

For Immediate Release
26 September 2008

The Black Sea Property Fund Limited
Interim results
for the half year ended 30 June 2008

The Black Sea Property Fund Limited, which specialises in the development, financing and sale of residential property in Bulgaria, is pleased to announce its interim results for the half-year ended 30 June 2008.

Copies of the Financial Statements are currently being sent to shareholders and may be obtained free of charge from the Secretary at the following address:

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Represented by Jeremy Hamon
BNP House
Anley Street
St Helier
Jersey CI
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Nominated Advisor - Nick Westlake
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THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements (unaudited)

For the six months ended 30 June 2008

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Contents

	Page
Chairman's statement	2
Consolidated Income Statement	3
Consolidated Balance Sheet	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the financial statements	7
Corporate information	16

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Chairman's statement

Dear Shareholders:

Our progress over the first half of 2008 is broadly in line with what we expected. We have made no new investments and have realised none of our existing investments. Our profits are as a result of currency movements and interest on our money market accounts. We have been in the market repurchasing shares and have managed to buy back 17,812,494 shares as of this date at an average price of 9.95p. The two lawsuits I alluded to in my Chairman's statement in May have been concluded. We are in the process of taking title to the Byala land. Our costs have been reduced dramatically and are I believe the lowest among our peer group. We are close to internalization of management and are awaiting final approvals from the Jersey regulator. Once these are received the proposal will be put to a shareholder vote. The Bulgarian property market appears to have been isolated from the global market turmoil and prices largely remain stable – though how long this will continue is anyone's guess.

Turning to our individual investments, the YOOBulgaria development at Obzor where we are a mezzanine lender with an equity kicker is nearly complete. Ninety-three percent of the units have been reserved. The developer has now received the final permits enabling buyers to complete the acquisition of their units. The completion process is bureaucratic and because of the way the investment was structured we will only be paid after the primary lender has been repaid. We expect to begin receiving proceeds toward the end of the year. Assuming that completion occurs at the agreed price and that no significant cancellations of reserved units occur we would be receiving approximately €4.7 million in profit in cash on an approximately €4.8 million investment.

Because our partner at Byala failed to commence construction within the allotted time, we have commenced acquiring title of the land. This is an amicable situation with cooperation from the developer. There are bureaucratic hurdles that must however be overcome and we are in the process of doing so. We hope to take title presently. At that point we will have to decide whether to sell the land or develop it ourselves.

The lawsuit involving our investment in Pamporovo has been decided in our favour and we are in the process of registering our interest in the company that owns the Pamporovo property. Once the registration process is completed we will have control over the legal entity that owns this project. We will then be in a position to determine how to monetise this investment.

Units at Evergreen have been selling well and about a third of the development (as measured by the total potential revenue) has been reserved. Our progress on construction has fallen a little behind schedule due to delays in obtaining certain approvals and utility connections. We are hoping that our chosen developer will commence construction this autumn with completion then scheduled for 2010.

Regarding our investment at Borovets, we are in the midst of the zoning process. As part of that process the Ministry of Environment has instructed us to conduct an environmental assessment. We expect that this will be completed by the end of the year. Following that we will submit the regulation documents to the Municipality of Samokov. Once the land has zoning permission we will then determine whether to develop it ourselves or sell it to a third party.

Some progress has been achieved at Nikea Park as well. Earlier this year we undertook legal action against the developer because it failed to pay us for units that it had sold. The court ruled in our favour and to obtain cash settlement for our claim we have proceeded with the seizure and sale of the collateral.

I appreciated the opportunity to meet with many of you during our June road show and look forward to doing the same next year. We thank you for your support in these difficult times.

Respectfully yours,

John D. Chapman
Chairman

22 September 2008

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

**Consolidated income statement (unaudited)
for the six months ended 30 June 2008**

	notes	(unaudited) Six Months ended 30 June 2008 £	(unaudited) Six Months ended 30 June 2007 £	(audited) Year Ended 31 December 2007 £
Revenue		14,454	-	20,276
Gross Profit		14,454	-	20,276
Bank interest		9,316	45,672	65,156
Loan Interest		466,386	842,561	1,170,938
Total Revenue		490,156	888,233	1,256,370
Gain on investments	5	2,216,225	342,571	4,220,954
Currency gains		4,062	19,369	67,413
Total income		2,710,443	1,250,173	5,544,737
Operating expenses				
Management fee	2	(277,500)	(495,890)	(1,000,000)
Other operating expenses		(425,554)	(1,372,996)	(1,658,254)
Total operating expenses		(703,054)	(1,868,886)	(2,658,254)
Profit / (loss) before tax		2,007,389	(618,713)	2,886,483
Tax		(104,321)	(45,222)	(118,547)
Profit / (loss) for the period/year		1,903,068	(663,935)	2,767,936
Basic earnings per share (pence)	6	0.8	(0.3)	1.1
Diluted earnings per share (pence)	6	0.8	(0.3)	1.1

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

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Consolidated balance sheet (unaudited) as at 30 June 2008

		(unaudited) 30 June 2008	(unaudited) 30 June 2007	(audited) 31 December 2007
	notes	£	£	£
Non-current Assets				
Plant and Equipment	3	120,322	-	123,165
Investment Property	3	10,448,585	2,989,291	10,680,846
Exercised Options over property	3	150,799	150,799	150,799
Interest in property	3	110,614	312,764	96,941
Loans and receivables	3	20,167,315	16,337,820	17,785,638
		<u>30,997,635</u>	<u>19,790,674</u>	<u>28,837,389</u>
Current assets				
Other receivables		714,659	65,966	376,870
Investments at fair value through profit or loss	4	13,672,996	18,178,630	13,200,466
Cash and cash equivalents		1,583,034	3,280,312	1,877,181
		<u>15,970,689</u>	<u>21,524,908</u>	<u>15,454,517</u>
Total assets		<u>46,968,324</u>	<u>41,315,582</u>	<u>44,291,906</u>
Current liabilities				
Other payables		(363,972)	(158,110)	(283,145)
Net assets		<u>46,604,352</u>	<u>41,157,472</u>	<u>44,008,761</u>
Equity				
Share capital	7	50,138,313	50,138,313	50,138,313
Retained earnings		(3,533,961)	(8,980,841)	(6,129,552)
Total equity		<u>46,604,352</u>	<u>41,157,472</u>	<u>44,008,761</u>
Net asset value per Ordinary share (pence)	8	<u>18.6</u>	<u>16.4</u>	<u>17.6</u>

These financial statements were approved by the Board of Directors on 22 September 2008

John D Chapman
Director

Andrew Wignall
Director

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

**Consolidated statement of changes in equity (unaudited)
for the six months ended 30 June 2008**

	Share capital	Retained earnings	Total
Group	£	£	£
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 on subsidiary translation	-	692,523	692,523
	-----	-----	-----
Balance at 30 June 2008	50,138,313	(3,533,961)	46,604,352
	-----	-----	-----
For the six months to 30 June 2007 (unaudited)			
As at 1 January 2007	50,138,313	(8,343,085)	41,795,228
Net operating loss for the period	-	(663,935)	(663,935)
Foreign exchange on subsidiary translation	-	26,179	26,179
	-----	-----	-----
Balance at 30 June 2007	50,138,313	(8,980,841)	41,157,472
	-----	-----	-----
For the year ended 31 December 2007 (audited)			
As at 1 January 2007	50,138,313	(8,343,085)	41,795,228
Net operating profit for the year	-	2,767,936	2,767,936
Foreign exchange on subsidiary translation	-	(554,403)	(554,403)
	-----	-----	-----
Balance at 31 December 2007	50,138,313	(6,129,552)	44,008,761
	-----	-----	-----

Condensed interim financial statements for the six months ended 30 June 2008

Consolidated statement of cash flows (unaudited) for the six months ended 30 June 2008

	(unaudited) Six Months ended 30 June 2008	(unaudited) Six Months ended 30 June 2007	(audited) Year Ended 31 December 2008
	£	£	£
Cash flow from operating activities			
Gain/(loss) before tax for the year	2,007,389	(618,713)	2,886,483
Gain on investments held at fair value through profit or loss	(2,216,225)	(342,571)	(4,220,954)
Currency gains	(4,062)	(19,369)	(67,413)
Increase in loan interest receivable	(548,094)	(345,149)	(550,339)
Increase in other receivables	(337,789)	(55,947)	(366,851)
Increase / (decrease) in other payables	188,276	(34,663)	66,642
Net cash outflow from operating activities after interest and before taxation	(910,505)	(1,416,412)	(2,252,432)
Tax paid	(107,449)	(68,950)	(64,329)
Net cash outflow from operating activities	(1,017,954)	(1,485,362)	(2,316,761)
Investing activities			
Loans to developers	(603,930)	(1,340,020)	(1,723,684)
Loans repaid	-	-	751,031
Purchase of land and property	(14,977)	(2,742,053)	(10,558,526)
Refund of deposit on land and property	247,238	-	-
Purchase of accumulation money market funds	-	-	(9,561,721)
Sales of accumulation money market funds	867,355	5,656,448	21,557,924
Net cash inflow from investing activities	495,686	1,574,375	465,024
Net (decrease) / increase in cash and cash equivalents	(522,268)	89,013	(1,851,737)
Cash and cash equivalents at start of period	1,877,181	3,213,477	3,213,477
Effect of foreign exchange rates	228,121	(22,178)	515,441
Cash and cash equivalents at end of period	1,583,034	3,280,312	1,877,181

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements

1 Accounting Policies

This interim report has been prepared in accordance with 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). The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

(a) Basis of measurement

The 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
- investment property is measured at fair value.

(b) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(c) Revenue recognition

Interest receivable on fixed interest securities is recognised in 'Interest income' using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset to the carrying amount as reduced by any allowance for impairment.

(d) Basis of consolidation

The interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2008. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences up to the date that control ceases.

(e) Expenses

Expenses are charged through the income statement, except for expenses which are incidental to the disposal of an investment which are deducted from the disposal proceeds of the investment. In addition, certain expenses associated with the acquisition of an investment have been capitalised.

(f) Investments

General

Assets are recognised at the trade date of acquisition, and are recognised initially at fair value plus any directly attributable transaction costs.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

Plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets, other than land or properties under construction, over their estimated useful lives, using the straight line method at 4%, on the following bases:

Equipment - 25 years

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Fair value is the amount at which an investment could be exchanged between knowledgeable willing parties in an arms length transaction.

Purchases of investments are recognised on the trade date, being the date that amounts are due for payment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value being the transaction price. Transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value are presented in the income statement in the year in which they arise. On disposal, realised gains and losses are also recognised in the income statement.

Fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

Loans and receivables

Loans and receivables include loans and advances originated by the Company which are not intended to be sold in the short term and are recognised on an amortised cost basis. Loans and receivables are recognised when cash is advanced to borrowers and are derecognised when the borrowers repay their obligations, the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant borrower. Where they are denominated in a foreign currency they are translated at the prevailing balance sheet exchange rate.

Where the interest rate associated with such loans and receivables is below market, an adjustment is made to reflect the fair value accordingly.

Investment property

Property that is held for capital appreciation, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises freehold land and freehold buildings. Land held for capital appreciation or for development as an investment property is immediately classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, although the property may not be revalued in the year of acquisition. Changes in fair values are recorded in the income statement.

Fair value is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods. The valuations are prepared annually by Colliers International.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

Interest in Property

Interest in property represents amounts capitalised in relation to non-derivative options to acquire property at future dates. Amounts capitalised are amortised over the period of the corresponding options.

(g) Movements in Fair Value

Changes in the fair value of all held-at-fair-value assets are taken to the income statement. On disposal, realised gains and losses are also recognised in the income statement.

(h) Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks.

(i) Taxation

The Company is an Exempt Company for Jersey taxation purposes. The Company pays an exempt company fee, for each Jersey registered company within the group, which is currently £600 per annum.

The subsidiary companies, BSPF Magnolia EAD, BSPF Project 1 EAD, BSPF Project 4 EAD, BSPF Super Borovetz EAD and BSPF Tchernomore EAD will be liable for Bulgarian corporation tax at a rate of 10%. The subsidiary companies are not liable for any further local taxes, however withholding tax may be due on repatriation of assets and income to the Company, as currently there is no double taxation treaty between Jersey and Bulgaria.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

(j) Foreign currency

The results and financial position of the Fund are expressed in pounds sterling, which is the functional currency of the Fund.

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non-monetary assets and liabilities that are fair valued and that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period where investments are classified as fair value through profit or loss. Exchange differences on translation of the company's net investment in foreign operations are recognised directly in equity.

(k) Share Capital

Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction to reserves.

Founder shares

Founder shares are classified as equity.

(l) Segmental Analysis

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

Other than the investment in money market funds in the UK, 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.

2	Management fee	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
		£	£	£
	Management fee	277,500	495,890	1,000,000

The contracted management fee to Development Capital Management (Jersey) Limited is 2% per annum of the amount subscribed plus any gains retained by the Fund for reinvestment.

With effect from 1 January 2008, the management fee was changed to £75,000 per annum plus the direct operating costs of Development Capital Management Bulgaria AD. For the six months ended 30 June 2008 the total of both the management fee and direct operating costs amounted to £277,500.

The management agreement between the Company and the Manager is terminable by either party on twelve month's notice, subject to an initial term of 36 months from admission. On 6 September 2007, the Company notified the Manager that the management agreement would be terminated 12 months hence.

3 Investing activities

(a) Investment property and plant and equipment

	Investment Property	Plant and Equipment	Total
	£	£	£
At 1 January 2008			
Opening book cost	10,680,846	124,918	10,805,764
Accumulated depreciation	-	(1,753)	(1,753)
	-----	-----	-----
Opening net book amount	10,680,846	123,165	10,804,011
Additions	14,977	-	14,977
Return of deposit	(247,238)	-	(247,238)
Depreciation charge for the period	-	(2,843)	(2,843)
	-----	-----	-----
At 30 June 2008 net of accumulated depreciation	10,448,585	120,322	10,568,907
	-----	-----	-----
At 30 June 2008			
Closing book cost	10,448,585	124,918	10,573,503
Accumulated depreciation	-	(4,596)	(4,596)
	-----	-----	-----
Net book amount	10,448,585	120,322	10,568,907
	-----	-----	-----
At 1 January 2007			
Opening book cost	247,238	-	247,238
Accumulated depreciation	-	-	-
	-----	-----	-----
Opening net book amount	247,238	-	247,238
Additions	2,742,053	-	2,742,053
Depreciation Charge	-	-	-
	-----	-----	-----
At 30 June 2007 net of accumulated depreciation	2,989,291	-	2,989,291
	-----	-----	-----
At 30 June 2007			
Closing book cost	2,989,291	-	2,989,291
Accumulated depreciation	-	-	-
	-----	-----	-----
Net book amount	2,989,291	-	2,989,291
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THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

	Investment Property	Plant and Equipment	Total
	£	£	£
At 1 January 2007			
Opening Book Cost	247,238	-	247,238
Accumulated Depreciation	-	-	-
	-----	-----	-----
Opening net book amount	247,238	-	247,238
Additions	10,433,608	124,918	10,558,526
Depreciation Charge	-	(1,753)	(1,753)
	-----	-----	-----
At 31 December 2007 net of accumulated depreciation	10,680,846	123,165	10,804,011
	-----	-----	-----
At 31 December 2007			
Closing Book Cost	10,680,846	124,918	10,805,764
Accumulated Depreciation	-	(1,753)	(1,753)
	-----	-----	-----
Net book amount	10,680,846	123,165	10,804,011
	-----	-----	-----
b) Exercised Options over property	30 June 2008	30 June 2007	31 December 2007
	£	£	£
Book cost and fair value	150,799	150,799	150,799
	-----	-----	-----
c) Interest in property	30 June 2008	30 June 2007	31 December 2007
	£	£	£
Interest in property	110,614	312,764	96,941
	-----	-----	-----

An interest free loan has been made to a third party in order to secure an option to acquire land at Byala at a future date under certain conditions.

This interest free loan is accounted for at amortised cost using the effective interest rate method. As the loan bears interest at a rate below a market rate, a discount has been separately capitalised as "interest in property" in recognition of the asset that the option represents, and is being amortised over its useful economic life.

Following the end of the year ended 31 December 2007, the Company demanded that this third party transfer the Byala land to the Company in satisfaction of the contract and the third party is in the process of doing so.

d) Loans

	30 June 2008	30 June 2007	31 December 2007
	£	£	£
Loans and interest	19,935,552	16,106,057	17,553,875
Expenses capitalised	231,763	231,763	231,763
	-----	-----	-----
Closing book cost	20,167,315	16,337,820	17,785,638
	-----	-----	-----

4 Investment held at fair value through profit or loss

	30 June 2008	30 June 2007	31 December 2007
	Listed £	Listed £	Listed £
Accumulation money market funds	11,822,918	23,045,435	23,045,435
Opening book cost	11,822,918	23,045,435	23,045,435
Movement in Year			
Purchase at cost	-	-	9,561,721
Sales - proceeds	(867,355)	(5,656,448)	(21,557,924)
- net realised gain on sales	137,986	115,478	773,686
	-----	-----	-----
Closing book cost	11,093,549	17,504,465	11,822,918
Closing fair value adjustment on Money Market Funds	2,579,447	674,165	1,377,548
	-----	-----	-----
Closing fair value	13,672,996	18,178,630	13,200,466
	-----	-----	-----

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

5	Gain/(Loss) on Investments	30 June 2008	30 June 2007	31 December 2007
		£	£	£
	Foreign exchange gain / (loss) on loans	876,340	(67,727)	2,449,065
	Movement in fair value adjustment	1,201,899	294,820	998,203
	Gain on disposal of Money Market Funds	137,986	115,478	773,686
	Net gain on investments	<u>2,216,225</u>	<u>342,571</u>	<u>4,220,954</u>

6 Earnings per share

Six months ended 30 June 2008

The earnings per Ordinary share is based on the net profit for the period of £1,903,069 and on 250,691,563 ordinary shares. The diluted return per ordinary share is based on the net profit for the period and 251,728,907 ordinary shares.

Six months ended 30 June 2007

The earnings per Ordinary share is based on the net loss for the period of £663,935 and on 250,691,563 ordinary shares. The diluted return per ordinary share is based on the net profit for the period and 251,728,907 ordinary shares.

Year ended 31 December 2007

The earnings per Ordinary share is based on the net profit for the period of £2,767,936 and on 250,691,563 ordinary shares. The diluted return per ordinary share is based on the net profit for the period and 251,728,907 ordinary shares.

7 Called up share capital

Authorised:

Founder shares of no par value	10
Ordinary shares of no par value	Unlimited
Issued and fully paid:	£
2 founder shares of no par value	-
	<u>50,138,313</u>

Founder shares are not eligible for participation in company investments and carry no voting rights at general meetings of the Company.

A further 1,037,344 ordinary shares will be issued contingent upon final construction permits being granted for the options over the sites at Shabla and Kavarna.

8 Net Asset Value per share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders shown below and on 250,691,563 ordinary shares, being the number of ordinary shares in issue at the end of each relevant period.

	30 June 2008	30 June 2007	31 December 2007
	£	£	£
Net assets	<u>46,604,352</u>	<u>41,157,472</u>	<u>44,008,761</u>

9 Financial instruments

The Company's financial instruments comprise money market funds, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The main risks the Company faces from its financial instruments are (i) market price risk, (comprising currency risk, interest rate risk and other price risk), (ii) liquidity risk, and (iii) credit risk.

The Board regularly reviews and agrees on policies for managing each of these risks. The Board's policies for managing these risks are summarised below and have been applied throughout the period. The numerical disclosures exclude short-term debtors and creditors.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

(i) **Market price risk**

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements and movements in exchange rates.

It is the Board's policy to hold a broad spread of fixed interest investments using collective schemes in order to reduce risk arising from factors specific to a particular country or sector. The Board meets regularly in order to review investment strategy.

(ii) **Currency risk**

The functional currency and presentational currency of the Company is Sterling. Options over property, loans and other investments are denominated in Euros and the Company is therefore exposed to movements in the exchange rate between the Euro and Sterling. The Company does not hedge this risk.

Currency rate exposure

An analysis of the Group's currency exposure is detailed below:

	30 June 2008		30 June 2007		31 December 2007	
	Financial Investments £	Net monetary assets £	Financial Investments £	Net monetary assets £	Financial Investments £	Net monetary assets £
Sterling	-	11,181,026	-	3,736,450	-	11,198,245
Euro	33,840,311	1,045,349	34,516,450	2,817,063	30,986,104	1752046
Bulgarian LEV	-	537,666	-	87,509	-	72366
	-----	-----	-----	-----	-----	-----
	33,840,311	12,764,041	34,516,450	6,641,022	30,986,104	13,022,657
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(iii) **Interest rate risk**

Interest rate movements may affect: (i) the fair value of the investments in fixed interest rate securities, (ii) the level of income receivable on cash deposits, (iii) interest payable on the Company's variable rate borrowings.

The interest rate profile of the Company excluding short term debtors and creditors are as follows:

	30 June 2008		
	Fixed rate £	Floating rate £	Non-interest bearing £
Assets			
Euro loans to Third parties	7,305,636	5,260,887	7,711,406
Equities	-	-	13,672,996
Euro cash deposit	-	1,045,349	-
Bulgarian LEV cash deposit	-	537,666	-
Sterling cash deposit	-	19	-
	-----	-----	-----
Total assets	7,305,636	6,843,921	21,384,402
	-----	-----	-----
Assets			
Euro loans to Third parties	4,605,555	5,484,359	6,560,670
Equities	-	-	4
Euro cash deposit	-	2,817,063	-
Bulgarian LEV cash deposit	-	87,509	-
Sterling cash deposit	-	375,740	-
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Total assets	4,605,555	8,764,671	6,560,674
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THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

	31 December 2007		
	Fixed interest £	Floating rate £	Non-interest bearing £
Assets			
Euro loans to Third parties	6,085,624	4,640,795	7,156,160
Equities	-	-	13,200,466
Euro cash deposit	-	1,752,046	-
Bulgarian LEV cash deposit	-	72,367	-
Sterling cash deposit	-	52,769	-
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Total assets	6,085,624	6,517,977	20,356,626
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(iv) **Liquidity risk**

A significant portion of the Company's assets comprise cash balances and readily realisable securities, which can be sold to meet funding commitments if necessary.

As at 30 June 2008 the Company does not have any significant liabilities due.

(v) **Credit risk**

The Company places funds with third parties and is therefore potentially at risk from the failure of any such third party of which it is a creditor. The Company expects to place any such funds on a short-term basis only and spread these over a number of different providers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company's principal financial assets are loans and receivables, other receivables, investments and cash and cash equivalents.

The maximum exposure of the group to the credit risk is the carrying amount of each class of financial assets.

Loans and receivables are represented by loans to and receivables from third parties. Other receivables are represented mainly by prepayments and other debtors where no significant credit risk is recognised.

Investments are represented by holdings in money market funds which are rated AAA and use risk spreading to minimise exposure to any one counterparty.

The Company's credit risk is primarily attributable to loans to and receivables from third parties. Management monitors each loan according to the individual characteristics of each project, including regular contact with developers, site visits and regular reporting by an outsourced real estate consultant to evaluate whether there is any impairment.

With the exception of the loan to Magnolia Holidays EAD, all financial assets of the Company are neither past due nor impaired, see Note 11 on Post balance sheet events.

(vi) **Credit Risk Exposure**

In summary, compared to the amounts in the Consolidated Balance Sheet, the maximum exposure to credit risk at 30 June 2008 was as follows:

	30 June 2008		30 June 2007		31 December 2007	
	Balance Sheet £	Maximum Exposure £	Balance Sheet £	Maximum Exposure £	Balance Sheet £	Maximum Exposure £
Non-current assets						
Loans and Receivables	20,056,701	20,056,701	16,025,056	16,025,056	17,688,697	17,688,697
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Magnolia Holidays EAD has defaulted on their loan repayment to the wholly owned subsidiary of the Company, BSPF Magnolia EAD in the amount of EUR 5,488,938 and the interest thereon of EUR 1,027,131.

On 17th January 2008, the lender commenced a court action to force repayment of the defaulted amount in the Plovdiv District Court. That court ruled against the lender, which then appealed to the Plovdiv Regional Court. On 20th June 2008 the Plovdiv Regional Court has overruled the decision by the lower court in Plovdiv to suspend the share pledge execution by BSPF Magnolia EAD.

THE BLACK SEA PROPERTY FUND LIMITED

Condensed interim financial statements for the six months ended 30 June 2008

Notes to the financial statements (continued)

Fair Value of financial assets and liabilities

The book value of the cash at bank and loans to third parties included in these financial statements are approximate to their fair value.

Investments held for trading are valued at their fair value, which has been determined with reference to quoted market prices.

10 Commitments

The Company has an agreement to advance €5,274,750 to the developer of the site at Obzor. At the period end €4,426,078 of this loan had been advanced. The Company has also signed an agreement to advance up to €4,649,625 for the site at Kavarna. No advances have yet been made on this loan.

11 Post balance sheet events

On 28 July 2008, the Company purchased 1,298,922 of its own shares, on 8 September 2008, a further 714,184 shares were purchased, on 10 September 2008 a further 428,510 were purchased, on 15 September a further 571,347 shares were purchased, on 16 September, a further 515,857 and on 19 September a further 14,283,674 were purchased, at an average price of 9.95 pence per share. The shares purchased were then cancelled. Following the share buy backs, the total shares in issue amounted to 232,879,069 shares.

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. At present the Company is in the process of registering the new sole owner of Magnolia Holidays EAD and the new board of directors at the Bulgarian Trade Register.

12 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 2008

Corporate information

Registered office	Manager and promoter	Strategic Adviser
BNP House Anley Street St Helier Jersey CI JE2 3QE	Development Capital Management (Jersey) Limited BNP House Anley Street St Helier Jersey CI JE2 3QE	Colliers International Business Park Sofia Mladost 4 Build 13B 1715 Sofia Bulgaria
Property Investment Adviser	Nominated Advisor and Broker	Auditors to the Company
Development Capital Management (Bulgaria) EAD 14 Tzar Osvooboditel Boulevard Sofia 1000 Bulgaria	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT	KPMG Channel Islands Limited PO Box 453 5 St Andrew's Place St Helier Jersey CI JE4 8WQ
Custodian	Administrator and Secretary	Registrar
BNP Paribas (Jersey Branch) BNP House Anley Street St Helier Jersey CI JE2 3QE	BNP Paribas Fund Services Jersey Limited BNP House Anley Street St Helier Jersey CI JE2 3QE	Capita IRG (Offshore) Limited 12 Castle Street St Helier Jersey CI JE2 3RT
Legal Adviser (Jersey)	Legal Adviser (United Kingdom)	
Ozannes Advocates PO Box 733 29 Esplanade St Helier Jersey CI JE4 0ZS	Travers Smith 10 Snow Hill London EC1A 2AL United Kingdom	