MELITE FINANCE P.L.C.

Condensed Interim Consolidated Financial Statements 30 June 2020

For the period 1 January 2020 to 30 June 2020

Company Registration Number: C 88405

Directors' report

The directors present their report in terms of Chapter 5 of the Listing Rules issued by The Listing Authority, and in terms of the Prevention of Financial Markets Abuse Act 2005. The underlying accounting policies are the same as those adopted by Melite Finance p.l.c. and its subsidiary (the 'Group') in its published annual report. The published figures have been extracted from the Company's unaudited accounts for the six months ended 30 June 2020, as approved by the Board of Directors on 31 August 2020 and are in accordance with accounting standards as adopted by the EU for interim financial statements, (International Accounting Standard 34, 'Interim Financial Reporting').

Principal activities

The Company, which forms part of the Melite Retail Group, was incorporated on 27 September 2018 in terms of the Maltese Companies Act (Cap. 386). The principal activity of the Company is to act as a finance company by advancing amounts on loan to its subsidiary Melite Properties S.r.l (Melite Properties). The subsidiary, which was also incorporated on 27 September 2018, holds investment property through its rights to properties which it leases out to related - Melite Italia S.r.l (Melite Italia) and non-related parties.

The principal activity of the Melite Retail Group is the operation of international retail and franchise networks involving costume jewelry and related fashion accessories.

Review of the business

During the six month period under review, the Revenue for the Group, which was primarily generated from rental operations, amounted to €1,144,059 (2019: €1,829,655), the decrease reflects the closure of outlets during the COVID -19 pandemic that caused disruption to the economic environment in Italy as from the end of February 2020. The Group registered a loss before tax amounting to €3,323,611 (2019: €221,282), after taking into consideration impairments in respect of receivables and on the value of leasehold premia of €1,317,856 and €1,155,313 respectively, which are other consequences of the COVID -19 pandemic.

The Group's total asset base stands at €24,916,402 (2019: €28,583,124). The main non-current assets comprise right-of-use assets of €22,961,730 (2019: €24,778,967). At 30 June 2020, the Group's current assets amounted to €1,462,383 (2019: €2,502,001) and are mainly represented by trade and other receivables, net of impairment provisions, of €1,049,727 (2019: €1,899,807) and cash of €412,656 (2019: €602,194). The Group's non-current liabilities amounted to €20,281,275 (2019: €21,292,128) which mainly consist of borrowings of €9,038,275 (2019: €8,972,097) and lease liabilities of €11,242,280 (2019: €12,320,031). The Group's current liabilities amounted to €3,180,699 (2019: €2,369,188) which primarily consist of the current portion of the lease liability of €1,810,960 (2019: €1,624,392), trade and other payables of €1,206,169 (2019: €581,225) and current tax liabilities of €163,571 (2019: €163,571).

Business update

Both the retail landscape and the commercial real estate landscape in Northern Italy, where the vast majority of the Stores are located, have been subjected to significant and unprecedented change as a result of the pandemic. Indications are that retail sales have so far contracted by 25% in the case of best-performing retailers, and by as much as 85% in others. Melite Properties' tenants, all of which operate in the retail sector, have likewise been severely negatively affected, resulting in such tenants being unable to maintain rental payment obligations at the rates prevailing in Q1 2020. The situation is not expected to improve significantly in the remainder of 2020 and remains uncertain going into 2021, as a combination of extremely limited tourism, office employees remaining at home "smart-working" and a subsisting fear of infection contribute to the extreme fluidity of the situation. As a result of this and the continued and possibly worsening effects of the COVID-19 pandemic, the Company is not in a position to assess, with a significant degree of certainty, when, if at all, the performance of its business may return to pre-pandemic levels.

Directors' report - continued

Business update - continued

The Board of Directors of the Company continues to closely monitor developments in Northern Italy. Since lifting of the forced closure of retail stores across Italy, 18 out of 26 Stores were reopened. Melite Properties' management remains in constant contact with landlords with a view to safeguarding the company's property rights over the Stores it plans on retaining, and has so far maintained regular payment of rent to landlords (as reduced, where possible, further to negotiations conducted by management).

Melite Properties' management is also in discussions with potential new tenants, either directly or through the use of multiple commercial estate agents, with a view to sourcing alternative tenants for the Stores currently operated by Melite Italia. Throughout the "lock-down" period, management held a series of negotiations with landlords, said potential new tenants as well as possible strategic partners in the commercial real estate sector set to assist management in securing new tenants for the Stores.

Melite Italia had informed Melite Properties of the intention to enter into a restructuring of its business and debts in terms of a procedure available in terms of Italian law. Accordingly, sourcing alternative tenants for the Stores which are currently operated by Melite Italia remains a key priority for the Company and Melite Properties (together the "Melite Finance Group"). As at the date hereof, management has sub-leased one, and has received enquiries with respect to its remaining Stores. Until such time as negotiations with alternative tenants for the remaining Stores are concluded, Melite Italia is expected to continue to operate from the Stores in accordance with the terms of an agreement being entered into for the purpose of regulating such period of occupancy, subject inter alia to an undertaking by Melite Italia to vacate such Stores at short notice upon negotiations with new tenants being concluded. The Board of Directors of the Company considers such arrangement, in the circumstances, to be the most practicable for the purpose of ensuring continued generation of income for use of the Stores, albeit below rental income levels prevailing pre-pandemic, until such time as the operation of the Stores may be assumed by new tenants which are in a position to meet the rental terms set by Melite Properties.

Furthermore management, on the advice of commercial real estate specialists engaged to assist in the process of sourcing new tenants, is of the view that the likelihood of success of such a process is greater if the Stores are operational and stocked, rather than vacant and less accessible.

Restructuring plan

In the context of the above, the Board of Directors of the Company remains focussed on taking such steps as may be necessary to ensure, to the extent possible, that the underlying business retains as much value as possible to enable the Company to continue to service its obligations to the holders of the €9,250,000 secured bonds 2028 issued by the Company (the "Bonds").

Directors' report - continued

Restructuring plan - continued

As described in the financial statements for the period ended 31 December 2019, the Board has secured shareholder funding in the amount of €1.1m of which €0.110m has been received as at 30 June 2020, together with an undertaking of additional funding to the Company, should the need arise, up to an established limit (conditional upon bondholder approval of the restructuring plan to be presented by the Company), with a view to supporting Melite Properties' obligations towards landlords until such time as alternative tenants for enough of the Stores may be found. The Board is also in discussions with the Company's local bank with a view to securing recourse to the Covid Guarantee Scheme offered by the Malta Development Bank for an amount of €0.449m, which would enable the Company to service, in full, the forthcoming Bond interest payment due in November 2020. These injections are intended to provide relief to the Melite Finance Group and the underlying business in this extremely difficult and uncertain time, allowing the Board of Directors of the Company, and Melite Properties' management, to forge a plan which would see the Melite Finance Group retain as much as possible of the value of the property rights it holds and on which the future servicing and repayment of the Bonds is ultimately dependent. The plan is designed specifically to salvage those Stores (around 17 out of 26 Stores) which, based on advice from commercial real estate specialists, are expected to be more likely to be sub-leased (mainly as not located in the harder-hit shopping centres, but in city-centre locations) and to attract the higher margin between the pre-COVID-19 value of the property rights and the annual rent payable to landlords.

Principal risks and uncertainties for the remaining six months of the financial year

The principal activity of the Company is to act as a finance company by advancing amounts on loan to its subsidiary Melite Properties. The subsidiary holds investment property through its rights to properties which it leases out to related and non-related parties.

In this context, the Company's trading prospects are dependent on the performance of the companies within the Group to which amounts have been advanced by the Company. The business activity of Melite Properties is the holding of investment properties that are all concentrated in the Italian property rental and retail sector.

COVID-19 has caused disruption to businesses and economic activity, and this has been significant on the Melite Finance Group, and has resulted in certain conditions that indicate the existence of a material uncertainty, which may cast significant doubt on the ability of the Group to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on the successful implementation of its restructuring plan, that itself will be dependent on its approval by the bondholders.

In assessing the appropriateness of the going concern assumption in the preparation of Melite Finance p.l.c.'s condensed consolidated interim financial statements, the directors have taken into account the nature of planned actions, the plans actually realised to date and the likelihood of occurrence of those not yet realised. The ultimate shareholders have also given undertakings to the board of directors that they are committed to effecting the agreed capital and other contributions during the financial year ending 31 December 2020 to support the company's business plan and related financing requirements, together with an undertaking to provide additional funding up to an established limit, should the need arise, all subject to bondholder approval. The Group is also in advanced discussions with its bankers to obtain a loan under the COVID Guarantee Scheme, thereby providing the financial support to ensure that the company meets its liabilities and honours its commitments on an ongoing basis. Based on the above considerations, it is the view of the Board of Directors that there is a reasonable expectation that Melite Finance p.l.c. is able to continue in business for a period of at least 12 months from the end of the reporting period. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. The financial

Directors' report - continued

statements however do not include any adjustments in the event that the assumptions do not materialise as planned.

Results and dividends

The condensed interim consolidated statement of comprehensive income is set out on page 9. The directors do not recommend the payment of an interim dividend for the period under review.

Directors

The directors of the company who held office during the period were:

Jackie Briffa
Alan Frendo Jones
Andrew Ganado
Christian Ganado
Paul Mercieca
Stanley Portelli

The company's Articles of Association do not require any directors to retire.

Approved by the Board of Directors on 31 August 2020 and signed on its behalf by:

Paul Mercieca
Director

Stanley Portelli
Director

Registered office:
Level 3, Valletta Buildings
South Street
Valletta VLT 1103
Malta

Statement pursuant to listing rule 5.75.3

We hereby confirm that to the best of our knowledge:

- the condensed interim consolidated financial statements give a true and fair view of the financial position of the Group and Company as at 30 June 2020, as well as of the financial performance and cash flows for the said period, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34: 'Interim Financial Reporting'); and

- the Interim Directors' Report includes a fair review of the information required in terms of Listing Rule 5.81.

Paul Mercieca
Director

Stanley Portelli
Director

31 August 2020

pwc

Independent auditor's report

To the Board of Directors of Melite Finance p.l.c.

Report on the Review of Condensed Interim Consolidated Financial Statements for the period ended 30 June 2020

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Melite Finance p.l.c. and its subsidiary (the 'group') as at 30 June 2020 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

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Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated interim financial information, which discusses the impact of COVID-19 on the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the successful implementation of its restructuring plan, that itself will be dependent on its approval by the bondholders. These conditions, along with other matters explained in note 2.1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

PricewaterhouseCoopers

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Zone 5, Central Business District,
Qormi CBD5090
Malta

David Valenzia
Partner

31 August 2020

Condensed interim consolidated statements of financial position

	As at 30 June 2020		As at 31 December 2019	
	Group €	Company €	Group €	Company €
ASSETS				
Non-current assets	**23,454,019**	**11,021,604**	26,081,123	13,434,773
Current assets	**1,462,383**	**626,846**	2,502,001	394,000
Total assets	**24,916,402**	**11,648,450**	28,583,124	13,828,773
EQUITY AND LIABILITIES				
Total equity	**1,454,428**	**2,247,709**	4,921,808	4,761,209
Non-current liabilities				
Non-current liabilities	**20,281,275**	**8,987,827**	21,292,128	8,972,097
Current liabilities	**3,180,699**	**412,914**	2,369,188	95,467
Total liabilities	**23,461,974**	**9,400,741**	23,661,316	9,067,564
Total equity and liabilities	**24,916,402**	**11,648,450**	28,583,124	13,828,773

The notes on pages 13 to 17 are an integral part of these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements on pages 8 to 17 were authorised for issue by the board on 31 August 2020 and were signed on its behalf by:

Paul Mercieca
Director

Stanley Portelli
Director

Condensed interim consolidated statements of comprehensive income

	Period from 1 January to 30 June 2020		Period from 1 January to 30 June 2019	
	Group	**Company**	Group	Company
	€	**€**	€	€
Revenue	**1,144,059**	**-**	1,829,655	-
Cost of sales	**(1,112,967)**	**-**	(1,294,802)	-
Gross profit	**31,092**	**-**	534,853	-
Administrative expenses	**(247,847)**	**(135,705)**	(91,665)	(54,602)
Impairment of receivables (note 2.1)	**(1,317,856)**	**-**	-	-
Impairment on leasehold premia (note 2.1)	**(1,155,313)**	**-**	-	-
Other income	**-**	**85,000**	-	135,000
Operating (loss)/profit	**(2,689,924)**	**(50,705)**	443,188	80,398
Impairment on investment in subsidiary (note 2.1)	**-**	**(2,473,169)**	-	-
Finance costs	**(633,687)**	**(240,043)**	(664,470)	(240,043)
Finance income	**-**	**180,865**	-	180,865
(Loss)/profit before tax	**(3,323,611)**	**(2,583,052)**	(221,282)	21,220
Tax expense	**(213,321)**	**-**	(55,030)	(39,091)
Loss for the period – total comprehensive loss	**(3,536,932)**	**(2,583,052)**	(276,312)	(17,871)
Attributable to:				
Owners of the parent	**(3,536,932)**	**(2,583,052)**	(276,312)	(17,871)

The notes on pages 13 to 17 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statements of changes in equity

Group

	Share capital €	Capital contribution €	Fair value reserve €	Retained earnings €	Total €
Balance at 31 December 2018	5,874,406	-	-	103,811	5,978,217
Comprehensive income					
Loss for the period					
- total comprehensive loss	-	-	-	(276,312)	(276,312)
Balance at 30 June 2019	**5,874,406**	**-**	**-**	**(172,501)**	**5,701,905**
Balance at 31 December 2019	5,874,406	-	82,826	(1,035,424)	4,921,808
Comprehensive income					
Loss for the period					
- total comprehensive loss	-	-	-	(3,536,932)	(3,536,932)
Transactions with owners					
Capital contribution	-	69,552	-	-	69,552
Balance at 30 June 2020	**5,874,406**	**69,552**	**82,826**	**(4,572,356)**	**1,454,428**

Condensed interim consolidated statements of changes in equity - continued

Company

	Share capital €	Capital contribution €	Retained earnings €	Total €
Balance at 31 December 2018	5,874,406	-	82,458	5,956,864
Comprehensive income				
Loss for the period - total comprehensive loss	-	-	(17,871)	(17,871)
Balance at 30 June 2019	**5,874,406**	**-**	**64,587**	**5,938,993**
Balance at 31 December 2019	5,874,406	-	(1,113,197)	4,761,209
Comprehensive income				
Loss for the period - total comprehensive loss	-	-	(2,583,052)	(2,583,052)
Transactions with owners				
Capital contribution	-	69,552	-	69,552
Balance at 30 June 2020	**5,874,406**	**69,552**	**(3,696,249)**	**2,247,709**

The notes on pages 13 to 17 are an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statements of cash flows

	Period from 1 January to 30 June 2020		Period from 27 September 2018 to 30 June 2019	
	Group €	Company €	Group €	Company €
Net cash generated from/(used in) operating activities	977,978	(2,398,833)	5,506,070	5,583,164
Net cash used in investing activities	(2,690)	-	(13,642,987)	(14,554,406)
Net cash (used in)/generated from financing activities	(1,164,826)	2,382,721	9,185,440	9,185,440
Net movement in cash and cash equivalents	(189,538)	(16,112)	1,048,523	214,198
Cash and cash equivalents at beginning of period	602,194	210,488	-	-
Cash and cash equivalents at end of period	**412,656**	**194,376**	**1,048,523**	**214,198**

The notes on pages 13 to 17 are an integral part of these condensed interim consolidated financial statements.

Notes to the condensed interim consolidated financial statements

1. General information

Melite Finance p.l.c. ("the Company") is a limited liability company domiciled and incorporated in Malta.

The consolidated financial statements for the year ended 31 December 2019 are available upon request from the company's registered office at Level 3, Valletta Buildings, South Street, Valletta, VLT 1103, Malta. They are also available for viewing on its website at www.meliteproperties.com.

This condensed interim consolidated financial information was approved for issue by the Board of Directors on 31 August 2020.

This condensed interim financial information has been reviewed, not audited, in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

2. Basis of preparation

The condensed consolidated interim financial information for the six-month period ended 30 June 2020 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting'. The condensed interim consolidated financial information should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the EU.

2.1 Assessment of going concern assumption

The Group's financial results for the six month period ended 30 June 2020 are significantly impacted by impairment charges amounting to €1.3 million in respect of receivables from Melite Italia S.r.l. (a sister company of Melite Finance p.l.c.), in view of the election of the debtor's Board of Directors to commence a process of voluntary administration. Further information in this respect is disclosed in the Group's financial statements for the year ended 31 December 2019. The results are also impacted by impairment charges amounting to €1.2 million attributable to leasehold premia principally in respect of properties leased out to Melite Italia s.r.l. (refer to note 5). In view of the subsidiary's losses referred to above, the parent company has reflected in its standalone financial information an impairment charge of €2.5 million on the carrying amount of the investment in subsidiary.

As at 30 June 2020, the Group is in a net current liability position of €1,718,316 as a result of the recognition of lease liabilities on the Group's rental commitments, in accordance with IFRS 16, with no corresponding asset recognised for the related rental income streams. This fact, together with the planned shareholder advances and bank financing, together with an undertaking of additional funding to the Company, should the need arise, up to an established limit, all subject to bondholder approval, should ensure that the Group has sufficient liquidity for the next twelve months.

The condensed consolidated interim financial statements for the six-month period ended 30 June 2020 have been prepared with the assumption that the Group will continue to operate as a going concern. COVID-19 has caused disruption to businesses and economic activity, and this has been significant on the Melite Finance Group as has been described in detail in the 31 December 2019 financial statements, and has resulted in certain conditions that indicate the existence of a material uncertainty, which may cast significant doubt on the ability of the Group to continue as a going concern.

Notes to the condensed interim consolidated financial statements - continued

2. Basis of preparation

2.1 Assessment of going concern assumption - continued

The ability of the Group to continue as a going concern is dependent on the successful implementation of its restructuring plan, that itself will be dependent on its approval by the bondholders.

In assessing the appropriateness of the going concern assumption in the preparation of Melite Finance p.l.c.'s condensed consolidated interim financial statements, the directors have taken into account the nature of planned actions, the plans actually realised to date and the likelihood of occurrence of those not yet realised. The ultimate shareholders have also given undertakings to the board of directors that they are committed to effecting further capital and other contributions during the financial year ending 31 December 2020 to support the company's business plan and related financing requirements, together with an undertaking to provide additional funding up to an established limit, should the need arise, all subject to bondholder approval. The Group is also in advanced discussions with its bankers to obtain a loan under the COVID Guarantee Scheme, thereby providing the financial support to ensure that the company meets its liabilities and honours its commitments on an ongoing basis. Based on the above considerations, it is the view of the Board of Directors that there is a reasonable expectation that Melite Finance p.l.c. is able to continue in business for a period of at least 12 months from the end of the reporting period. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

3. Summary of significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are the same as those applied in the consolidated financial statements for the year ended 31 December 2019.

(a) Standards, interpretations and amendments to published standards effective in 2020

In 2020, the company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

(b) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2020 have been published by the date of authorisation for issue of this financial information. The company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

Notes to the condensed interim consolidated financial statements - continued

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

The accounting estimates include the valuations of the intangible assets held by the Company. These valuations were prepared by accredited real estate valuers in Italy based on the established market practices for carrying out these types of valuations. The valuations are based, inter alia, on the valuer's assessment of the current market rental value of the individual leases held by Melite Properties. The assessment of market rental value is currently subject to the heightened turbulence created by the slowdown in the overall fashion retail market in Italy further to the outbreak of the Covid-19 pandemic earlier this year. This resulted in an impairment charge of €1.2million being recognised in the six month period ended 30 June 2020.

6. Right of use assets

Right of use assets relates to leasehold properties and premia paid on such properties. There were no additions to right of use assets during the course of the current financial period. The movement in the carrying amount of right of use assets during the period is attributable to depreciation charges and impairment of leasehold premia which amounted to €1,212,640 and €1,155,313 respectively.

7. Taxation

The tax expense for the period ended 30 June 2020 amounting to €213,321 (2019: €55,030) is made up of a release of a deferred tax asset recognised in the prior period.

8. Loans receivable

In the ordinary course of its business activities, the Company also advances funds to group companies. Such amounts are subject to a fixed rate of interest of 6.1%, are unsecured and repayable by not later than 23 November 2028.

9. Equity instruments at fair value through other comprehensive income

The Group's equity investments consist of equity instruments in listed foreign companies, namely Banca Popolare di Milano, Anima Sforzesco and Anima Alto Potenziale Globale. Accodingly, these equity investments are categorised as Level 1 within fair value measurement hierarchy required by IFRS 13. During the period ended 30 June 2020, there were no significant movements in their fair value which needed to be reflected in the fair value reserve.

Notes to the condensed interim consolidated financial statements - continued

10. Capital commitments

As at 30 June 2020, the Company did not have any capital commitments.

11. Interest bearing borrowings

By virtue of an offering memorandum dated 12 November 2018, the Group issued €9,250,000 bonds with a face value of €100 each. The bonds have a coupon interest of 4.85% which is payable annually in arrears, on 23 November of each year. The bonds are redeemable at par and are due for redemption on 23 November 2028. The bonds were admitted on the Official List of the Malta Stock Exchange on 12 November 2018. The quoted market price as at 30 June 2020 for the bonds was €98.00, which in the opinion of the directors fairly represents the fair value of these financial liabilities.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Group to group related parties.

The Bonds constitute the general, direct, unconditional, unsecured, unsubordinated obligations of the Company, and rank equally without any priority or preference with all other present and future unsecured and unsubordinated obligations of the Company.

As from 1 January 2019, the Group has also adopted the amendments to IFRS 16 and has recognised a lease liability reflecting future lease payments and a 'right-of-use asset' for all property lease contracts. The lease liability as at 1 January 2019 amounted to €15,636,817, and a deemed interest cost of 6.1% has been applied. The balance of lease liability as at 30 June 2020 amounted to €13,053,240 (2019: €13,944,423).

12. Lease liabilities

The lease liabilities associated with the right of use assets relate to leasehold properties. The total cash outflows for leases during the reporting period was €1,135,913.

13. Contingent liabilities

No events occurred since 31 December 2019 that require disclosure of any contingent liabilities as at 30 June 2020.

Notes to the condensed interim consolidated financial statements - continued

14. Related parties

The Group forms part of the Melite Retail Group of Companies. All companies forming part of the Melite Retail Group, which are all ultimately owned by Melite Retail Limited, are considered to be related parties in view of common ultimate shareholding.

The principal transactions carried out by the Group with related parties during the six month period ended 30 June 2020 are outlined below:

- Rental income from companies within the Melite Retail Group amounting to €904,068 (2019: €1,599,750).
- Management fees charged by related party amounting to €25,000 (2019: €25,000).
- Amounts advanced by related parties of €119,552 include an amount of €69,552 included as transactions with owners within equity and €50,000 as non-current liabilities.

15. Subsequent events

There were no material events which occurred subsequent to the balance sheet date, other than those described in note 2.1.