
THE BLACK SEA PROPERTY FUND LIMITED

Half-yearly report and Condensed Interim financial statements (unaudited)

For the six months ended 30 June 2009

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

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THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Chairman's Statement

Dear Shareholders:

Our decline in net asset value from 18.4p at 31 December 2008 to 12.3p at 30 June 2009 is primarily a function of write downs of our investments in Borovetz and Evergreen to reflect new realities, non-cash currency movements, and cash expenditures as outlined below.

But this decline in net asset value masks some real progress. We have restructured our investment in Obzor and completed the acquisition of the Byala land, which had secured a loan we had made to a developer. The Obzor restructuring resulted in our receipt of cash of €2 million after period end and a new profit sharing arrangement with the developer that should incentivise him to continue to sell units on our behalf. In March we severed our relationship with the former manager in favour of a wholly-owned advisory subsidiary in Sofia. As part of a settlement with the former manager, options in its favour were cancelled. This internalised management structure should result in cost savings of around 75 percent of the original management fee. Our lawsuits in connection with the Nikea Park and Magnolia investments continue while we are in negotiations with our adversaries.

Our cash and money market position as measured in Sterling has been reduced from about £13 million to about £8.5 million. This reduction is primarily the reflection of a recoverable VAT payment to the State of £1.7 million in connection with the Byala land acquisition, the strengthening of Sterling as against the Euro of about the same amount (this is a cash charge because our cash and equivalents are held in Euro), operating expenses of about £500,000, and taxes. Note that the VAT payment should be recovered, and since period end part of that currency loss has already been recovered due to a strengthening of the Euro as against Sterling.

We are not now developing any assets and as one of the few actors in the region with cash are on the lookout for distressed opportunities. Many opportunities have been presented to us, though none have been sufficiently attractive for us to pull the trigger.

I look forward to writing again in connection with our year end accounts.

Respectfully yours,



John D. Chapman
Chairman

29 September 2009

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Independent auditors' report on review of condensed consolidated interim financial statements addressed to The Black Sea Property Fund Limited

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim report for the six months ended 30 June 2009 which comprise Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required under our engagement to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Channel Islands Limited
St Helier, Jersey

Date: 29 September 2009

- The maintenance and integrity of the Black Sea Property Fund Limited website is the responsibility of the directors. The work carried out by KPMG Channel Islands does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the condensed consolidated set of financial statements or review report since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of condensed consolidated financial statements may differ from legislation in other jurisdictions.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

**Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the six months ended 30 June 2009**

	Notes	(unaudited) Six Months Ended 30-Jun-09 £	(unaudited) Six Months Ended 30-Jun-08 £	(audited) Year Ended 31-Dec-08 £
Revenue		-	14,454	14,858
Proceeds from sale of units - Obzor	12	311,153	-	-
Gross profit		311,153	14,454	14,858
Bank interest		22,190	9,316	23,739
Loan interest		-	466,386	871,552
Total revenue		333,343	490,156	910,149
(Loss)/gains on investments		(4,477,935)	2,216,225	6,865,192
(Loss)/gain on investment property		(546,699)	-	4,085,223
Revaluation of investment property		(4,676,902)	-	(2,475,346)
Currency (losses)/gains		(336,919)	4,062	(15,102)
Total (loss)/income		(9,705,112)	2,710,443	9,370,116
Operating expenses				
Management fee	5	(93,527)	(277,500)	(555,000)
Other operating expenses		(468,192)	(425,554)	(935,158)
Total operating expenses		(561,719)	(703,054)	(1,490,158)
(Loss)/profit before impairment		(10,266,831)	2,007,389	7,879,958
Impairment	10	(3,195,814)	-	(9,901,454)
(Loss)/profit before tax		(13,462,645)	2,007,389	(2,021,496)
Tax	6	(60,927)	(104,321)	(252,617)
(Loss)/profit for the period/year		(13,523,572)	1,903,068	(2,274,113)
Other comprehensive income				
Foreign currency translation differences for foreign operations		414,089	692,523	1,154,357
Total comprehensive (loss)/income for the period/year		(13,109,483)	2,595,591	(1,119,756)
Basic (loss)/earnings per share (pence)	4	(5.64)	0.80	(0.95)
Diluted (loss)/earnings per share (pence)	4	(5.64)	0.80	(0.95)

All income is attributable to the equity holders of The Black Sea Property Fund Limited. There are no minority interests.

The notes on pages 8 to 14 are an integral part of these financial statements.

All items dealt with in arriving at the loss for the period ended above relate to continuing operations.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

**Condensed Consolidated Statement of Financial Position (unaudited)
as at 30 June 2009**

		(unaudited) 30-Jun 2009	(unaudited) 30-Jun 2008	(audited) 31-Dec 2008
	Notes	£	£	£
Non-current assets				
Plant and equipment		125,022	120,322	117,182
Investment property	7	13,320,885	10,448,585	12,058,462
Capitalised development expenses	7	-	150,799	150,799
Interest in property	7	-	110,614	-
Loans and receivables	8	1,699,814	20,167,315	13,535,976
		<u>15,145,721</u>	<u>30,997,635</u>	<u>25,862,419</u>
Current assets				
Other receivables		2,618,661	714,659	944,544
Investments at fair value through profit or loss	9	4,374,143	13,672,996	11,754,071
Cash and cash equivalents		4,206,648	1,583,034	1,196,045
		<u>11,199,452</u>	<u>15,970,689</u>	<u>13,894,660</u>
Total assets		26,345,173	46,968,324	39,757,079
Current liabilities				
Other payables		(225,900)	(363,972)	(528,323)
Net assets		<u>26,119,273</u>	<u>46,604,352</u>	<u>39,228,756</u>
Equity				
Share capital		46,478,064	50,138,313	46,478,064
Retained earnings		(20,358,791)	(3,533,961)	(7,249,308)
Total equity		<u>26,119,273</u>	<u>46,604,352</u>	<u>39,228,756</u>
Net asset value per ordinary share (pence)		12.3	18.6	18.4

These financial statements were approved and authorised for issue by the Board of Directors on 29 September 2009, and signed on its behalf by

Andrew Wignall
Director

Antony Gardner-Hillman
Director

The notes on pages 8 to 14 are an integral part of these financial statements.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

**Condensed Consolidated Statement of Changes in Equity (unaudited)
for the six months ended 30 June 2009**

	Share capital	Retained earnings	Total
Group	£	£	£
For the six months to 30 June 2009 (unaudited)			
As at 1 January 2009	46,478,064	(7,249,308)	39,228,756
Net operating loss for the period	-	(13,523,572)	(13,523,572)
Foreign exchange gain on subsidiary translation	-	414,089	414,089
Balance at 30 June 2009	46,478,064	(20,358,791)	26,119,273
For the year ended 31 December 2008 (audited)			
As at 1 January 2008	50,138,313	(6,129,552)	44,008,761
Share repurchase	(3,660,249)	-	(3,660,249)
Net operating loss for the year	-	(2,274,113)	(2,274,113)
Foreign exchange loss on subsidiary translation	-	1,154,357	1,154,357
Balance at 31 December 2008	46,478,064	(7,249,308)	39,228,756
For the six months to 30 June 2008 (unaudited)			
As at 1 January 2008	50,138,313	(6,129,552)	44,008,761
Net operating profit for the period	-	1,903,068	1,903,068
Foreign exchange gain on subsidiary translation	-	692,523	692,523
Balance at 30 June 2008	50,138,313	(3,533,961)	46,604,352

The notes on pages 8 to 14 are an integral part of these financial statements.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

**Condensed Consolidated Statement of Cash Flows (unaudited)
for the six months ended 30 June 2009**

	(unaudited) Six Months Ended 30-Jun-09	(unaudited) Six Months Ended 30-Jun-08	(audited) Year Ended 31-Dec-08
	£	£	£
Cash flow from operating activities			
(Loss)/gain before tax for the period/year	(13,462,645)	2,007,389	(2,021,496)
Adjustment For:			
Loss/(gain) on investments held at fair value through profit or loss	9,705,929	(2,216,225)	(8,475,069)
Currency losses/(gains)	336,919	(4,062)	15,102
Impairment	3,195,814	-	9,901,454
Increase in loan interest receivable	-	(548,094)	(774,611)
Increase in other receivables	(1,673,864)	(337,789)	(533,607)
(Decrease)/increase in other payables	(125,776)	188,276	117,128
Net cash outflow from operating activities after interest and before taxation	(2,023,623)	(910,505)	(1,771,099)
Tax paid	(237,828)	(107,449)	(43,797)
Net cash outflow from operating activities	(2,261,451)	(1,017,954)	(1,814,896)
Investing activities			
Loans to developers	(297,467)	(603,930)	(982,693)
Loans repaid	-	-	-
Purchase of land and property	(12,069)	(14,977)	(14,977)
Refund of deposit on land and property	-	247,238	247,238
Sales of accumulation money market funds	6,324,349	867,355	5,205,080
Acquisition of investment property	(114,029)	-	-
Net cash inflow from investing activities	5,900,784	495,686	4,454,648
Financing activities			
Share repurchases	-	-	(3,660,249)
Net cash outflow from financing activities	-	-	(3,660,249)
Net increase/(decrease) in cash and cash equivalents	3,639,333	(522,268)	(1,020,497)
Cash and cash equivalents at start of period/year	1,196,045	1,877,181	1,877,181
Net increase/(decrease) in cash and cash equivalents	3,639,333	(522,268)	(1,020,497)
Effect of foreign exchange rates	(628,730)	228,121	339,361
Cash and cash equivalents at end of period/year	4,206,648	1,583,034	1,196,045

The notes on pages 8 to 14 are an integral part of these financial statements.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Notes to the Condensed Consolidated Financial Statements (unaudited)

1 Basis of preparation

The interim financial statements comprise the condensed consolidated financial information of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2009 and have been prepared in accordance with IAS 34 (Interim Financial Reporting).

The condensed consolidated interim financial statements do not include all of the information and disclosures required for full annual financial statements.

They should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2008, which were prepared in accordance with the full requirements of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Committee of the IASB ("IFRIC"), and which are available to download from www.blackseapropertyfund.com.

The condensed consolidated interim financial statements for the current and comparative period 30 June 2008 (the comparatives for 31 December 2008 are audited) are unaudited.

2 Significant accounting policies

(a) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value; and
- investment property is measured at fair value.

(b) Consistency with year-end accounting policies

The accounting policies applied by the Group in preparing the condensed consolidated interim financial statements are the same as those applied by the Group in its Annual Report and Financial Statements for the year ended 31 December 2008, except for the impact of the adoption of the standards described below:

A revision to IAS 1 Presentation of Financial Statements became effective 1 January 2009, and has introduced a number of terminology changes (including revised titles for the primary statements) together with presentational changes. The condensed statement of comprehensive income has been prepared in a single statement. The revised standard has had no impact on the reported results or financial position of the Group.

IFRS 8 Operating Segments became effective 1 January 2009, and requires disclosure of the financial performance of the operating segments of the Group. Other than the investment in the Fidelity cash fund, the Group is organised into one main geographical and business segment focusing on the Bulgarian property market. No additional disclosure is included in relation to segmental reporting as the Group's activities are limited to one business segment and one main geographical segment.

3 Financial results

The financial results for the six months ended 30 June 2009 should not be taken as a guide to the results for the full financial year ending 31 December 2009.

4 Earnings per share

Six months ended 30 June 2009

The loss per ordinary share is based on the net loss for the period of (£13,523,572) and on 239,568,022 ordinary shares.

The diluted loss per ordinary share was based on the net loss for the period and 239,568,022 ordinary shares. As at 30 June 2009, the agreement to grant options over the sites at Shabla and Kavarna were cancelled and replaced by another agreement to share in the proceeds of specified future unit sales owned by Black Sea Investment Trust AD in the Obzor region, therefore, removing the dilution of shares.

Six months ended 31 December 2008

The loss per ordinary share is based on the net loss for the year of (£2,274,113) and on 239,568,022 ordinary shares.

The diluted loss per ordinary share is based on the net loss for the year and 240,605,366 ordinary shares.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Notes to the Condensed Consolidated Financial Statements unaudited (continued)

4 Earnings per share (continued)

Six months ended 30 June 2008

The earnings per ordinary share is based on the net profit for the period of (£1,903,068) and on 250,691,563 ordinary shares.

The diluted profit per ordinary share is based on the net profit for the period and 251,728,907 ordinary shares.

5 Management fee

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	£	£	£
Management fee	93,527	277,500	555,000

The contracted management fee to Development Capital Management (Jersey) Limited (“the manager”) was 2% per annum of the amount subscribed at IPO plus any gains retained by the Company for reinvestment.

The management agreement between the Company and the Manager could be terminated by either party on twelve months notice. The management agreement was terminated on 5 March 2009. A new subsidiary was incorporated on 13 January 2009, BSPF Bulgaria EAD, to act as property advisor to the Group.

6 Taxation

A tax accrual in the amount of £60,927 has been provided during the period, which represents the Directors’ estimate of irrecoverable tax arising from the Group’s operations.

7 Investing activities

(a) Investment property

	30 June 2009	30 June 2008	31 December 2008
	£		
Opening book cost	10,448,585	10,680,846	10,680,846
Additions	7,696,443	14,977	14,977
Return of deposit	-	(247,238)	(247,238)
Closing book cost	18,145,028	10,448,585	10,448,585
At 30 June 2009			
Cost	18,145,028	10,448,585	10,448,585
(Loss)/gain on revaluation	(7,152,248)	-	(2,475,346)
Foreign exchange gain	2,328,105	-	4,085,223
Net book amount	13,320,885	10,448,585	12,058,462

Valuations of investment properties are carried out by Colliers International, external independent valuers to the Group, in accordance with the Royal Institution of Chartered Surveyors’ Appraisal and Valuation Standards.

	Group and Company 30 June 2009	Group and Company 30 June 2008	Group and Company 31 December 2008
	£	£	£
(b) Capitalised development expenses			
Book cost and fair value	-	150,799	150,799

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Notes to the Condensed Consolidated Financial Statements unaudited (continued)

7 Investing activities (continued)

An interest free loan has been made to a third party, Bulgarian Property Investment Trust AD ("BPIT"), in order to secure an option to acquire land at Byala at a future date under certain conditions. The costs incurred of £150,799 in connection with acquiring this option on the land had been classified as capitalised development costs. As at 30 June 2009, these costs have been written off as an impairment to the consolidated statement of comprehensive income following a revised agreement on 26 June 2009, referred to below.

On 26 June 2009 an agreement was signed by BSPF Project 1 EAD (the "Borrower"), BSPF (Property) Limited (the "Lender") and BPIT, pursuant to which the parties agreed to transfer ownership title over Byala to the Borrower. The obligation of BPIT to repay the loan to the Lender was transferred to the Borrower and eliminates on consolidation. This agreement replaces all previous agreements on the Byala land thereby terminating the option.

(c) Interest in property	Group and Company 30 June 2009	Group and Company 30 June 2008	Group and Company 31 December 2008
	£	£	£
Interest in property	-	110,614	-

Magnolia, Pamporovo Background

The Company made loans totalling €5,596,096 to its subsidiary, BSPF Magnolia EAD on 14 November 2005, 23 May 2006, 18 November 2006 and 2 April 2007. The interest rate is a multiple of 1.25 times the aggregate of 5% and the six month EURIBOR rate. The loan and interest are payable on demand.

BSPF Magnolia EAD subsequently made loans totalling €5,488,938 to a developer, Magnolia Holidays EAD with the same interest rate. Interest from Magnolia Holidays EAD is payable on demand. The repayment date of the loan was stated to be the earlier of, when all units have been sold or 9 January 2009. The loan to Magnolia Holidays EAD has been secured by a share pledge over that company's entire share capital of 50,000 registered shares as well as security interests in other assets.

At the beginning of July 2008, the Company took control over 100% of the pledged shares of Magnolia Holidays EAD, the entity which owns the real estate at Pamporovo.

Following the receipt of legal advice on the recoverability of the loan, the loan was written down to nil as at 31 December 2008 as in the opinion of the directors there are significant doubts concerning the recoverability of the loan. More information is provided in Note 11. A further loan of €350,000 was advanced on 30 March 2009 to fund a payment of interest due to the bankers, to Magnolia Holidays EAD (see note 10) and thereby forestall foreclosure. For prudence this loan has been fully provided against.

Byala Background

Prior to the periods under review the Company made two loans totalling €9,709,200 to its subsidiary, BSPF (Property) Limited, which then lent these funds to the Bulgarian Property Investment Trust AD. On 26 June 2009, this agreement was revised with the developer Bulgarian Property Investment Trust AD agreeing to transfer the ownership rights of the land at Byala to the Company's subsidiary, BSPF Project 1 EAD. The obligation for repayment of the loan to the Company has been transferred to BSPF Project 1 EAD. The Company's investment is now reflected by investment property with a fair value of £6,587,014 as at 30 June 2009.

Evergreen Background

The Company has made a loan of €5,086,604 to its subsidiary, BSPF (Property) Limited, which then lent these funds to its subsidiary, BSPF Tchernomore EAD. The interest rate is a multiple of 1.25 times the aggregate of 5% and the six month EURIBOR rate. The loans and interest are payable on demand and are unsecured. These funds have been utilised by BSPF Tchernomore EAD to acquire 24,600 square metres of development land in the Malinova Dolina district of Sofia and for the design and development process. There were a further two drawdowns in the current period of €81,784 on 17 April 2009 and €114,524 on 15 June 2009 to satisfy contractual obligations. This property is held with a fair value of £2,033,330 as at 30 June 2009.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Notes to the Condensed Consolidated Financial Statements unaudited (continued)

7 Investing activities (continued)

Borovets

Background

The Company made loans totalling €453,744 to its subsidiary, BSPF (Property 2) Limited, which then lent these funds to its subsidiary, BSPF Super Borovetz EAD. The first tranche of €360,720 was lent on 26 January 2006 at 5% per annum. The second tranche of €93,024 was lent on 4 May 2007. The interest per annum is a multiple of 1.25 times the aggregate of 5% and the six month EURIBOR rate. An amount of €287,326 of the principal and €43,620 of the interest was repaid to the Company on 23 February 2009. The loans and interest are payable on demand. This loan is unsecured.

These funds were utilised to pay a deposit for the acquisition of up to 40,000 square metres of development land in the Borovets ski resort. Following re-negotiation of the contract in respect of the land during 2008, a portion of the amounts lent were returned to BSPF Super Borovetz EAD. This investment is held with a fair value of £4,700,541 as at 30 June 2009.

Nikea Park

Background

The Company made loans totalling €4,006,605 to its subsidiary, BSPF (Property 4) Limited, which then lent on €3,844,425 of the funds to Bulmix 97 Group OOD. Interest is accruing at 7% per annum on these loans and they are repayable on the sale of the individual units at Nikea Park. The loan to Bulmix 97 Group OOD is secured by a second ranking mortgage over the land and a first ranking mortgage over the units as well as the construction rights for these units.

The loan and interest has been written down to nil as in the opinion of the directors there are significant doubts concerning the recoverability of the loan.

Obzor

Background

Prior to the period under review the Company made loans totalling €5,274,750 to its subsidiary, BSPF (Property 5) Limited ("BSPF 5"), which then lent on €5,079,726 of the funds to Black Sea Investment Trust AD ("BSIT"). A repayment of €207,550 was made by BSPF 5 to the Company on 20 February 2009. The loan to BSIT was secured by a third ranking mortgage (after two mortgages in favour of the financing bank). A revised agreement was signed in June 2009 under which the developer repaid €2,000,000 on 17 July 2009 to the Company. The Company and the developer have agreed to initially split the proceeds of future unit sales at the Obzor site 70:30 respectively and 80:20 once an aggregate total of €4,000,000 sales have been made.

Borovets Lakes

Background

The Company made loans totalling €11,561,670 to its subsidiary BSPF Project 4 EAD. The interest rate is a multiple of 1.25 times the aggregate of 5% and the six month EURIBOR rate. This loan is repayable on demand and unsecured. These funds have been utilised by BSPF Project 4 EAD to acquire 123,961 square metres of development land in the Borovets ski resort.

8 Loans

	30 June 2009	30 June 2008	31 December 2008
	£	£	£
Loans and interest	1,699,814	19,935,552	13,535,976
Expenses capitalised	-	231,763	-
Closing carrying value	1,699,814	20,167,315	13,535,976

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Notes to the Condensed Consolidated Financial Statements unaudited (continued)

9 Investment held at fair value through profit or loss

	30 June 2009	30 June 2008	31 December 2008
	Listed	Listed	Listed
	£	£	£
Accumulation money market funds			
Opening book cost	7,540,741	11,822,918	11,822,918
Movement in period/year			
Purchase at cost	-	-	-
Sales - proceeds	(6,324,347)	(867,355)	(5,205,080)
- net realised gain on sales	2,123,809	137,986	922,903
Closing book cost	3,340,203	11,093,549	7,540,741
Closing fair value adjustment	1,033,940	2,579,447	4,213,330
Closing fair value	4,374,143	13,672,996	11,754,071

10 Impairment of financial instruments

	30 June 2009	30 June 2008	31 December 2008
	£	£	£
Loans to third parties	(3,195,814)	-	(9,901,454)
	(3,195,814)	-	(9,901,454)

As at 30 June 2009, an impairment of £2,747,548 (€3,079,726) was recognised on the loan owed to BSPF (Property 5) Limited from the developer of Obzor of £4,531,828 (€5,079,726). The agreement was renegotiated to amend the loan amount to £1,699,814 (€2,000,000). The Company and the developer have agreed to split the proceeds of all future unit sales at the Obzor site 70:30 respectively, and 80:20 once an aggregate total of €4,000,000 sales have been made. A payment of £297,467 (€350,000) was made by the Company to Magnolia Holidays EAD to enable it meet its loan obligations to its bank. This loan by the Company has been recognised as an impairment due to ongoing litigation which is fully explained in Note 11 to the financial statements. There was a further impairment of £150,799 on capitalised development costs incurred in acquiring the option on the Byala Land. This has been derecognised as an asset following a revised agreement on 26 June 2009 to transfer the ownership rights of the land at Byala to the Company's subsidiary, BSPF Project 1 EAD and terminate any previous agreements.

The loan to the Bulgarian Property Investment Trust AD in the sum of £9,411,673 (€9,709,200) had been written down at 31 December 2008 to its estimated recoverable amount of £8,624,943 (€8,921,210) being the market value of the land upon which it is secured. The loan to Magnolia Holidays EAD in the sum of £5,456,740 (€6,963,096) including accrued interest had been written down to nil as in the opinion of the Directors there are significant doubts concerning the recoverability of the loan. The loan to Bulmix 97 Group OOD in the sum of £3,534,533 (€4,489,607) including accrued interest had been written down to nil as in the opinion of the directors there are significant doubts concerning the recoverability of the loan. The interest previously accrued on the loan to Black Sea Investment Trust was not deemed recoverable and accordingly the amount outstanding relating to prior periods was written off in the sum of £123,451.

11 Significant risk exposures

Magnolia, Pamporovo

Magnolia Holidays EAD has defaulted on its loan repayment to the wholly-owned subsidiary of the Company, BSPF Magnolia EAD in the amount of €5,488,938 and the interest thereon of €636,050. On 17 January 2008, BSPF Magnolia EAD commenced a court action to force repayment of the defaulted amount in the Plovdiv District Court. That court ruled against BSPF Magnolia EAD, which then appealed to the Plovdiv Regional Court on 5 February 2008, and the Company currently awaits a decision. A decision has still not been rendered.

On 17 January 2008 BSPF Magnolia EAD declared the loan provided to Magnolia Holidays EAD in the sum of €5,488,938 and the interest of €636,050 as due and payable. Magnolia Holidays EAD did not pay any of the amounts claimed by BSPF Magnolia EAD. As a result, on 29 January 2008, BSPF Magnolia EAD registered the enforcement of a share pledge, which is security under the loan and guarantee agreement. The pledge is for 50,000 shares, which is the entire registered share capital of Magnolia Holidays EAD.

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Notes to the Condensed Consolidated Financial Statements unaudited (continued)

11 Significant risk exposures (continued)

On 6 February 2008, Magnolia Holidays EAD filed an application with the Plovdiv Regional Court to suspend the enforcement of the share pledge on the grounds that the claimed amount had not yet become due and payable. The Court granted the application with a ruling on 11 February 2008.

On 20 February 2008 BSPF Magnolia EAD appealed the ruling of the Plovdiv Regional Court. The case has been forwarded to the Plovdiv District Court and awaits decision. At the beginning of July 2008, the Company took control over 100% of the pledged shares of Magnolia Holidays EAD, the entity which owns the real estate at Pamporovo.

As a result of the completion of the share pledge enforcement procedure initiated by BSPF Magnolia EAD on 29 January 2008, on 16 July 2008 the Company's subsidiary, BSPF (Property 3) Limited acquired all 50,000 shares of Magnolia Holidays EAD. BSPF Magnolia EAD as pledgee then endorsed the shares to BSPF (Property 3) Limited in accordance with the Bulgarian Registered Pledges Act and thus completed the share pledge enforcement procedure.

On 12 September 2008, the former shareholder of Magnolia Holidays EAD filed claims with the Plovdiv District Court against BSPF Magnolia EAD and Magnolia Holidays EAD as defendants claiming that the pledge was a nullity and seeking cancellation of the enforcement of the share pledge. On 24 September 2008 the Plovdiv District Court suspended the registration of BSPF (Property 3) Limited as a sole owner of Magnolia Holidays EAD. This has now been separated into two cases, one pending in the Arbitration Court at the Bulgarian Chamber of Commerce and Industry, the other in the Sofia City Court.

On 24 November 2008 the former shareholder of Magnolia Holidays EAD purported to increase that Company's share capital from 50,000 to BGN500,000 and registered the capital increase at the Trade Register. On 5 December 2008 BSPF (Property 3) Limited filed a claim against Magnolia Holidays EAD to nullify the purported capital increase and asking the court to confirm BSPF (Property 3) Limited as the lawful sole owner of the capital of Magnolia Holidays EAD. A decision of the Plovdiv District Court is now pending.

The Plovdiv Regional Court is now hearing a third case initiated by the former shareholder of Magnolia Holidays EAD against the distribution of proceeds resulting from the share pledge enforcement. The basis of the claim is the individual's allegation that their signature was forged on certain documents. An expert's report has confirmed that the signatures were genuine. Judgment is expected presently.

On 9 December 2008 a complaint was sent to the Plovdiv Regional Prosecution Authority on behalf of BSPF (Property 3) Limited claiming that the actions of the former shareholder of Magnolia Holidays EAD in connection with the capital increase were illegal and provided sufficient grounds for the State of Bulgaria to instigate a criminal case against them.

On 2 February 2009 the Plovdiv District Court issued judgment that effectively rejected the refusal of the Bulgarian Trade Register to register BSPF (Property 3) Limited as the sole owner of the capital of Magnolia Holidays EAD along with the registration of the new management appointed by BSPF (Property 3) Limited. On 28 April 2009 the Plovdiv Court of Appeals refused to hear an appeal of that decision. That decision may be appealed to the Supreme Court of Cassation.

On 14 July 2009 BSPF (Property 3) Limited filed a claim with Sofia City Court against Magnolia Holidays EAD declaring the resolutions of the General Shareholders Meeting of Magnolia Holidays EAD to be unlawful. BSPF (Property 3) Limited was granted with a distraint order which suspended the registration of the resolutions of the meeting at the Trader Register. Scheduling of the first court hearing under the case is pending. As described in Note 7, this loan has been provided for in its entirety.

Nikea Park

On 28 February 2008 the Company's subsidiary, BSPF (Property 4) Limited filed an application for issuance of a writ of execution as a lender against Bulmix-97-Group Ltd ("Bulmix") with the Sofia Regional Court for breach of its contractual obligations. On 19 May 2008 a writ of execution was issued. On 20 June 2008 the procedure of forced enforcement of the mortgage was initiated through private bailiff in Varna. On 3 July 2008 Bulmix filed an application with Varna Regional Court for suspending the enforcement procedures and on 25 July 2008 Varna Regional Court issued a court order suspending the enforcement. Due to successful appeal filed on behalf of the creditor BSPF (Property 4) Limited, before the Varna District Court, on 17 December 2008 the Court issued an order cancelling the suspension of the enforcement procedure. The order of Varna District Court was then appealed to the Supreme Court of Cassation, which returned the case to Varna District Court to issue a new order to confirm the lawfulness of the enforcement procedure. A ruling is expected presently. As described in Note 7 this loan has been provided for in its entirety.

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Notes to the Condensed Consolidated Financial Statements unaudited (continued)

12 Commitments

The Company had an agreement to advance €5,274,750 to the developer of the site at Obzor. At the period end €5,079,726 (31 December 2008: €5,079,726) of this loan had been advanced and written down to a recoverable value of €2,000,000. A revised agreement has been signed, under which the developer has repaid €2,000,000 on 17 July 2009 to the Company. The Company and the developer will initially split the proceeds of all future unit sales at the Obzor site 70:30 respectively, and 80:20 once an aggregate total of €4,000,000 sales have been made. As at 30 June 2009, the Company had received €218,771 following the sales of units with a further amount of €130,000 received on 17 July 2009. The expected value of future proceeds from the sale of units as at 30 June 2009 has been valued by Colliers International at €3,724,986.

13 Related party transactions

Transactions with related parties during the six months ended 30 June 2009 are consistent with those reported in the Group's audited financial statements for the year ended 31 December 2008.

14 Other matters

On 4 March 2009, the shareholders resolved to apply for listed fund status under Article 3 of the Collective Investment Funds (Jersey) Law, 1988. On 5 March 2009, listed fund status was granted to the Company.

A new wholly-owned subsidiary, BSPF Bulgaria EAD was incorporated in Bulgaria on 13 January 2009 to act as property adviser in place of Development Capital Management (Jersey) Limited. The Company holds 50,000 ordinary shares of Bulgarian Lev 1 in BSPF Bulgaria EAD which are fully paid and represent the entire share capital.

15 Events after the reporting date

Change of Administrator and Registered Office

On 17 July 2009, the Company appointed IPES (Jersey) Limited as its administrator in place of BNP Paribas Securities Services Fund Administration Limited, and relocated its registered office to 3rd Floor, South Tower, 29-31 Esplanade, St Helier, Jersey JE2 3QA.

Termination of custodian

On 17 July 2009, the Company terminated the appointment of BNP Paribas SA Jersey Branch as its custodian. A new custodian has not been appointed as the functions performed by BNP Paribas SA Jersey Branch as custodian were limited in practice. IPES (Jersey) Limited hold the share certificates to the property assets held by the Company through its Jersey and Bulgarian incorporated special purpose vehicles.

Change of nominated adviser and broker

On 14 August 2009, Singer Capital Markets Limited replaced Numis Securities Limited as nominated adviser and broker.

16 Fund domicile

The Black Sea Property Fund Limited is a Company domiciled in Jersey, Channel Islands.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed Interim financial statements for the six months ended 30 June 2009

Corporate information

Registered office

To 16 July 2009

BNP House
Anley Street
St Helier
Jersey CI
JE2 3QE

From 17 July 2009

IPES (Jersey) Limited
3rd Floor, South Tower
29-31 Esplanade
St Helier
Jersey
JE2 3QA
Channel Islands

Strategic adviser

Colliers International
Business Park Sofia
Mladost 4
Build 13B
1715 Sofia
Bulgaria

Directors

John Chapman
Antony Gardner-Hillman
Irena Komitova
Andrey Kruglykhin (resigned 19 May 2009)
Angelo Moskov
Bogdan Stanchev
Andrew Wignall

Property investment adviser

Resigned 5 March 2009

Development Capital
Management (Bulgaria) EAD
14 Tzar Osvoboditel Boulevard
Sofia 1000
Bulgaria

Appointed 5 March 2009

BSPF Bulgaria EAD
World Trade Center Interped
36 Dragan Tzankov Blvd
1040 Sofia
Bulgaria

Nominated advisor and broker

Resigned 14 August 2009

Numis Securities Limited
The London Stock Exchange
Building
10 Paternoster Square
London
EC4M 7LT
United Kingdom

Appointed 14 August 2009

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ
United Kingdom

Auditors to the company

KPMG Channel Islands Limited
PO Box 453
5 St Andrew's Place
St Helier
Jersey
Channel Islands
JE4 8WQ

Manager and promoter

Resigned 5 March 2009

Development Capital
Management (Jersey) Limited
BNP House
Anley Street
St Helier
Jersey CI
JE2 3QE

Administrator and secretary

Resigned 17 July 2009

BNP Paribas Fund Services
Jersey Limited
BNP House
Anley Street
St Helier
Jersey
Channel Islands
JE2 3QE

Appointed 17 July 2009

IPES (Jersey) Limited
3rd Floor, South Tower
29-31 Esplanade, St Helier
Jersey
Channel Islands
JE4 5SJ

Registrar

Capita IRG (Offshore) Limited
12 Castle Street
St Helier
Jersey
Channel Islands
JE2 3RT

Legal adviser (Jersey)

Ozannes Advocates
PO Box 733
29 Esplanade
St Helier
Jersey
Channel Islands
JE4 0ZS

Legal adviser (United Kingdom)

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL
United Kingdom

Custodian

Resigned 17 July 2009
BNP Paribas (Jersey Branch)
Anley Street
St Helier
Jersey
Channel Islands
JE2 3QE