

LOVE HEMP GROUP PLC
("Love Hemp" or the "Company"; together with its subsidiary, the "Group")
Interim Results

Love Hemp Group PLC, the brand-led consumer goods company focussed on CBD health and wellness solutions, is pleased to announce its unaudited interim results for the six months ended 31 December 2021 (the "Period").

Highlights:

- Revenue of £1,736,817, down from £2,379,144 for the previous period.
- Gross margin of 20% down from 48% for the previous period, (see notes below).
- Reduction in Revenue because of repositioning product line and brand away from discounting.
- Reduction in gross margin due to some one-time costs and due to increased costs with brand building.
- Increase in Operating Loss for the Period to £5,085,143 compared to the previous period of £1,019,858, (see notes).
- Robust product delivery despite supply chain issues caused by the pandemic.
- Launch of first national media campaign (the "Campaign") starring Anthony Joshua, OBE, across TV, print and outdoor advertising.

Chairman's Statement:

This update outlines the progress that Love Hemp has made during the first half of this financial year.

The financial performance of the Company in the first half of FY22 is disappointing but reflects the planned and significant investment Love Hemp has made in marketing and brand building. Included in this are the administration costs associated with the Licensing Agreement with the UFC and the agreement with Anthony Joshua as Brand Ambassador amongst additional key product and brand development costs. The quantum of these costs are a long term investment which the Board has approved to build Love Hemp into one of the UK's best known CBD and Wellness companies. As a consumer, brand based product, this investment is expected to build value during the next five years and early signs of this value were seen with significant sales growth towards the end of the reporting period and as a result of the media campaign the Company ran in November and December 2021.

In addition to the marketing and brand investments made, a number of operational actions were also taken during the period which, when combined, will result in substantial ongoing operational and marketing cost savings. The Company has now established a system to measure the success of its marketing efforts which it will use to measure the return on investment going forward. All of these cost savings going forward better position the Company for future sales growth expected on the back of these marketing investments. One such action has been the consolidation and move from 2 facilities to 1 centralised manufacturing and office facility based in Croydon which is expected to save over £300,000 through direct and indirect savings per annum.

The Gross Margin of 20% is an unacceptable financial performance for the Group and is currently subject to a detailed review by the Board of the sales channels, pricing, promotional activities and the cost of sales associated with each product and sales channel. Some of the impact on the Gross Margin is as a result of cyclical activity and weaker economies of scale. This will naturally evolve as the Company grows, however the outcome of this review and subsequent actions will be reflected during the second half of FY22 and reported by the Company in due course.

The total loss of £5,128,456, of which approximately £2.4m are non-cash and accounting treatments, for the Group reflects the investments described above and some of the operational restructuring to reduce operating costs going forward. The Board is committed to driving profitability through higher sales growth and improved operational performance and looks forward to updating shareholders of these plans.

The cash position of the Company has been significantly improved following the post-period financing announced on 8 February 2022 with a total of £2.060m being raised. During this time the Company also secured further distribution deals with Deliveroo and eBay UK to add to the high-profile deal announced with Amazon. Love Hemp has also been recognised in the Commercial Cannabis Awards and Beauty Shortlist Awards for our quality products.

The Company continues to work towards an up-listing to the London Stock Exchange Main Market and will update shareholders with the timing for this once the Board has completed its strategic and operational review. As part of these preparations the Company has been able to attract additional independent non-executive directors to the Board in Graham Mullis and Garry Cook who are already having an impact by providing strategic and operational challenge with additional rigour and governance to the Company

I, along with the Board, look forward to steering Love Hemp through the significant number of growth opportunities that the Board believes exist for the Company and I would like to thank our shareholders and employees as we progress on this journey.

Financials

Love Hemp is a growth company in the FMCG space and as such is still developing its infrastructure for growth in the future. The gross margin during the period ended 31 December 2021, was 20%. This was low compared to the previous period ended 31 December 2020, which had a gross profit margin of 48%. The reduction in gross margin is partly as a result of a few one-time items. In the annual accounts which were presented for the period ending 30 June 2021, the gross margin had reduced to 29%, a more realistic ratio. One-time events impacting this period include;

- a. Bad debts of £100,000 which accounting treatment required to be placed in the cost of goods.
- b. Surplus inventory carrying over into the second half of the year, or January 2022, has the effect of surplus raw materials to that period. Estimated £150,000 as part of the declared inventory.

Reducing these amounts from Costs of Goods in turn has an adjusted positive impact on the gross profit and demonstrates an improved underlying gross margin of 35%. This performance, however, will be reviewed by the Board and actions taken to drive improvements going forward. The company had £484,641 of raw materials and finished product in inventory as of 31 December 2021.

- Gross revenue for the six-month period ended 31 December 2021 was £1,736,817 or 20% gross margin, (six months ended 31 December 2020: £2,379,144 or 48% gross margin)
- For the six-month period ended 31 December 2021 the Group reported a pre-tax loss of £5,128,456 of which approximately £2.4m was non cash attributes, (restated loss reported for the six months ended 31 December 2020: £1,153,750).
- The Group's net cash balance as at 31 December 2021 was £83,113 (30 June 2021: £925,921).

Responsibility Statement

We confirm that to the best of our knowledge:

- the interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, in conformity with the requirements of the Companies Act 2006;
- the interim financial statements give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Interim report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the Interim report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being the information required on related party transactions.

The interim report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Andrew Male
Chairman and Director
31 March 2022

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For more information on Love Hemp Group please visit:

www.lovehempgroup.com

		Group	
		As at 31 December 2021 (Unaudited)	As at 30 June 2021 (Audited)
	Note		£
Non-current assets			
Property, plant and equipment		373,125	310,324
Right of use assets		1,140,355	1,084,463
Goodwill		400,000	400,000
Intangible assets	5	1,465,454	1,658,408
Other receivables	6	3,097,915	4,191,297
		6,476,849	7,644,492
Current assets			
Inventories		484,641	572,033
Trade and other receivables	6	3,150,185	4,167,093
Cash and cash equivalents		83,113	925,921
		3,717,939	5,665,047
Total assets		10,194,788	13,309,539
Current liabilities			
Trade and other payables	7	2,492,375	1,609,266
Lease liability		218,391	180,930
Borrowings		359,216	67,329
		3,069,982	1,857,525
Non-current liabilities			
Lease liability		828,526	821,431
Borrowings		152,256	231,245
		980,782	1,052,676
Total liabilities		4,050,764	2,910,201
Net assets		6,144,024	10,399,338
Equity			
Share capital		9,422,486	8,291,450
Share premium		17,007,570	16,285,464
Shares to be issued		-	980,000
Share option reserve		2,160,226	2,160,226
Retained earnings		(22,446,258)	(17,317,802)
Total Equity		6,144,024	10,399,338

The accompanying notes are an integral part of these consolidated interim financial statement

**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED 31 DECEMBER 2021 UNAUDITED**

	Six months ended 31 December 2021 (Unaudited) £	Six months ended 31 December 2020 (Restated) (Audited) £
Revenue	1,736,817	2,379,144
Cost of goods sold	(1,378,965)	(1,228,502)
Gross profit	357,852	1,150,642
Administrative expenses	(5,472,563)	(2,772,614)
Other gains / (losses)	15,079	597,780
Foreign Exchange	14,489	4,334
Operating Loss	(5,085,143)	(1,019,858)
Finance Costs	(43,313)	(133,892)
Loss before taxation	(5,128,456)	(1,153,750)
Income tax	-	-
Net and comprehensive loss for the period	(5,128,456)	(1,153,750)
Basic and Diluted Earnings Per Share attributable to owners of the parent (expressed in pence per share)	(0.61)	(0.59)

	Six months ended 31 December 2021 (Unaudited) £	Six months ended 31 December 2020 (Audited) £
Other Comprehensive Income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-	-
Other comprehensive income for the period, net of tax	(5,128,456)	(1,153,750)
Total Comprehensive Income attributable to owners of the parent	(5,128,456)	(1,153,750)

The accompanying notes are an integral part of these consolidated interim financial statements. The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

	Share capital £	Share premium £	Shares to be issued £	Share option reserve £	Retained earnings £	Total £
Balance as at 1 July 2020	1,456,007	4,661,576	2,251,845	968,568	(12,751,059)	(3,413,063)
Prior period restatement	-	-	-	-	(268,736)	(268,736)
Balance as at 1 July 2020 (restated)	1,456,007	4,661,576	2,251,845	968,568	(13,019,795)	(3,681,799)
Loss for the period	-	-	-	-	(1,153,750)	(1,153,750)
Total comprehensive loss for the period	-	-	-	-	(1,153,750)	(1,153,750)
Issue of shares and shares to be issued	845,191	3,775,116	(2,251,845)	-	-	2,368,462
Share-based compensation	-	-	-	887,248	-	887,248
Total transactions with owners, recognised directly in equity	845,191	3,775,116	(2,251,845)	887,248	-	3,255,710
Balance as at 31 December 2020 (Restated)	2,301,198	8,436,692	-	1,855,816	(14,173,545)	(1,579,839)
	Share capital £	Share premium £	Shares to be issued £	Share option reserve £	Retained earnings £	Total £
Balance as at 1 July 2021	8,291,450	16,285,464	980,000	2,160,226	(17,317,802)	10,399,338
Loss for the period	-	-	-	-	(5,128,456)	(5,128,456)
Total comprehensive loss for the period	-	-	-	-	(5,128,456)	(5,128,456)
Issue of shares and shares to be issued	1,131,036	862,106	(980,000)	-	-	1,013,142
Issue costs		(140,000)				(140,000)
Total transactions with owners, recognised directly in equity	1,131,036	722,106	(980,000)	-	-	873,142
Balance as at 31 December 2021	9,422,486	17,007,570	-	2,160,226	(22,446,258)	6,144,024

The accompanying notes are an integral part of these consolidated interim financial statements.

STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 31 DECEMBER 2021
UNAUDITED

	For the period ended 31 December 2021 (Unaudited) £	For the period ended 31 December 2020 (Restated) (Audited) £
Cash flows from operating activities		
Net loss for the year	(5,128,456)	(1,153,750)
<i>Adjustments for:</i>		
Depreciation and amortisation	314,917	214,310
Other losses	-	8,465
Other gains	-	(82,534)
Share based payments	-	887,248
Accretion and interest	33,874	180,716
Shares issued for services	951,939	49,697
Derivative fair value adjustment	-	(449,831)
(Increase)/decrease in trade and other receivables	1,807,939	(346,685)
(Increase)/decrease in inventories	87,393	446,340
(Decrease)/increase in trade and other payables	1,007,089	(239,366)
Net cash flows from operating activities	(925,305)	(485,390)
Investing activities		
Purchase of property, plant and equipment	(106,182)	(58,259)
Net cash used in investing activities	(106,182)	(58,259)
Financing activities		
Proceeds from share issue	99,570	381,143
Lease payments	(109,414)	(90,460)
Loans received	273,369	178,687
Loan repayments	(74,846)	(47,290)
Net cash used in financing activities	188,679	422,080
Net increase/(decrease) in cash and cash equivalents	(842,808)	(121,569)
Cash and cash equivalents at beginning of period	925,921	200,546
Cash and cash equivalents and end of period	83,113	78,977

The accompanying notes are an integral part of these consolidated interim financial statements.

Major non-cash transactions:

On 22 November 2021 the Company issued 23,746,371 Ordinary shares of £0.01 each for £0.016 per share for a total consideration of £402,500. Further the Company issued 3,833,342 Ordinary shares of £0.01 each for £0.035 per share for a total consideration of £134,166 to the same service provider.

On 22 November 2021 the Company issued 8,257,143 Ordinary shares of £0.01 each for £0.035 per share for a total consideration of £289,000.

On 21 December 2021 the Company issued 65,000,000 Ordinary shares of £0.01 each for £0.015 per share for a total consideration of £975,000 in order to settle the final portion of the deferred consideration outstanding to the vendors of Love Hemp Limited.

1. GENERAL INFORMATION

Love Hemp Group Plc (formerly World High Life plc) was incorporated by in England and Wales on 30 January 2019 with registration number 11797850 under the Companies Act 2006. The limited company reregistered as a public company on 6 August 2019, and thus became World High Life PLC (the "Company") on the same date. The Company changed its name to Love Hemp Group PLC on 27 February 2021. The Company's head office and registered and records office address is Suite 1, 15 Ingestre Place, London, W1F 0DU.

The Company is focused on developing business opportunities in the CBD Health and Wellness market, as well as the Regulated Medicinal Cannabis market in the UK and Europe. The Company's wholly owned subsidiary Love Hemp Ltd is a leading CBD products company based in the UK.

2. BASIS OF PRESENTATION

The condensed consolidated interim financial statements for the six-month period ended 31 December 2021 have been prepared in accordance with IAS 34 "Interim Financial Statements" as adopted by the United Kingdom and the Disclosure and Transparency Rules of the UK Financial Conduct Authority. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended 30 June 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

The interim financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

The condensed consolidated interim financial statements for the six-month period ended 31 December 2021 were approved by the Board of Directors on 31 March 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing these financial statements are in terms of IFRS and are consistent with those applied in the previous annual consolidated financial statements for the year ended 30 June 2021.

It has been prepared assuming that the Group will continue as a going concern in accordance with the recognition and measurement criteria of IFRS in conformity with the requirements of the Companies Act 2006.

Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor necessity of liquidation, ceasing trading or seeking protection from creditors for at least 12 months from the date of the signing of the financial statements.

An assessment of going concern is made by the Directors at the date the Directors approve the interim financial statements, taking into account the relevant facts and circumstances at that date including:

- Review of profit and cash flow forecasts;
- Review of actual results against forecast;
- Timing of cash flows;
- Financial or operational risks; and
- The impact of COVID-19

The Directors have reviewed forecasts which display significant growth in sales transforming the business into cashflow profitability over the following period. The Directors believe funds can continue to be raised from the capital markets to support any working capital shortfalls and expect to do so in the next 12 months. The Group has adequately planned and, where relevant, put in place mitigation strategies for the impacts of COVID-19. On the basis of the above, and with the expectation of external financing being sourced, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

The statutory consolidated financial statements for the period to 30 June 2021, approved by the Board of Directors on 12 December 2021, have been reported on by the Group's auditors and delivered to Companies House. The report of the auditors on those financial statements was unqualified. The auditors made reference to the existence of a material uncertainty in relation to going concern within that audit report, to which we draw your attention.

4. ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

(a) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 July 2021

As at 1 July 2021, there were no Standards, Interpretations and Amendments which had been issued but were not effective for the period ended 30 June 2021 that are expected to materially impact the Group's Financial Statements.

b) New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

Standard	Impact on initial application	Effective date
IFRS 3 (amendments)	Reference to Conceptual Framework	1 January 2022
IAS 37 (amendments)	Onerous contracts	1 January 2022
IAS 16 (amendments)	Proceeds before intended use	1 January 2022
Annual improvements	2018-2020 Cycle	1 January 2022
IAS 8 (amendments)	Accounting estimates	1 January 2023
IAS 1 (amendments)	Classification of Liabilities as Current or Non-Current.	1 January 2023

The Group is evaluating the impact of the new and amended standards above which are not expected to have a material impact on future Group financial statements.

5. INTANGIBLE ASSETS

	Customer Relationships £	Brand £	Trademarks £	Total £
30 June 2021	591,169	1,056,937	10,302	1,658,408
Amortisation	(68,750)	(122,916)	(1,288)	(192,954)
31 December 2021	522,419	937,021	9,014	1,465,454

In the year ended 30 June 2021 a purchase price allocation exercise relating to the purchase of Love Hemp Ltd by the Company was completed as per the requirements of IFRS 3 which valued the Group's customer relationships and brand at £2,300,000. This has been adjusted for as a restatement as disclosed in Note 8.

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

Current:

	Group	
	31 December 2021 £	30 June 2021 £
Trade receivables	369,282	189,869
Prepayments	2,330,612	3,119,691
Placing proceeds receivable	105,000	279,753
VAT receivables	223,355	498,260
Other receivables	121,936	79,520
	3,150,185	4,167,093

Non-Current:

	Group	
	31 December 2021 £	30 June 2021 £
Prepayments	3,097,915	4,191,297
	3,097,915	4,191,297

7. TRADE PAYABLES AND OTHER PAYABLES

Current:

	Group	
	31 December 2021 £	30 June 2021 £
Trade payables	1,849,112	979,174
Accrued liabilities	395,134	352,861
Tax and payroll	168,844	248,211
Other creditors	79,285	29,020
	2,492,375	1,609,266

8. RESTATEMENT FOLLOWING PURCHASE PRICE ALLOCATION EXERCISE

During the year ended 30 June 2021, a purchase price allocation exercise relating to the purchase of Love Hemp Ltd by the Company was completed. This exercise led to two separate classes of intangible fixed assets, the Love Hemp brand and its customer relationships, being assigned a total value of £2,300,000.

As required under IFRS 3, the comparative figures have been amended to account for the identified intangible fixed assets as if the purchase price allocation exercise took place on the date of acquisition.

As a result, goodwill has been reduced by £2,300,000 and amortisation has been recognised in respect of the intangible fixed assets for the period from acquisition on a straight line basis based on the intangible fixed assets having a useful economic life of 6 years.

The impact of the restatement for the year ended 30 June 2020 in respect of the classification of the goodwill and intangibles are as follows:

	30 June 2020 as presented £	Restatement £	30 June 2020 restated £
Goodwill	2,700,000	(2,300,000)	400,000
Intangibles	-	2,031,264	2,031,264
Amortisation through profit or loss	-	268,736	268,736

The impact of the restatement for the six-month period ended 31 December 2020 is as follows:

	31 December 2020 as presented £	Restatement £	31 December 2020 restated £
Amortisation through profit or loss	-	191,579	191,579

9. SUBSEQUENT EVENTS

On 8 February 2022, the Company issued 206,000,000 Ordinary shares for a price of £0.01 per share for a total value of £2,060,000 for cash.

On 21 February 2022, the Company issued 50,555,750 Ordinary shares at a price of £0.01 per share for a total value of £505,557 in lieu of debt repayments.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE UK VERSION OF THE MARKET ABUSE REGULATION NO 596/2014 WHICH IS PART OF ENGLISH LAW BY VIRTUE OF THE EUROPEAN (WITHDRAWAL) ACT 2018, AS AMENDED. ON PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN.