Kimberly Enterprises N.V.

Condensed Consolidated Interim Financial Statements

30 June 2016

(Prepared in accordance with IAS 34 *Interim Financial Reporting* **as adopted by the EU)**

CONTENTS

KPMG Hungária Kft.
Váci út 31.
H-1134 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Independent auditors' report on review of condensed consolidated interim financial statements

To the Shareholders of
Kimberly Enterprises N.V.

Introduction

We have reviewed the accompanying 30 June 2016 condensed consolidated interim financial statements of Kimberly Enterprises N.V. ("the Company"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2016;
- the condensed consolidated statements of profit or loss and comprehensive income for the six-month period ended 30 June 2016;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2016;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2016; and
- notes to the interim financial statements.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, 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 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.

KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2016 condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 4 to the condensed consolidated interim financial statements which describes the Company's liquidity position as at 30 June 2016.

The condensed consolidated financial statements are prepared on a going concern basis. As described in note 4, as at 30 June 2016, a subsidiary was in breach of its obligation to make finance lease payments totalling EUR 34.9 million relating to the lease of Marina Dorcol in Belgrade, Serbia. As also described in note 4, after the reporting date, the Municipality of Belgrade terminated the lease agreement.

This , and the fact that the Company needs the support of Engel Resources and Development Ltd. in the form that it extends the repayment date of its loans, indicates the existence of a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

KPMG Hungária Kft.

Budapest, 15 August 2016

István Henye
Partner

	30 June 2016	31 December 2015
	Thousands Euro	
ASSETS		
Cash and cash equivalents	1,664	652
Restricted bank deposit	-	728
Trade receivables	118	185
Prepayments and other assets	1,201	12
Inventories of housing units and land	4,364	8,259
Current tax assets	62	6
Current assets	7,409	9,842
Inventories of land	9,150	9,307
Investment property	17,212	17,450
Property and equipment	2	2
Deferred tax assets	26	58
Loans and amounts to related parties	46	2,044
Non-current assets	26,436	28,861
Total assets	**33,845**	**38,703**
LIABILITIES		
Interest-bearing bank loans	-	2,175
Current portion of finance lease liability (see note 4.a)	44,982	35,621
Loans and amounts due to related parties and joint ventures	25,901	25,576
Trade payables	279	294
Other payables	5,467	6,370
Provisions	457	492
Current tax liabilities	264	268
Current liabilities	77,350	70,796
Interest-bearing bank loans	-	1,408
Finance lease liability (see note 4.a)	-	7,858
Deferred tax liabilities	235	420
Non-current liabilities	235	9,686
Total liabilities	**77,585**	**80,482**
EQUITY		
Share capital	878	878
Share premium	39,298	39,298
Accumulated losses	(85,725)	(83,258)
Reserves	3,282	2,688
Equity attributable to owners of the Company	(42,267)	(40,394)
Non-controlling interests	(1,473)	(1,385)
Total equity	(43,740)	(41,779)
Total liabilities and equity	**33,845**	**38,703**

Ayelet Naim-Levanon Executive Director	Terry Roydon Chairman of the Audit Committee	**15 August 2016** Date of approval of the financial statements

The notes on pages 10 to 20 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit or loss

	For the six months ended 30 June	
	2016	2015
	Thousands Euro	
Revenue	2,932	71
Write down of inventory	(51)	-
Cost of sales excluding write down of inventory	(3,013)	(107)
Gross loss	(132)	(36)
Selling, general and administrative expenses	(565)	(301)
Other income (see note 9.a)	115	425
Operating profit (loss)	(582)	88
Net foreign exchange loss	(87)	(2,806)
Finance income (see note 9.c)	576	206
Finance costs	(2,870)	(2,983)
Net finance costs	(2,381)	(5,583)
Share of profit of equity-accounted investments, net of tax	315	932
Loss before tax	**(2,648)**	**(4,563)**
Income tax benefit (expense)	67	(1)
Loss for the period	**(2,581)**	**(4,564)**
Loss attributable to:		
Owners of the Company	*(2,467)*	*(4,451)*
Non-controlling interests	*(114)*	*(113)*
Loss for the period	***(2,581)***	***(4,564)***
Loss per share:		
Basic loss per share (Euro)	***(0.028)***	***(0.051)***
Diluted loss per share (Euro)	***(0.028)***	***(0.051)***

The notes on pages 10 to 20 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	For the six months ended 30 June	
	2016	2015
	Thousands Euro	
Loss for the period	(2,581)	(4,564)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss		
Foreign operations - foreign currency translation differences	620	(142)
Other comprehensive income (loss)	620	(142)
Total comprehensive loss	**(1,961)**	**(4,706)**
Total comprehensive loss attributable to:		
Owners of the Company	(1,873)	(4,588)
Non-controlling interests	(88)	(118)
Total comprehensive loss	**(1,961)**	**(4,706)**

The notes on pages 10 to 20 are an integral part of these condensed consolidated interim financial statements.

	Attributable to owners of the Company						
	Share capital	Share premium	Translation and capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Thousands Euro						
Balance at 1 January 2015	**878**	**39,298**	**2,941**	**(73,256)**	**(30,139)**	**(1,007)**	**(31,146)**
Loss for the period	-	-	-	(4,451)	**(4,451)**	(113)	**(4,564)**
Other comprehensive loss for the period	-	-	(137)	-	**(137)**	(5)	**(142)**
Disposal of subsidiaries with non-controlling interests	-	-	-	-	-	12	**12**
Balance at 30 June 2015	**878**	**39,298**	**2,804**	**(77,707)**	**(34,727)**	**(1,113)**	**(35,840)**
Balance at 1 January 2016	**878**	**39,298**	**2,688**	**(83,258)**	**(40,394)**	**(1,385)**	**(41,779)**
Loss for the period	-	-	-	(2,467)	**(2,467)**	(114)	**(2,581)**
Other comprehensive income for the period	-	-	594	-	**594**	26	**620**
Balance at 30 June 2016	**878**	**39,298**	**3,282**	**(85,725)**	**(42,267)**	**(1,473)**	**(43,740)**

The notes on pages 10 to 20 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	For the six months ended 30 June	
	2016	2015
	Thousands Euro	
Cash flows from operating activities		
Loss for the period	(2,581)	(4,564)
Adjustments for:		
- Net finance costs	2,381	5,583
- Income tax expense (benefit)	(67)	1
- Share of profit of equity-accounted investments, net of tax	(315)	(932)
- Other income	(115)	(425)
- Write down of inventories	51	-
	(646)	(337)
Change in:		
- Inventories of housing units	3,020	-
- Trade receivables	67	-
- Provisions	(29)	-
- Prepayments and other assets	3	15
- Trade payables	(15)	(314)
- Other payables	(906)	(118)
Cash from (used in) operating activities	1,494	(754)
Interest paid	(70)	(192)
Interest received	-	1,741
Income taxes paid	(142)	(1)
Net cash from operating activities	1,282	794
Cash flows from investing activities		
Proceeds from sale of investment	812	-
Long term loans and amounts granted to related parties	-	(15)
Short term loans and amounts repaid by related parties	1,242	3,532
Change in restricted bank deposit	728	-
Net cash from investing activities	2,782	3,517
Cash flows from financing activities		
Repayment of interest-bearing bank loans	(2,960)	(133)
Loans and amounts received from related parties and other	2,164	311
Loans and amounts repaid to related parties and other	(2,164)	(3,835)
Payment of finance lease liability	(90)	-
Net cash used in financing activities	(3,050)	(3,657)
Net increase in cash and cash equivalents	1,014	654
Cash and cash equivalents at 1 January	652	15
Effect of exchange rate fluctuations on cash held	(2)	2
Cash and cash equivalents at 30 June	**1,664**	**671**

The notes on pages 10 to 20 are an integral part of these condensed consolidated interim financial statements.

NOTE 1 - REPORTING ENTITY

Kimberly Enterprises N.V. (the “Company”) is a company domiciled in the Netherlands. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 30 June 2016 comprise the Company, its subsidiaries (together referred to as the “Group”) and the Group's interests in an associate and a joint venture.

The Group is primarily involved in holding, developing and selling real-estate assets in Eastern Europe.
The Company has been listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange, United Kingdom since 15 December 2005.

Copies of these consolidated financial statements of the Group are available on the Company’s website (www.kimberly-enterprises.com) and upon request from the Company’s registered office.

NOTE 2 - BASIS OF ACCOUNTING

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2015 (“last annual financial statements”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company's Board of Directors on 11 August 2016.

NOTE 3 – USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

NOTE 4 – GOING CONCERN

a. Breach of obligation to make finance lease payments

Since January 2011, Marina Dorcol D.o.o (“MD”) (95% interest subsidiary of the Company) has been in breach of its obligation to make finance lease payments relating to the lease of plot of land, Marina Dorcol, Belgrade, Serbia.

NOTE 4 – GOING CONCERN (continued)

a. Breach of obligation to make finance lease payments (continued)

At 30 June 2016, MD was in breach of EUR 34.9 million of lease payments. During the reporting period, management recognised an expense of EUR 1,779 thousands as a result of the lease interest and inflation on the unpaid overdue lease contracted payments.

Following the breach, the Directorate for City Building Land, controlled by the Municipality of Belgrade (“the Municipality“) initiated several claims during recent and previous periods to collect those debts.

On 3 June 2016, MD received from the Mayor of Belgrade, a notice requesting the termination of the lease agreement MD has in respect of the Marina Dorcol Project in Belgrade, Serbia (“notice”).

Management believes that the notice that was received by MD should not be considered as a valid termination of the lease from legal point of view as at 30 June 2016; however, it indicated the municipality’s intention considering the overdue liability of the Group as of the end of the reporting period.

On 22 July 2016, the Municipality delivered MD a unilateral termination of the lease agreement over the Marina Dorcol Project in Belgrade, Serbia (“termination letter”).

As a result of the above, the Company reclassified the finance lease liability in the amount of EUR 7,737 thousands, which was presented as a non-current liability, as a current liability.

MD filed a dispute over the above termination letter, as based on the legal advice it has received, according to which the termination procedure has not been done according to the lease agreement. Based on its lawyers’ estimations, it is still premature to determine the results of this dispute.

As the Company does not accept the reasons for the termination, the Company should initiate a procedure before the Commercial Court in Belgrade (or, potentially, to file investment claim to the competent arbitration panel) for the determination of the validity of the request for the termination and whether the request is based on valid legal and commercial reasons.

Management expects that the final result of the termination would be the restitution of the amounts paid by the Company in respect of MD based on the agreements with the Municipality, less the amount of compensation to the Municipality for usage of such land for the period of duration of lease and for compensation of damages which occurred to the Municipality, if any. The Group is currently in the process of negotiation with the Municipality about the amount and timing of the restitution.

Management expects that following the termination it would have a net cash inflow from the above restitution, however, the net cash flow and the timing to conclude the settlement with the Municipality cannot be predicted at this stage with any certainty.

Based on the interim financial statements as of 30 June 2016 and excluding the net cash inflow that is expected to arise upon termination, the Company’s management estimates the impact on the Group's financial position would be a decrease of the non-current assets by EUR 25,459 thousands, a decrease of the liabilities by EUR 44,982 thousands and an increase in the Group’s profit or loss and equity by EUR 19,523 thousands (before tax effect, if any).

NOTE 4 – GOING CONCERN (continued)

b. Support from Engel Resources and Development Ltd.

In order to manage its financial situation, the Company approached in the previous periods Engel Resources and Development Ltd. (“ERD”), the parent company of the Company's immediate parent company, Engel General Developers Ltd. (“EGD”), to provide additional financial assistance to fund the Company’s immediate liabilities.

As of 30 June 2016, the outstanding debt toward ERD is EUR 25,509 thousands and is due by 30 September 2016. During the reporting period, ERD did not provide any additional bridge loans to the Company.
In order to finance the Company’s immediate liabilities and to stabilise its financial position, management has acted to realise several assets during the recent reporting periods.

ERD support is still needed in the form that it extends the repayment date of its loans beyond 30 September 2016.

c. Conclusion

At 30 June 2016, the Group has current liabilities totalling EUR 77,350 thousands, which exceeds its current assets amounting to EUR 7,409 thousands and a negative equity which amounts to EUR 43,740 thousands.

The financial statements are prepared based on a going concern basis. However, management believes that the above mentioned conditions (i.e. breach of its obligation to make finance lease payments and the requirement to extend the loans granted by ERD) indicate the existence of material uncertainties which cast significant doubt on the Group’s ability to continue as a going concern.

Should the going concern assumption not be appropriate, adjustments would have to be made to reflect a situation where the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the interim financial statements.

NOTE 5 - FINANCIAL RISK MANAGEMENT

All the aspects of the Group’s financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2015.

a. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.
In order to handle the liquidity risk of the Company, the management decided to realise several assets during the reporting period in Czech Republic and Canada. In addition the Company is acting to minimise its operational costs.

See note 4 which includes the Group’s going concern analysis and describes the financial difficulties and liquidity risks.

NOTE 5 - FINANCIAL RISK MANAGEMENT (continued)

b. Carrying amounts and fair values

The carrying amounts of certain short term financial assets and liabilities expected to be settled within 12 months, including cash and cash equivalents, trade payables and other payables were deemed to be equal to their fair values.

The fair values of other financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30 June 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	Thousands Euro			
Total financial assets				
Loans and amounts to related parties	567	568	2,938	2,942
	567	**568**	**2,938**	**2,942**
Total financial liabilities				
Interest-bearing loans from banks	-	-	3,583	3,541
Loans and amounts due to related parties and joint ventures	25,901	25,758	25,576	25,805
Finance lease liability	44,982	44,228	43,479	42,716
	70,883	**69,986**	**72,638**	**72,062**

Reconciliation of the financial assets carrying amounts:

	30 June 2016	31 December 2015
	Thousands Euro	
Loans and amounts to related parties	567	2,938
Impairment due to negative investment in equity-accounted investment	(521)	(894)
Consolidated loans and amounts to related parties	**46**	**2,044**

The fair value of loans and amounts to related parties has been calculated using market interest rate of 0.5% (31 December 2015: 0.5%) taking into consideration specific conditions (securities provided, currency, etc.).
The fair value of loans and amounts due to related parties and joint ventures has been calculated using market interest rate of 4.95% (31 December 2015: 6.95%) taking into consideration specific conditions (securities provided, currency, etc.).
The fair value of the finance lease liability has been calculated using market interest rate of 7% (31 December 2015: 7%).

NOTE 6 – RELATED PARTIES

a. Related party transactions

1. Support due to the Company's financial situation

As of 30 June 2016, the outstanding debt due to Engel Resources and Development Ltd. ("ERD") is EUR 25,509 thousands and is due by 30 September 2016. During the reporting period, ERD did not provide any additional bridge loans to the Company.

During the first quarter of 2016, ERD provided the Company a support letter according to which ERD will support the Company in its ongoing operations till 31 December 2016, with an accumulated amount up to EUR 450 thousands.

After the reporting period the Company repaid part of the loan granted by ERD to the amount of EUR 450 thousands.

2. Trading transactions

Finance income and finance costs

The Group recognised interest expense relating to the loans granted by ERD in the total amount of EUR 641 thousands in the profit or loss of the interim financial statements.

The Group recognised a profit of EUR 213 thousands in net foreign exchange income in the interim financial statements (in relation to loans received which are denominated in ILS) due to the strengthening of the EUR against the ILS (0.9%) during the reporting period.

b. Securities provided by and for the parent company

Interest-bearing bank loans granted to a wholly controlled entity Eurobul Ltd. ("Eurobul") were secured by guarantees provided by ERD.
During the first quarter of 2016 the Group fully repaid the bank loans, and as a result ERD removed the guarantees it provided to the lender bank. See also note 9.c.

The Company has pledged the shares of Marina Dorcol D.o.o to ERD. As of 30 June 2016, the outstanding debt owed to ERD is EUR 25,509 thousands. For more details, see note 4.b.

c. Directors

As of 30 June 2016, the Company has 3 directors (31 December 2015: 2 directors).
During the reporting period, one new executive director was appointed (Ms. Ayelet Naim-Levanon).

NOTE 6 – RELATED PARTIES (continued)

d. Resignation of the Company's CEO

During the reporting period, Mr. Liron Or who acted as Chief Executive Officer of the Company resigned from his position in the Company. In accordance with the terms of the agreement, Mr Or's role at the Company ceased on 31 March 2016.
As part of the termination agreement with Mr Or, the Board of the Company agreed to grant Mr. Or a discount of EUR 50 thousands for purchasing one residential unit in the Veleslavin project in Prague, Czech Republic. During the second quarter of 2016, Mr. Or completed the purchase of the unit. The given discount was reflected at the carrying amount of the inventories of housing units as of 31 March 2016.

NOTE 7 – OPERATING SEGMENTS

Basis of segmentation

The Group's CFO (the chief operating decision maker) considers the whole operation as one operating segment while trying to ensure sufficient liquidity to meet the liabilities when due. The liquidity issues the Group and its joint ventures are currently facing create a more general decision making process which is different from a company or group of companies operating in a liquid position, hence, the Group's CFO makes decisions about resources and reviews operating results of business as one operating segment.

The basis of segmentation is the same as that presented in the annual consolidated financial statements for the year ended 31 December 2015.

NOTE 8 - EQUITY-ACCOUNTED INVESTMENT

At 30 June 2016 the Company holds interest in one joint venture, Montreal Residential Holdings Master Limited Partnership ("MLP").

MLP is not a publicly listed entity and consequently does not have published price quotation.

a. Details as per the investment and loan in equity-accounted investment

Montreal Residential Holdings Master Limited Partnership

Montreal Residential Holdings Master Limited Partnership ("MLP") is a holding partnership domiciled in Canada.
The Company owns ECG Trust Canada Holding Trust ("ECG") (95% interest) which holds 20% interest in future distributions of MLP (The Company owns 50% of the voting rights in MLP).
The remaining 80% in future distributions is owned by Lehman Brothers Real Estate Partners II ("Lehman Brothers") represented by Silverpeak Real Estate Partners ("Silverpeak").

The following table summarises the financial statement of MLP as included in its own consolidated financial statements (figures in the table represent 100% of the joint venture consolidated figures). The table also reconciles the summarised financial statement to the carrying amount of the Group's interest in MLP.

NOTE 8 - EQUITY-ACCOUNTED INVESTMENT (continued)

a. **Details as per the investment and loan in equity-accounted investment (continued)**

Montreal Residential Holdings Master Limited Partnership (continued)

	30 June 2016	31 December 2015
	Thousands Euro	
Percentage ownership interest	20%	20%
Current assets *(MLP does not have cash and cash equivalent at 30 June 2016 and at 31 December 2015)*	1,360	10,369
Non-current assets	-	-
Current liabilities *(including loans and amounts due to related parties in the amount of EUR 2,973 thousands at 30 June 2016 and EUR 14,740 thousands at 31 December 2015)*	(3,963)	(14,841)
Non-current liabilities	-	-
Net liabilities (100%)	(2,603)	(4,472)
Group's share of the net liabilities (ii)	-	-
Net investment (i)	-	-
Loans granted by the Company, net of impairment (i,ii)	**46**	**2,044**
Revenue (iv.1)	13,095	2,230
Cost of sales (iv.1)	(10,257)	(1,888)
Reverse of write down of inventory	-	3,225
Selling, general and administrative expenses	(60)	(387)
Net foreign exchange income	4	-
Income tax expense	(848)	-
Profit for the period (100%)	1,934	3,180
Other comprehensive income (loss): Foreign operations - foreign currency translation differences	(70)	335
Total comprehensive income for the period (100%)	1,864	3,515
Profit allocated to loans granted by the Company and being part of the net investment (i)	387	636
Impairment loss on loans given	(72)	-
Group's share of profit (loss) (ii)	-	-
The Group's share of profit of equity-accounted investment, net of tax (*)	**315**	**636**
Group's share of other comprehensive income (loss)	(14)	67

(*) See note 8.b for the reconciliation to the share of profit of equity-accounted investments, net of tax, as presented in the consolidated statement of profit or loss.

NOTE 8 - EQUITY-ACCOUNTED INVESTMENT (continued)

a. Details as per the investment and loan in equity-accounted investment (continued)

Montreal Residential Holdings Master Limited Partnership (continued)

Comments in respect to the investment in MLP:

i. In the previous periods the joint venture continued to accumulated losses and thus the Company recognised a loss related to the loan given to MLP that was part of the net investment and presented the loss as share of profit (loss) of equity-accounted investment in the consolidated statement of profit or loss.

ii. The Company did not provide any guarantees for the joint venture and has not incurred legal and constructive obligation on behalf of the joint venture; therefore losses are accounted for to the extent that the Company's interest is reduced to zero.

iii. Loans granted by the Company to joint venture –
- Are denominated in CAD currency.
- Bear no interest.
- Have not set repayment date. Repayment is expected from the proceeds of the sale of the related projects financed by the loans.

iv. Significant events during the reporting period:

1. On 13 January 2016, MLP completed the sale of two plots of land held for residential development purposes in Canada for a total cash consideration of CAD 20,227 thousands (EUR 13,095 thousands).
MLP recognised a profit before income tax in the amount of EUR 2,815 thousands (the Company's share was EUR 563 thousands and it was recognised under the "share of profit of equity-accounted investments, net of tax").
The Company's expected share of the distribution will be 20%, equalling to CAD 3,500 thousands.

During the reporting period the Company and Silverpeak agreed to distribute funds generated from the above sales to the partners.
The share of ECG trust in the distribution was CAD 3,500 thousands (EUR 2,434 thousands). The trustee agreed to distribute to the Company an amount of CAD 1,716 thousands (EUR 1,193 thousands) and that the rest would be held back until the final tax clearance from the Canadian tax authorities has been received. These amounts held back are being presented under "Prepayments and other assets" in the condensed consolidated statement of financial position.
The proceeds from the above distribution have been used for the full repayment of the loan granted by Real Property Investment (Guernsey) Limited, see note 9.b.

Based on prior agreements with ERD, all the net future proceeds generated from the Company's assets in Canada will be used to repay the outstanding debts of the Company due to ERD.

NOTE 8 - EQUITY-ACCOUNTED INVESTMENT (continued)

b. Details as per the Group's share of profit of equity-accounted investments

	For the six months ended 30 June	
	2016	2015
	Thousands Euro	
Share of profit of MLP (see note 8.a)	315	23
Share of profit of Arces International B.V. (*)	-	455
Share of profit of ENMAN B.V. (*)	-	454
Share of profit of equity-accounted investments, net of tax	**315**	**932**

(*) The Company obtained control over these entities during 2015.

NOTE 9 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. On 26 January 2016, the Company sold its investment in its wholly owned subsidiary, Davero Invest s.r.l ("Davero").
As a consequence the Company no longer controls Davero, therefore ceased consolidating Davero in its condensed consolidated financial statements. The Company recognised income of EUR 115 thousands under "other income" in the condensed consolidated statement of profit or loss on the sale of its investment in Davero.

The following table summarises the derecognised amounts of assets and liabilities disposed at the date of the sale.

	Thousands Euro
Loans and amounts due to related parties	(115)
Total identifiable net liabilities disposed	(115)
Income on de-recognition	115
Cash and cash equivalents disposed of	-
Net cash inflow (outflow)	-

NOTE 9 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (continued)

b. On 10 March 2016, the Company and its wholly owned subsidiary, Eurobul Ltd. ("Eurobul") signed a loan agreement totalling EUR 2,164 thousands with Real Property Investment (Guernsey) Limited ("RPIGL").
According to the contract with RPIGL, the loan could only be used for the full repayment of the bank loans granted by Bank Leumi Le-Israel Ltd. to Eurobul.
In order to secure the repayment of the loan the Company committed to use all funds generated from the following cash distributions:
   a. The net distribution generated from the sale of wholly owned subsidiary Palace Engel Vokovice s.r.o. (see note d below).
      During the reporting period, the Company paid RPIGL the funds according to this clause in the total amount of EUR 750 thousands.
   b. The net distribution generated from the sale of the two plots in Canada (see note 8.a.iv.1).
      During the reporting period, the Company paid RPIGL the funds according to this clause in the total amount of EUR 1,164 thousands.
   c. 2/3 of the proceeds generated from the sale of any assets of the Company and Eurobul will be paid to RPIGL as soon as funds are available.
      During the reporting period, the Company paid RPIGL the funds according to this clause in the total amount of EUR 250 thousands.

The loan is denominated in EUR and carries no interest.
RPIGL holds 6.44% of the voting rights and issued share capital of the Company. RPIGL is a related party of GBES Limited as they are controlled by the same shareholder.

c. On 14 March 2016 and 16 March 2016, Eurobul Ltd. repaid two outstanding bank loans in full, granted by Bank Leumi Le-Israel Ltd. ("the lender bank"), totalling EUR 2,179 thousands.
According to the terms of the agreement with the lender bank, in the case of full repayment of the two loans, the lender bank will waive the third bank loan in full, totalling EUR 576 thousands.
The lender bank waived the loan on 16 March 2016 and the Company recognised finance income totalling EUR 576 thousands.

d. On 16 December 2015, Arces signed a conditional agreement to sell its shares and receivables in the wholly owned subsidiary Palace Engel Vokovice s.r.o ("Vokovice s.r.o").
On 14 March 2016 the sale was completed. As the plot of land held by Vokovice s.r.o was measured as of 31 December 2015 based on its net realisable value which was determined based on the transaction price in the conditional agreement the transaction did not generate any material result in the profit or loss of the condensed consolidated interim financial statements.
The proceeds have been used for the repayment of the loan granted by Real Property Investment (Guernsey) Limited, see note 9.b.

NOTE 9 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (continued)

e. During the reporting period, the transfer of 2,871,460 ordinary shares ("Shares") in ERD held by advocates Yuri Nechushtan and Eyal Neiger as receivers to GBES Limited ("GBES") has been completed.
The ownership of the Shares was to be split between GBES and the Gabay Group, an Israeli real estate group (the "Gabay Group"). As an interim measure, during the first quarter of 2016, the Shares were transferred to GBES that held 1,133,372 ordinary shares in ERD in trust for the Gabay Group. As a result, GBES held 2,871,460 ordinary shares in ERD (representing 53.0% of the voting rights of ERD) and the Gabay Group held 536,555 ordinary shares in ERD (representing 9.9% of the voting rights of ERD).

During the second quarter of 2016, the ownership of 1,133,372 ordinary shares in ERD previously held in trust by GBES was transferred to a company that is 100% owned by Mr Eli Gabay.
As a result, GBES holds 1,738,088 ordinary shares in ERD (representing 32.1% of the voting right of ERD) and Gabay Group (through two different entities) holds a total of 1,669,927 ordinary shares in ERD (representing 30.9% of the voting right of ERD), including the 536,555 ordinary shares in ERD held by Gabay Group prior to the splitting of the Shares.

ERD controls Engel General Developers Ltd., which holds 68.35% of the issued share capital of the Company.
Accordingly, GBES currently holds a 21.9% economic interest in the Company and the Gabay Group currently holds a 21.1% economic interest in the Company.
In addition, Real Property Investment (Guernsey) Limited ("RPIGL") holds 6.4% of the voting rights and issued share capital of the Company. The shares of RPIGL and GBES are held by a discretionary settlement, of which certain members of the Morris family are potential beneficiaries, and which therefore currently has a combined economic interest in 28.3% of the Company.

NOTE 10 – SUBSEQUENT EVENT

On 15 July 2016, the Company sold its investment in the wholly owned subsidiary, Arces International B.V. ("Arces") to a third party for an immaterial amount.
As a consequence the Company will not control Arces, and will therefore cease to consolidate it in its condensed consolidated financial statements.
The Company will recognise estimated income of EUR 3.7 million mainly due to a liability which was recognised in Arces' consolidated financial statements for a finance exposure with respect to interest-bearing bank loans that financed the project in Gyor, Hungary. The bank claims that the loan was additionally guaranteed by Arces. Arces has disputed the validity of this guarantee with the bank management; however, no official legal claim has been filed by any of the parties.
The Company did not provide any guarantees for Arces' and its subsidiaries' liabilities.

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