

19 September 2007

**The Black Sea Property Fund Limited
Interim results
for the six months ended 30 June 2007**

The Black Sea Property Fund Limited, which specialises in the financing and sale of residential property in Bulgaria, is pleased to announce its interim results for the six months ended 30 June 2007.

The Fund is managed by Development Capital Management (Jersey) Limited.

Copies of the Financial Statements are currently being sent to shareholders and may be obtained free of charge from Development Capital Management Limited, 84 Grosvenor Street, London, W1K 3JZ.

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Chairman's statement

Since I last reported to shareholders in May of this year a number of investment purchases have been completed and the Fund now holds a diversified portfolio both in terms of location and types of investment. Approximately 45% of the Fund's invested assets are on the coast, 45% in the mountains and 10% in Sofia, split roughly 60/40 between direct and indirect ownership.

Market

As expected, the successful EU accession in January has provided a boost to the Bulgarian economy, with the already high GDP growth increasing further. None of the safeguard clauses mooted at the end of 2006 have been enacted and progress continues to be made on EU integration. Accession also appears to have played an important part in the 14.7% price rise seen in residential property in the first half of this year. Fears regarding oversupply, particularly in the beach resorts remain, however, this is still predominately at the lower end of the market, with shortages of high quality stock driving demand, particularly in the ski resorts and urban areas.

Progress

Progress in the first six months of 2007 has seen the Fund move away from the original financing model and more heavily into land purchases and direct development of sites. In April the Fund purchased 24,599 square metres of development land in the Malinova Dolina district of the capital, Sofia, for €4 million. This was followed by the conditional agreement to purchase 124,000 square metres of land in the Borovets region for €10.5 million. I'm pleased to report this has, as at 1 August, now been completed.

Sales and marketing at the Obzor site remain steady; at the period end reservations for 73 units were taken and 13 units had formally exchanged contracts. At the time of writing this has risen to 103 sales and reservations, of which 62 have exchanged, 40% of the total 257 units currently on the market. Under the financing agreement this should produce income of €2.9 million, a gross return of 55% on the €5.25 million invested.

Progress at the Magnolia site has not been so positive. The discussions between the developer and a potential bulk purchaser have broken down. It is frustrating for both the Board and the Manager to continue reporting disappointing sales as a result of the developer's unrealistic view of the value of these units. We do believe this is a quality development, however early stage sales should not be jeopardised by over optimistic pricing. The delay resolving the bulk sale has ultimately postponed the marketing campaign for the site which has now restarted with the appointment of two new sales agents for the 2007/08 ski season.

Valuations

As recently announced, the Fund's investment portfolio has undergone its bi-annual valuation. Colliers International have valued the financed apartments at an average of €1321 per square metre, a small decrease from the December valuation of €1340 per square metre and a total gross market value of the Fund's units of €111 million once completed. The investment in land at Byala and the recent sites purchased at Sofia and Borovets currently stand at an average value of €90 per square metre, a premium of 15% above the average purchase price. As at the period end the balance sheet NAV at cost stands at 16.4p, should profit from the current 103 sales at Obzor be included on the balance sheet it would translate into a further 0.8p per share, increasing the NAV to 17.2p.

Cash distribution

In the finals for 2006, the Board indicated an intention to make a distribution of excess capital. The resolution authorising a return to shareholders of surplus capital has now been put to investors and was passed at the EGM in June. Subject to Royal Court of Jersey approval, this leaves the way clear for the Fund to make a payment to shareholders of 1p per share, expected to be in October.

Prospects and strategic review

The Fund is now focussed on the development and realisation of its investments. Whilst it has taken longer than expected to reach this stage, I believe the Fund has a strong portfolio and the direct involvement of the Fund on developments will enable it to avoid many of the issues that have dogged some of the financial investments made earlier in its life. As announced on 24 August the Board is exploring strategic options for enhancing shareholder value. The Board has appointed Intelli Corporate Finance to advise it in connection with this review and will announce the outcome as soon as practicable. In the mean time the Fund has served "protective" notice of termination of its management agreement with Development Capital Management (Jersey) Limited ("DCM"), the effect of which will be to reduce any termination costs payable by the Fund in the event that the strategic review is concluded in such a way that DCM's services are no longer required.

EGM requisition

On 29 August 2007, the Board received notice from a nominee of QVT Fund LP, a substantial investor in the Fund, requisitioning an extraordinary general meeting of the Fund to consider ordinary resolutions for the removal of Roger Maddock and myself from the Board and for the appointment of John Chapman, Angelo Moskov, Andrey Kruglykhin and Anthony Gardner-Hillman as directors of the Fund. The Board will be convening this EGM in accordance with Jersey Law and shareholders will receive a circular from the Fund in this regard shortly.

Melville Trimble
September 2007

Manager's report

The Fund

The period under review has seen the acquisition of three promising sites (two in Borovets and one in Sofia) and the commencement of development planning at two of these locations. Sales have been progressing steadily at Obzor. The Fund also took the decision to exit its investment at Tsarevo and received the invested amount back.

Investment activity

In April the Fund purchased 24,599 square metres of development land in the Malinova Dolina district of Sofia, one of the capital's suburbs in the foothills of the Vitosha mountain. The total purchase price was €4 million. The Fund is developing the site into an upmarket residential complex, including a mixture of family houses and apartments, with a gross development value currently estimated at €19m. Architects and project managers have been appointed and are working with the Manager's local team to bring the project to the stage where sales can begin before the end of the year.

In May the Fund announced the signing of preliminary contracts to acquire two parcels of land close to Borovets. The larger of the two sites comprises c.124,000 square metres of land close to the main road between Borovets and Samokov, the nearest major town. There are major plans, known as the Super Borovets project, to expand the resort including the siting of a new gondola lift a short distance from the Fund's site. These plans were recently given a boost when Equest Investments announced that it had invested €25.9 million in 33.5% of the company behind the project.

The purchase price of the land was €10.5 million, equivalent to €85 per square metre. The Fund intends to develop the land in planned phases into a residential resort complex with associated commercial spaces and a hotel, for which the Manager will seek to procure a well respected operator. WATG, the international resort architects, have been retained to advise on the master planning of the site and have started work. Following the period end, the purchase of this site was completed in early August.

Also in May the Fund resolved the difficulties relating to its original investment at Borovets, which was affected by a third party restitution claim. Agreement was reached to exchange the original plot for another site in the same area. The purchase price is also €85 per square metre and the deposit originally paid by the Fund for the original site will be credited against the purchase price. The Manager expects that the purchase of this site will be completed in the coming months.

Throughout the period under review the YooBulgaria development at Obzor has been on sale. Progress has been steady and, as at 30 June, 73 units had been reserved, of which 13 had exchanged contracts. This has now increased to 62 exchanges from 103 reservations. Sales at the Magnolia development stalled due to the approach of a bulk investor, which later fell through. Sales at Nikea Park have been slow, however 8 reservations have been secured. A renewed marketing campaign is currently in place for the 2007/08 ski season.

In April, the Fund announced that it had terminated its financing agreement relating to a development at Tsarevo, on the Black Sea coast. The agreement was terminated due to a breakdown in the Fund's relationship with the developer, largely caused by the developer's insistence upon high pricing and the poor presentation of the site.

Valuations

Following the bi-annual valuation of the property portfolio the Fund now has interests in land worth €27.8m against an acquisition price of €24.5m, an increase of 13.5%. The average value of the units underlying the financial investments has slipped slightly since last December to €1321 per square metre, a fall of 1.4%, although the average acquisition price on completion remains €730 per square metre. The 103 sales achieved so far at the Obzor site (at an average of €1429 per square metre), are expected to produce under the financing agreement income of €2.9m, equivalent to 0.8p per share. If both the land revaluations and the sales income are included, the current NAV rises to 18.2p per share.

Property market

Residential property prices appear to have been a major beneficiary of EU accession since last October when Bulgaria's application was accepted. Average prices for the whole of 2006 rose by 15%, with 5.7% of this increase in the final quarter. In the first half of the current year average prices have risen by 14.7%, with the strongest gains in Varna (+16%) and Sofia (+14%). We believe the Fund's proposed development on the outskirts of Sofia will have benefited from this. Prices elsewhere on the coast and in the ski regions, have been stable or recorded modest, single digit increases.

The CEO of the UK group International Property Professionals described Bulgaria as a market which had gone from emerging to established in 3 years. According to statistics collected by the group, Bulgaria was the third most popular country for UK residents buying property abroad after Spain and France, accounting for 7.8% of the UK overseas property buying market.

Official figures show that, after record property Foreign Direct Investments (FDI) in 2006 totalling €1.1bn, some €310m of money flowed into the country in the first quarter of the year, a 63% increase over the same period last year. Colliers International reported a significant increase in supply during 2006; 8,000 apartments were on offer in the ski regions, up 53% over 6 months, and on the coast a total of 35,000 units were available, an increase of 54% over the same period.

This points to a degree of oversupply with an additional 26,000 unsold units in the market compared to 2005. The number of building permits issued during the first quarter of 2007 is unlikely to improve the situation, having risen 40% year on year. They were however down 14% over the final 3 months of 2006. Within the total, residential permits across the country increased by 57% over the comparable 2006 period.

Politics

Following EU accession on 1 January, the period under review was dominated by the MEP elections and a political scandal, which came close to removing the three party coalition.

The election for MEPs in May produced a very low turnout, with Boyko Borissov, mayor of Sofia's newly formed GERB party gaining 22% of the vote, just ahead of the Socialists' 21%. The former King and Prime Minister Simeon II was forced into 4th place by the right wing ATAKA, which has led to the collapse of the Simeon II party and a change of name.

Perhaps more significantly, the Sofia heating scandal and the crackdown on corruption has led to the resignation of two senior ministers, whilst fatigue and ill health has meant that the BSP led three party coalition has lost a total of 8 key members, which at one point was thought to presage new elections.

Much newsprint was given over to the first review of accession progress by the EU Commission, which decided that no safeguard clauses should be enacted although greater vigilance should be afforded to both the question of high level corruption and agricultural policy.

The economy

As anticipated, EU accession has boosted real GDP growth with the first quarter of 2007 posting a solid 6.2% in real terms following 5.5% a year ago. After the first 5 months the current account shortfall has risen year on year by 43% to €2.5bn where it represents almost exactly 10% of 2006 GDP. This is clearly not a positive sign for the balance for the year, although FDIs of €1.2bn in the first 4 months should ensure that much of the shortfall is covered.

Of more concern and something which the Manager is factoring into future build costs are the developments regarding wages. Both the minimum wage and pensions were increased by 10% from 1 July, whilst the unions and employers representatives have just agreed a 13% rise for the private non-service sector. Both moves were taken in response to a number of above average pay settlements in order to try and ward off further inflationary deals. The cost to the government of settlements so far, together with the pensions hike is some €716m, which compares with the record five month budget surplus of €946m and highlights the fact that such deals could wipe out the entire balance if not checked. This is an issue of considerable concern to the IMF. The fear is that not only will such settlements threaten price stability but also long held government ambitions to enter the ERM by January 2008. EMU entry by 2010 may now not be possible. It is worth noting however that increased salaries and a small increase in inflation, provided they are contained within acceptable parameters, are both likely to be positive for the development of residential property prices.

Tourism

The Bulgarian Tourist Board has estimated a figure of 6.4% for growth in tourist numbers this year, after a 5.2% rise in 2006 to a record 5.1m. The forecast seems a little low, given EU accession and price comparisons with the rest of Europe. The national TV forecast, a high 12%, could turn out to be more realistic.

The number of carriers announcing additional or new schedules to Bulgaria would support such enthusiasm. Sterling and Air Shuttle, two low cost Scandinavian carriers, announced first time flights to Varna and Bourgas during the holiday season, whilst BA stated it was to add to its scheduled service from Gatwick to Sofia. More recently both German Wings and WizzAir have joined the growing number flying to Sofia. The opening of the second terminal at Sofia in late December 2006 has facilitated the process and now accepts all scheduled carriers, with the old terminal reserved for low-cost airlines such as easyJet and charter airlines. EasyJet have now announced a thrice weekly service from Gatwick to Sofia commencing in November.

June 2007 saw the opening of the third terminal at Bourgas, which added 40% to total capacity with the benefits of faster throughput already commented upon by visitors. Airport management at Plovdiv was finally put out to long term tender following an agreement reached between the government and the defence ministry to exchange the runway and surrounding land, for sites elsewhere. Less good news came from the ski regions, where poor advertising and a shortage of four star accommodation, rather than a lack of snow, led the Bansko Tourist Business Alliance to forecast a 10% drop in tourist numbers for the season. Although no figures are available this is not thought to be the situation elsewhere. In Borovets, which is likely to be a good example and does not suffer the overcrowding at Bansko, the operator, Borosport has just been awarded a first class investment certificate and will spend around €70m on improving and adding to facilities and the surrounding infrastructure.

Hoteliers in the coastal resorts are blaming overbuild in their sector for a decline in tourist numbers so far this year. They add that many are self-catering in their own apartments, with the result that some managers are cutting prices by as much as 50% for the balance of the season. Bulgarian outward tourism may also have played a role here. Official figures show that in the first 4 months of the year residents spent some €390m on foreign holidays, 17% ahead of the year ago figure.

Outlook

Growth in the Bulgarian economy remains strong and can only be helped by the successful accession to the EU. This in turn is leading to a more robust property market and whilst fears remain over wage inflation, price rises particularly in the high end areas of the market seem sustainable.

Development Capital Management (Jersey)
September 2007

Consolidated balance sheet (unaudited)

As at 30 June 2007

		(unaudited) 30-Jun 2007	(unaudited) 30-Jun 2006	(audited) 31-Dec 2006
	notes	Group £	Group £	Group £
Non-current assets				
Land	4	2,989,291	744,274	247,238
Exercised options over property	4	150,799	150,799	150,799
Interest in property	4	312,764	-	518,561
Loans and receivables	4	16,337,820	9,898,859	14,446,857
		<u>19,790,674</u>	<u>10,793,932</u>	<u>15,363,455</u>
Current assets				
Other receivables		65,966	33,220	10,019
Investments at fair value through profit or loss	5	18,178,630	29,497,719	23,424,780
Cash and cash equivalents		3,280,312	3,903,088	3,213,477
		<u>21,524,908</u>	<u>33,434,027</u>	<u>26,648,276</u>
Total assets		<u>41,315,582</u>	<u>44,227,959</u>	<u>42,011,731</u>
Current liabilities				
Other payables		-158,110	-288,225	-216,503
Net assets		<u>41,157,472</u>	<u>43,939,734</u>	<u>41,795,228</u>
Equity				
Share capital	7	50,138,313	50,138,313	50,138,313
Retained earnings		-8,980,841	-6,198,579	-8,343,085
Total equity		<u>41,157,472</u>	<u>43,939,734</u>	<u>41,795,228</u>
Net asset value per Ordinary share (pence)	8	16	17.5	16.7

These accounts were approved by the Board of Directors on 18 September 2007.

Melville Trimble
Roger Maddock

Consolidated income statement (unaudited)

For the six months ended 30 June 2007

		(unaudited) six months ending 30-Jun-07	(unaudited) six months ending 30-Jun-06	(audited) year ending 31-Dec-06
	notes	£	£	£
Income				
Bank interest		45,672	91,347	173,143
Loan interest		842,561	62,872	579,017
Gain on investments	6	342,571	609,583	90,016
Currency gains/(losses)		19,369	-	(23,540)
Total income		<u>1,250,173</u>	<u>763,802</u>	<u>818,636</u>
Operating expenses				
Management fee	3	(495,890)	(495,890)	(1,000,000)
Other operating expenses		<u>(1,372,996)</u>	<u>(623,789)</u>	<u>(2,222,441)</u>
Total operating expenses		<u>(1,868,886)</u>	<u>(1,119,679)</u>	<u>(3,222,441)</u>
Loss before tax		<u>(618,713)</u>	<u>(355,877)</u>	<u>(2,403,805)</u>
Tax		<u>(45,222)</u>	-	<u>(35,057)</u>
Loss for the period		<u>(663,935)</u>	<u>(355,877)</u>	<u>(2,438,862)</u>
Basic earnings per share (pence)	2	(0.3)	(0.1)	(1.0)
Diluted earnings per share (pence)	2	(0.3)	(0.1)	(1.0)

All losses are attributable to the equity holders of Black Sea Property Fund Ltd. There are no minority interests.

Consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2007

	(unaudited) six months ending 30 June 2007 £	(unaudited) six months ending 30 June 2006 £	(audited) year ending 31 December 2006 £
Cash flow from operating activities			
Net loss for period	(618,713)	(355,877)	(2,403,805)
Gain on investments	(342,571)	(609,583)	(90,016)
Currency losses	(19,369)	-	23,540
Increase in loan interest receivable	(345,149)	-	(287,511)
(Increase)/decrease in other receivables	(55,947)	(85,790)	281
(Decrease)/increase in other payables	(59,390)	13,166	(93,613)
Net cash outflow from operating activities	<u>(1,416,412)</u>	<u>(1,038,084)</u>	<u>(2,851,124)</u>
Investing activities			
Loans to developers	(1,340,020)	(8,948,426)	(14,413,890)
Options over property payment	-	-	(12,486)
Purchase of land	(2,742,053)	(247,238)	-
Expenses capitalised	-	(646,260)	-
Purchase of accumulation money market funds	-	-	(2,385,090)
Sales of accumulation money market funds	5,656,448	10,244,063	18,385,014
Net cash inflow from investing activities	<u>1,574,375</u>	<u>402,139</u>	<u>1,573,548</u>
Cash flow from financing activities			
Sales commission and formation costs paid	-	25,000	25,000
Net cash inflow from financing activities	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Net increase/(decrease) in cash and cash equivalents	<u>89,013</u>	<u>(610,945)</u>	<u>(1,252,576)</u>
Cash and cash equivalents at start of the period	3,213,477	4,467,734	4,467,734
Effect of foreign exchange rates	(22,178)	46,299	(1,681)
Cash and cash equivalents at end of period	<u>3,280,312</u>	<u>3,903,088</u>	<u>3,213,477</u>

Consolidated statement of changes in equity (unaudited)

	Share Capital £	Retained Earnings £	Total £
For the six months to 30 June 2007 (unaudited)			
Balance at 31 December 2006	50,138,313	(8,343,085)	41,795,228
Foreign exchange on subsidiary translation	-	26,179	26,179
Net operating loss for the period	-	(663,935)	(663,935)
Balance at 30 June 2007	50,138,313	(8,980,841)	41,157,472
For the six months to 30 June 2006 (unaudited)			
Balance at 31 December 2005	50,138,313	(5,910,129)	44,228,184
Foreign exchange on subsidiary translation	-	67,427	67,427
Net operating loss for the period	-	(355,877)	(355,877)
Balance at 30 June 2006	50,138,313	(6,198,579)	43,939,734
For the year ended 31 December 2006 (audited)			
Balance at 1 January 2006	50,138,313	(5,910,129)	44,228,184
Foreign exchange on subsidiary translation	-	5,906	5,906
Net operating loss for the period	-	(2,438,862)	(2,438,862)
Balance at 31 December 2006	50,138,313	(8,343,085)	41,795,228

Notes to the financial statements

1 Accounting policies

The consolidated financial statements of the Company for the period ended 30 June 2007 comprise the Company and its subsidiaries (together, the 'Group') and have 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).

(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 and loss are measured at fair value.
- investment property is measured at fair value.

(b) Functional and presentation currency

These consolidated financial statements are presented in GBP, which is the Fund's functional currency.

(c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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

(d) 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 Fund 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 Fund 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.

(e) 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. 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.

(f) 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.

(g) Investments

General

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

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 Fund manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables include loans and advances originated by the Fund 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. 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

Investment property is stated at fair value. Any gain or loss arising from a change in fair value is recognised in the income statement. Land held for capital appreciation or for development as an investment property is immediately classified as investment property.

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.

(h) 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.

(i) Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks.

(j) Taxation

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

The subsidiary BSPF Magnolia AD will be liable for Bulgaria corporation tax at a rate of 10%. The subsidiary is not liable for any further local taxes, however withholding tax may be liable on repatriation of assets and income to the Fund, as currently there is no double taxation treaty between UK 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.

(k) 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.

(l) 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.

2 Earnings per share

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 loss for the period and 251,728,907 Ordinary shares.

Period 01 January 2006 to 30 June 2006

The earnings per Ordinary share is based on the net loss for the period of £355,877 and on 250,691,563 Ordinary shares. The diluted return per Ordinary share is based on the net loss for the period and £251,728,907 Ordinary shares.

Period 27 January 2006 to 31 December 2006

The earnings per Ordinary share is based on the net loss for the period of £2,438,862 and on 250,691,563 Ordinary shares. The diluted return per Ordinary share is based on the net loss for the period and 251,728,907 Ordinary shares.

3 Management fee

	six months ending 30 June 2007	six months ending 30 June 2006	year ending 31 December 2006
	£	£	£
Management fee	495,890	495,890	1,000,000

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

The management agreement between the Fund and the Manager is terminable by either party on twelve month's notice, subject to an initial term of 36 months from admission.

4 Investing activities

	30 Jun 07	30 Jun 06	31 Dec 06
	£	£	£
a) Land			
Opening book cost	247,238	-	-

Purchase at cost	2,742,053	247,238	247,238
Expenses capitalised	-	497,036	-
Closing book cost	-2,989,291	744,274	247,238

The company has made a 5% deposit for land at Borovets, the balance is due to be paid upon completion of the notary deed once final approval of the build density is obtained and other conditions are satisfied. This has now been completed. See Note 11.

The Fund has made payment of £2,692,605 for land at Sofia and has made a further payment of £49,447 relating to VAT on land at Borovets.

b) Exercised Options over property	30 Jun 07 £	30 Jun 06 £	31 Dec 06 £
Opening book cost and fair value	150,799	138,313	138,313
Expenses capitalised	-	12,486	12,486
Closing book cost	150,799	150,799	150,799
Closing unrealised appreciation/(depreciation)	-	-	-
Closing book cost	150,799	150,799	150,799

The consideration for the options of £138,313 was in the form of shares in the Company.

c) Interest in property	£	£	£
Interest in property	312,764	-	518,561
	312,764	-	518,561

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 arises under the effective interest rate method. This 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.

d) Loans	30 Jun 07 £	30 Jun 06 £	31 Dec 06 £
Loans	16,106,057	9,762,121	14,215,094
Expenses capitalised	231,763	136,738	231,763
Closing book cost	16,337,820	9,898,859	14,446,857

5 Investment held at fair value through profit or loss

	30 Jun 07 Listed £	30 Jun 06 Listed £	31 Dec 06 Listed £
Accumulation money market funds			
Opening book cost	23,045,435	38,903,523	38,903,523
Movement in year			
Purchase at cost	-	-	2,385,090
Sales - proceeds	(5,656,448)	(10,244,063)	(18,385,014)
- realised gain on sales	266,803	220,781	485,798
- realised exchange losses on sales	(151,325)	(197,842)	(343,962)

Closing book cost	17,504,465	28,682,399	23,045,435
Closing unrealised appreciation on Money Market Funds	1,106,540	848,742	974,152
Closing unrealised exchange loss	(432,375)	(33,422)	(594,807)
Closing fair value	18,178,630	29,497,719	23,424,780

6 Gain/(Loss) on Investments

	30 Jun 07	30 Jun 06	31 Dec 06
	£	£	£
Foreign exchange on loans	(67,727)	-	(202,488)
Movement in unrealised appreciation	294,820	586,643	150,668
Gain on disposal of Money Market Fund	115,478	22,939	141,836
Net gain on investments	342,571	609,582	90,016

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	-
250,691,563 Ordinary shares no par value	50,138,313

Founder shares are not eligible for participation in Fund Investments and carry no voting rights at general meeting of the Fund. A further 518,672 shares will be issued contingent upon final construction permits being granted for the option over the site at 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 Jun 07	30 Jun 06	30 Dec 06
	£	£	£
Net assets	41,157,472	43,939,734	41,795,228

9 Financial instruments

The Fund'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 Fund faces from its financial instruments are (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movement, (ii) currency risk, (iii) credit risk, (iv) interest rate risk and (v) liquidity risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager'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.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Fund's operations. It represents the potential loss the Fund 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 Manager monitors the prices of the money market funds throughout the year and reports to the Board, which meets regularly in order to review investment strategy.

Currency risk

The functional currency and presentational currency of the Fund 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 Fund does not hedge this risk.

Credit risk

The Fund 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. As part of the management of its liquid assets, the Fund places cash on a short term basis in collective money market investments.

The majority of the Fund's loans are ultimately to property developers and recovery is dependent on the successful completion and sale of the property over which the loan relates.

Interest rate risk

The interest rate risk profile of financial assets at the balance sheet date was as follows:

	30 Jun 07		
	Fixed interest	Floating rate	Non-interest bearing
	£	£	£
Euro loan	4,605,555	5,484,359	6,560,670
Euro cash deposit/investment	-	2,817,063	18,178,630
Bulgarian LEV cash deposit	-	87,509	-
Sterling cash deposit	-	375,740	-
	<u>4,605,555</u>	<u>8,764,671</u>	<u>24,739,300</u>

	30 Jun 06			31 Dec 06		
	Fixed interest	Floating rate	Non-interest bearing	Fixed interest	Floating rate	Non-interest bearing
	£	£	£	£	£	£
Euro loan	796,780	2,866,637	6,098,704	3,788,377	3,859,396	7,317,645
Euro cash deposit/investment	-	71,858	29,497,719	-	1,401,425	23,424,780
Bulgarian LEV cash deposit	-	-	-	-	5,322	-
Sterling cash deposit	-	3,831,230	-	-	1,806,730	-
	<u>796,780</u>	<u>6,769,725</u>	<u>35,596,423</u>	<u>3,788,377</u>	<u>7,072,873</u>	<u>30,742,425</u>

Liquidity risk

The Company's assets mainly comprise cash balances and readily realisable securities, which can be sold to meet funding commitments if necessary.

10 Commitments

The Fund has an agreement to advance €5,274,750 to the developer of the site at Obzor. At the period end €2,355,000 of this loan has been advanced. The Fund 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 3 August 2007 the Fund finalised a purchase of c.124,000 square metres of land at Borovets for a total of €10.5 million.

