Investing activities			
Investment property additions	(1,896,721)	-	(540,035)
Fixed assets additions	-	(470,650)	-
Cash held by the acquired subsidiary	-	780,231	4,154,758
Cash advance pre-acquisition	-	-	-
Net cash (outflow)/ from investing activities	(2,593,115)	2,231,871	3,614,723
Financing activities			
Loans and interest repaid	(317,964)	(658,838)	(720,719)
Bank loan received	41,246	-	(240,370)
Loans received	150,000	-	-
Net cash (outflow)/inflow from financing activities	(126,718)	(658,838)	(961,089)
Net decrease/increase in cash and cash equivalents	(2,719,833)	(1,573,033)	1,459,428
Cash and cash equivalents at beginning of period	3,698,239	2,238,811	2,238,811
Cash and cash equivalents at end of period	978,406	3,811,844	3,698,239

The notes form an integral part of these financial statements.

Notes to the Financial Statements for the period ended 30 June 2019

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 2018.

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 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 04 November 2019.

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 2018.

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 2018.

5. Other administration fees and expenses

	(Unaudited) 6 months to 30 June 2019	(Unaudited) 6 months to 30 June 2018	(Audited) Year to 31 December 2018
	€	€	€
Directors' remuneration	40,547	32,535	84,247
Administration fees – Isle of Man	23,975	23,867	47,334
Administration fees – Jersey	17,685	19,126	39,358
Administration fees - Bulgaria	89,342	66,678	126,464
Investment advisory fees	53,568	107,136	214,272
Legal and professional fees	55,828	16,550	19,361
Auditors' fee	24,490	2,404	32,404
Registrar fees	1,290	1,102	2,212
Broker fees	17,118	16,994	33,933
Other administration and professional fees	62,629	12,181	29,014
	386,472	298,573	628,599

6. Investment properties

	(Unaudited) 30 June 2019	(Unaudited) 30 June 2018	(Audited) 31 December 2018
	€	€	€
Beginning of year	27,566,766	11,229,740	11,229,740
Acquisition	-	16,294,920	16,294,872
Fair value adjustment	(1,896,721)	-	(497,881)
Additions	1,896,721	729,364	540,035
End of year	27,566,766	28,254,024	27,566,766

The Directors confirm that there are no material changes in the valuation of investments as of 30 June 2019.

7. Bank Loans

	(Unaudited) 30 June 2019	(Unaudited) 30 June 2018	(Audited) 31 December 2018
	€	€	€
Loan and interest accrued from UniCredit	7,066,023	7,000,000	6,975,121
Loan and interest accrued from Central Cooperative Bank	11,103,031	10,445,368	11,109,724
	18,169,054	17,445,368	18,084,845

8. 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 2019	(Unaudited) 6 months to 30 June 2018	(Audited) Year to 31 December 2018
Earnings/(loss) attributable to owners of parent (€)	(2,525,787)	5,106,583	2,340,692
Weighted average number of ordinary shares in issue	1,269,407,896	1,269,407,896	1,269,407,896
Basic (loss)/earnings per share (cents)	(0.20)	0.40	0.18

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

9. Net asset value per share

	(Unaudited) 30 June 2019	(Unaudited) 30 June 2018	(Audited) 31 December 2018
	€	€	€
Net assets attributable to owners of the parent (€)	9,476,602	14,768,280	12,002,389
Number of ordinary shares outstanding	1,269,407,896	1,269,407,896	1,269,407,896
Net Asset Value (cents)	0.75	1.16	0.95

10. Events after reporting date

There are no significant events after reporting date.