

**Registered number: 11797850**

**WORLD HIGH LIFE PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2020**

# WORLD HIGH LIFE PLC

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# WORLD HIGH LIFE PLC

## COMPANY INFORMATION

<b>Directors</b>	Robert Payment (Chief Executive Officer and Acting Chairman) Charles Lamb (Non-Executive Director) Kevin Ernst (Non-Executive Director) Andrew Male (Executive Director)
<b>Company Secretary</b>	Heytesbury Corporate LLP
<b>Registered Office</b>	2 <sup>nd</sup> Floor 7-9 Swallow Street London W1B 4DE
<b>Company Number</b>	11797850
<b>Corporate Advisor</b>	Peterhouse Capital Limited 80 Cheapside London EC2V 6EE
<b>Independent Auditor</b>	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD
<b>Solicitors</b>	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London EC2A 2EW

# WORLD HIGH LIFE PLC

## CHAIRMAN'S REPORT

### Chairman's Statement

The Directors of World High Life are pleased to provide an update on progress, recognising that in challenging global business environments the Company, along with its wholly owned subsidiary, Love Hemp Limited ("Love Hemp"), has achieved significant milestones, which include:

- Successful listing of shares in North America on the US OTC Market
- Increased manufacturing infrastructure of LH Botanicals, Love Hemp's wholesale, bulk and white label business
- Appointment of Scientific Advisors
- Launch of new ecommerce site for Love Hemp's global online retailer, CBDOLs UK at [www.cbdoilsuk.com](http://www.cbdoilsuk.com)
- ISO 9001:2015 certification achieved by Love Hemp
- Commencement of construction on Love Hemp's 13,500 sq ft new facility
- Launch of new consumer brand, Buzz Leaf CBD, for 21-34 demographic
- Achieved significant sales growth online during the COVID 19 pandemic, with month over month gains including a 57% increase in sales in July 2020, compared to June 2020, building off growth in May 2020 where online sales were 107% higher than in January 2020

### Love Hemp Acquisition and Progress

The Love Hemp team have taken significant steps to increase market share in the UK and Europe, deploying capital and expertise to achieve multiple milestones, including:

- Advancing the official launch of LH Botanicals – Love Hemp's all-around CBD specialist, CBD supplier and white label producer
- Signed 3-time UFC World Champion, Georges St-Pierre as Love Hemp and World High Life Brand Ambassador – delivering a vast promotional platform with a globally recognized sport and health personality
- Completing an extensive, consumer packaged goods (CPG) informed branding strategy with one of Europe's top CPG agencies, aimed at renewing the Love Hemp brand for global expansion

Love Hemp will be entirely focused on continued growth in the UK and Europe, increasing production capacity and growing its LH Botanicals business line as its new facility becomes operational, which will provide additional capacity to expand to global markets. The Directors believe that Love Hemp's CBD, Health and Wellness positioning is strengthening as global demand for products representing the associated lifestyles continue to open significant opportunities for growth. Overall, the Directors believe that Love Hemp is exceptionally well positioned with its expertise, brand and team to be a global leader in the CBD Health and Wellness space.

### New Investment Opportunities

World High Life is actively seeking new investment opportunities in alignment with its objectives in the CBD Health and Wellness space. The World High Life team has extensive knowledge in the CBD Health and Wellness, and the medicinal cannabis industries, along with an extensive global network. Those strengths are being put to use in identifying and assessing potential investments that the Directors believe can add significant shareholder value.

### Financials

From the date of the close of the acquisition of Love Hemp on 18 October 2019 to 30 June 2020, the combined operation has recognized £1,690,447 in revenues and achieved overall gross margins of 57%. The Group recorded an adjusted EBITDA loss of £3,327,971 (earnings before interest, tax, depreciation, share-based payments, and transactions costs, impairment of intangible assets, and derivative fair value adjustments) for the year ended 30 June 2020. Net loss was £12,671,931 for the year or £0.10 per ordinary share. The Group incurred above average professional fees in relation to admission to the AQSE Growth Market which occurred on 12 September 2019. Additionally, the Group incurred £201,407 in transaction costs in relation to the close of the acquisition of Love Hemp which represent one-time costs. The Group deemed it prudent to recognise an impairment charge to goodwill and intangible assets of £7,434,666 in relation to the Love Hemp acquisition given the current economic uncertainty in relation to COVID-19.

As at 30 June 2020, the Group's consolidated working capital deficiency was £1,982,311 excluding lease liabilities recorded under IFRS of £180,918, derivative financial instrument of £451,187 and deferred consideration of £2,000,000 which was settled in ordinary shares subsequent to the year end. Excluding the remaining deferred consideration of £2,000,000 from the above the Company had available working capital of £17,689.

Subsequent to 30 June 2020, the Group received short term loans of £179,000. Additionally, the Group issued 38,114,285 Ordinary Shares of £0.01 through a private subscription raising gross proceeds of £381,143. The Group aims to curtail discretionary spending as necessary to ensure its financial obligations are met on a timely basis.

## **WORLD HIGH LIFE PLC**

### **CHAIRMAN'S REPORT**

The Group is in the process of evaluating additional sources of capital including both equity and debt arrangements.

#### **Outlook**

World High Life welcomed the Financial Conduct Authority announcement of 17 September 2020 regarding their update and clarification on the listings of cannabis-related businesses, which is aligned with the Company's position and the basis on which the AQSE Growth Market has always operated, as well as the legal basis on which World High Life originally listed and made its first investment.

Robert Payment  
Acting Chairman  
7 December 2020

# WORLD HIGH LIFE PLC

## STRATEGIC REPORT

The Directors of the Company present their Strategic Report on the Group for the year ended 30 June 2020.

### Strategic approach

The Group's aim is to create value for shareholders through making investments and/or acquiring companies operating within the legal medicinal cannabis, hemp and CBD industries. The Group's strategy is to continue to progress the development of its recent acquisition in Love Hemp Limited whilst also monitoring the wider medicinal cannabis market for opportunities.

### Organisation overview

The Group's business is directed by the Board and is managed on a day-to-day basis by the Chief Executive Officer. The Board monitors compliance with objectives and policies of the Group through monthly performance reporting, budget updates and periodic operational reviews.

The Board comprises of two Executive Director and two Non-Executive Directors.

### Review of business

World High Life Plc is an investment company with a strategic focus to invest in and/or acquire companies operating in the CBD wellness and medicinal cannabis industry.

World High Life was established to take advantage of significant opportunities available in the UK and European regulated cannabis industry, which is anticipated to be the largest in the world within five years.

The Company's wholly owned subsidiary, Love Hemp, is one of the UK's leading CBD and Hemp product suppliers and has more than 40 product lines, comprising oils, sprays and vapes and a variety of edible and water-based CBD products. Love Hemp has established relationships with over 1,200 stores in the UK, including leading brands such as Ocado, Holland & Barrett and WH Smith.

### Financial performance review

The loss of the Group for the year ended 30 June 2020 before taxation amounts to £12,671,931 (30 June 2019: loss of £79,128).

The Board monitors the activities and performance of the Group on a regular basis. The Board uses financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below will continue to be used by the Board to assess performance over the period to 30 June 2021.

The three main KPIs for the Group are as follows. These allow the Group to monitor costs and plan future business and development activities:

KPI	2020	2019
Cash and cash equivalents	£200,546	£1,307,456
Administrative expenses as a percentage of total assets	41%	4%
Gross Margin	57%	Nil

Cash has been used to fund the Group's operations and facilitate its investment activities (refer to the Statements of Cash Flows on page 20).

Administrative expenses are the expenses related to the Group's ability to run the corporate functions to ensure they can perform their operational commitments.

### Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

# WORLD HIGH LIFE PLC

## STRATEGIC REPORT

### ***Dependence on key personnel***

The Group and Company is dependent upon its executive management team and various consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

### ***Funding risk***

The Group may be required to raise further funding through the issue of additional equity capital in the parent company or through bringing in partners to fund investment and development costs. The Group's ability to raise further funds will depend on the success of the Group's investment strategy. The Group may not be successful in procuring funds on terms which are attractive and, if such funding is unavailable, the Group may be required to reduce the scope of its operational and investment activities.

### ***Financial risks***

The Group's operations expose it to a variety of financial risks that can include market risk (including foreign currency, price and interest rate risk), credit risk, and liquidity risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

### ***Brexit risk***

Due to the uncertainty around Brexit, management have assessed the risks it poses to the Group. As the majority of the Group's revenue and expenses are incurred in the UK, it is expected that there will be a minimal impact on the Group's performance and revenue.

### ***COVID-19 risk***

The outbreak of the recent global COVID-19 virus has resulted in business disruption and stock market volatility. The extent of the effect of the virus, including its long-term impact, remains uncertain. The Group has implemented extensive business continuity procedures and contingency arrangements to ensure that they are able to continue to operate.

Details of the Group's financial risk management policies are set out in Note 2 to the Financial Statements.

### **Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole**

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during the year ended 30 June 2020.

- Acquisition and development of Love Hemp Limited.
- Listing of the Group on AQSE.
- Continued assessment of corporate overheads, expenditure levels and wider market conditions.

# **WORLD HIGH LIFE PLC**

## **STRATEGIC REPORT**

The Group Strategic Report was approved by the Board on 7 December 2020.

Robert Payment  
Acting Chairman



# WORLD HIGH LIFE PLC

## DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of World High Life plc together with the Financial Statements for the year ended 30 June 2020.

### Dividends

The Directors do not recommend the payment of a dividend for the year (30 June 2019: £nil).

### Directors & Directors' interests

The Directors who served during the year ended 30 June 2020 are shown below and had, at that time the following beneficial interests in the shares of the Company:

	30 June 2020		30 June 2019	
	Ordinary Shares	Options	Ordinary Shares	Options
David Stadnyk <sup>(6)</sup>	17,046,875	6,000,000	13,501,000	Nil
Robert Payment <sup>(1)</sup>	957,778	1,250,000	680,000	Nil
Charles Lamb <sup>(2)</sup>	2,033,327	750,000	1,866,666	Nil
Kevin Ernst <sup>(3)</sup>	1,583,327	750,000	1,416,660	Nil
Andrew Male <sup>(4)</sup>	709,625	1,250,000	Nil	Nil
Christopher Farnworth <sup>(5)</sup>	Nil	Nil	Nil	Nil

(1) Robert Payment was appointed 31 July 2019

(2) Charles Lamb was appointed on 2 September 2019

(3) Kevin Ernst was appointed 2 September 2019

(4) Andrew Male was appointed 6 December 2019

(5) Christopher Farnworth resigned on 31 July 2019

(6) David Stadnyk resigned on 1 December 2020

Further details on options can be found in Note 13 to the Financial Statements.

### Substantial shareholders

The substantial shareholders with more than a 3% shareholding at 30 June 2020 are shown below:

	30 June 2020	
	Holding	Percentage
Christine McIntosh	19,333,333	11.44%
David Stadnyk	17,046,875	10.09%
Tony Calamita	13,500,000	7.99%
Thomas Rowland	13,500,000	7.99%
Paul Saunders	10,666,660	6.31%
Andrew MacDonald	9,180,000	5.43%

### Corporate responsibility

#### Health and safety

The Group operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. This results in continuous improvement of the health and safety programme. Employee involvement is regarded as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

# WORLD HIGH LIFE PLC

## DIRECTORS' REPORT

### *Internal controls*

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the period. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

### *Supplier payment policy*

The Group's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Group's contractual and other legal obligations.

### *Going concern*

As described in Note 2, the Group is managing the impact of the COVID-19 pandemic on its business and the uncertainty it creates. The Group has taken swift pre-emptive action to ensure the safety of its employees, contractors and supply chain. This includes a full financial and strategic review designed to safeguard and ensure the stability and longevity of the Group's activities for the benefit for all its stakeholders.

The Consolidated Financial Statements have been prepared on a going concern basis. An operating loss has been reported of £12,671,931 and the Group was in a net current liabilities position of £4,614,416 at 30 June 2020. As such, the Directors are aware that the Group's ability to remain a going concern for at least 12 months from the approval of these financial statements is dependent on the Group's ability to raise further equity and/or debt finance. Whilst the Directors acknowledge this is uncertain, they have a reasonable expectation that the Group will continue to be able to raise finance as required over this period, despite COVID-19's adverse impact on the global economy and markets

The Group's business activities together with the additional factors likely to affect its future development, performance and position are set out in the Chairman's Report on pages 3-4. In addition, Note 2, 3 and 4 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to market, credit and liquidity risk.

The Directors have a reasonable expectation that the Group and Company have sufficient resources to continue in the current economic climate with the COVID-19 pandemic and for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Group and Company Financial Statements.

### *Directors' and Officers' indemnity insurance*

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the period and remain in force at the date of this report.

### **Financial Risk Management Objectives**

The Group has disclosed the financial risk management objectives within Note 15 to these Financial Statements.

### **Events after the reporting period**

Events after the reporting period are set out in Note 17 to the Financial Statements.

### **Future developments**

Details of future developments for the Group are disclosed in the Chairman's Report on page 3.

### **COVID-19**

Since March 2020, the Group has made preparations to mitigate the impact of COVID-19 on the business through several action plans and mitigation strategies. The impact of Covid-19 on the group was minimal and this is anticipated to be the case in the future. The action plans and future conditions will continue to be monitored and updated as required.

### **Brexit**

In March 2017, the UK officially triggered Article 50 and notified the EU of its intention of leaving the EU following the UK's June 2016 referendum vote to leave the EU (commonly known as Brexit). The UK ratified its withdrawal from the EU effective

## **WORLD HIGH LIFE PLC**

### **DIRECTORS' REPORT**

31 January 2020 with a transitional period scheduled to end 1 January 2021. The effect of the withdrawal remain unknown until further information is available on the nature of the UK-EU relationship after the completion of the transitional period.

#### **Provision of information to Auditor**

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Auditor**

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 7 December 2020 and signed on its behalf.

Robert Payment  
Director

## **WORLD HIGH LIFE PLC**

### **STATEMENT OF DIRECTORS RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

The Company is compliant with AQSE Rule 71 regarding the Company's website.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statement.

# WORLD HIGH LIFE PLC

## INDEPENDENT AUDITORS REPORT

### Opinion

We have audited the financial statements of World High Life Plc (the 'group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the group incurred a net loss of £12,671,931 during the year ended 30 June 2020, that as of that date, the group's current liabilities exceeded its total assets by £4,614,416 and that the group will be required to obtain further financing in order to meet its working capital requirements for the period of 12 months from the date of approval of the financial statement. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### Our application of materiality

We consider the loss before tax to be the most significant determinant of the group's performance used by shareholders, with the key financial statement items being revenue, cost of sales, operating expenses, share based payment expenses and impairment charges.

Whilst materiality for the group financial statements as a whole was set at £276,000, the materiality for the parent company was set at £230,000, with performance materiality set at 70%. The component materiality for Love Hemp Limited was £50,000, with performance materiality set at 70%.

We agreed with the audit committee that we would report to the committee all audit differences identified during the course of our audit in excess of £13,800. There were certain misstatements identified during the course of our audit that were individually considered to be material and adjusted for by management.

### An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates including the valuation of share-based payments and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the group's significant operating components which, for the year ended 30 June 2020, were located in the United Kingdom, with the group's accounting functions being based in the UK and Canada.

All components were audited by PKF Littlejohn. The audits of all components were performed solely for consolidation purposes.

The going concern status of the group was reviewed through discussing post year-end performance and funding plans with the Directors, obtaining and critically assessing cashflow forecasts for the 12-month period from the date of approval of the financial statements and ascertaining the Group's current financial position. See the 'material uncertainty related to going concern' section above for our conclusions drawn from the performing of the aforementioned procedures.

# WORLD HIGH LIFE PLC

## INDEPENDENT AUDITORS REPORT

The approach detailed above gave us sufficient appropriate evidence for our opinion on the group financial statements.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the key audit matter
<p><b>Carrying value of goodwill, investments and intragroup balances</b></p>	
<p><b>Investments in subsidiaries and intra group loans are significant assets in the Parent Company's financial statements. Their recoverability is directly linked to the recoverability of intangible assets in those entities, and given that Love Hemp Ltd are currently loss making, there is a risk that they may not be fully recoverable.</b></p> <p><b>Goodwill is required to be reviewed for impairment at least annually. The methodology requires a calculation of the value in use of the cash generating unit attached to the goodwill.</b></p> <p><b>The value in use calculation requires estimation of future cash flows from the cash generating unit, as well as growth factors and discount rates to apply to the cash flows.</b></p> <p><b>There was a risk that the goodwill arising on acquisition of the subsidiary, the investment in the subsidiary and the balance due from the subsidiary was impaired.</b></p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Confirmation of ownership of investments;</li> <li>• Considerations of recoverability of investments and intra company loans by reference to underlying net asset values and exploration projects.</li> <li>• Obtaining and challenging management's valuation of goodwill recognised at year end.</li> <li>• Challenging the assumptions for any potential impairment indicators and estimations within management's assessment; and</li> <li>• Ensuring that the goodwill recognised is in terms of IFRS</li> </ul> <p>Having reviewed management's discounted cash flow workings to support their estimate of the recoverable value of Love Hemp Limited, challenging the key assumptions made and inputs into the calculations in the process, assurance was gained that the carrying value of goodwill in the consolidated statement of financial position and investments and intragroup debtors in the statement of financial position are not materially impaired.</p> <p>Furthermore, from reviewing the share purchase agreement and the goodwill calculations in respect of the acquisition of Love Hemp Limited as well as gaining assurance over the accuracy of the acquisition trial balance, we were able to gain assurance over the valuation of the investment and goodwill balances prior to the impairment charges recognised in the year.</p>
<p><b>The accounting for the acquisition of Love Hemp Limited</b></p>	
<p><b>During the year, the Company gained control of Love Hemp through acquisition of shareholding.</b></p> <p><b>There was the risk that the acquisition has not been accounted for correctly and the required disclosures have not been made.</b></p>	<p>Our work in this area included the following:</p> <ul style="list-style-type: none"> <li>• A review of the business combination workings including testing the accuracy of the Love Hemp Ltd trial balance as at acquisition;</li> <li>• Recalculation of goodwill arising from the acquisition;</li> <li>• Obtaining support for ownership documents;</li> <li>• A review the consolidation workings; and</li> <li>• Consideration regarding the appropriateness of the disclosures made.</li> </ul>

# WORLD HIGH LIFE PLC

## INDEPENDENT AUDITORS REPORT

	<p>From conducting the aforementioned procedures, assurance was gained over the accuracy of the subsidiary's trial balance as at acquisition.</p> <p>From reviewing Management's goodwill calculation and their accounting for the deferred consideration, assurance was gained that the cost of the investment and the initial goodwill were correctly treated. We were also able to gain assurance that the deferred consideration was recognised at the correctly fair value and was held within current liabilities as at 30 June 2020 correctly.</p>
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### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

# WORLD HIGH LIFE PLC

## INDEPENDENT AUDITORS REPORT

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Alistair Roberts (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

15 Westferry Circus  
Canary Wharf  
London E14 4HD

*7 December 2020*



**WORLD HIGH LIFE PLC**

**STATEMENTS OF FINANCIAL POSITION**  
**As at 30 June 2020**

**Company number: 111797850**

AS AT	Group		Company	
	30 June 2020 £	30 June 2019 £	30 June 2020 £	30 June 2019 £
<b>ASSETS</b>				
<b>Current</b>				
Cash	200,546	1,307,456	46,343	1,307,456
Trade receivables and other	6 282,295	286	1,180,422	286
Inventory	7 281,351	-	-	-
	764,192	1,307,742	1,226,765	1,307,742
<b>Non-current</b>				
Investment in Love Hemp Ltd.	5 -	-	1,523,405	-
Property and equipment	8 224,707	-	-	-
Right of use assets	8 1,246,419	-	-	-
Goodwill	9 2,700,000	-	-	-
	4,171,126	-	1,523,405	-
<b>Total assets</b>	<b>4,935,318</b>	<b>1,307,742</b>	<b>2,750,170</b>	<b>1,307,742</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	10 573,660	33,731	273,675	33,731
Lease liability	8 180,918	-	-	-
Deferred consideration	9 4,000,000	-	4,000,000	-
Loans payable	11 172,843	-	81,187	-
Derivative financial instrument	12 451,187	-	451,187	-
	5,378,608	33,731	4,806,049	33,731
<b>Non-current</b>				
Lease liability	8 962,807	-	-	-
Loans payable	11 272,662	-	-	-
Convertible debentures	12 1,734,304	-	1,734,304	-
	2,969,773	-	1,734,304	-
<b>Total liabilities</b>	<b>8,348,381</b>	<b>33,731</b>	<b>6,540,353</b>	<b>33,731</b>
<b>Equity</b>				
Share capital	13 1,456,007	886,413	1,456,007	886,413
Share premium	13 4,661,576	291,233	4,661,576	291,233
Shares to be issued	13 2,251,845	175,493	2,251,845	175,493
Other Reserves	13 968,568	-	968,568	-
Accumulated Deficit	(12,751,059)	(79,128)	(13,128,179)	(79,128)
<b>Total equity</b>	<b>(3,413,063)</b>	<b>1,274,011</b>	<b>(3,790,183)</b>	<b>1,274,011</b>
<b>Total liabilities and equity</b>	<b>4,935,318</b>	<b>1,307,742</b>	<b>2,750,170</b>	<b>1,307,742</b>

The Financial Statements were approved and authorised for issue by the Board on 7 December 2020 and were signed on its behalf by:

Robert Payment  
 Chairman

The Notes on pages 21 to 44 form part of these Financial Statements.

WORLD HIGH LIFE PLC

GROUP STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020

	<i>Note</i>	Group	
		30 June 2020	30 June 2019
Continuing operations		£	£
<b>Revenue</b>		1,690,447	-
<b>Cost of goods sold</b>		734,267	-
Gross profit		956,180	-
<b>Expenses</b>			
Selling, general, and administrative	5, 14	2,003,040	53,233
Salaries and wages	14	415,701	-
Consulting		1,173,965	-
Professional fees		669,177	91,834
Transaction costs		201,407	-
Depreciation	8	30,982	-
Share-based compensation	13	968,568	-
Interest and accretion	8,12	325,198	-
Foreign exchange		-	(65,939)
Total expenses		(5,788,038)	(79,128)
Loss before other items		(4,831,858)	(79,128)
Impairment - goodwill	9	(7,434,666)	-
Loss on debt settlement		(22,268)	-
Derivative fair value adjustment		(383,139)	-
<b>Net and comprehensive loss for the year attributable to equity holders of the Group</b>		(12,671,931)	(79,128)
<b>Earnings per share</b>			
Basic and diluted - £		(0.10)	(0.01)
<b>Weighted average number of ordinary shares</b>			
Basic and diluted		130,038,096	14,154,687

The Notes on pages 21 to 44 form part of these Financial Statements.

# WORLD HIGH LIFE PLC

## GROUP STATEMENT OF CHANGES IN EQUITY

Group:

	Share Capital £	Share Premium £	Shares to be issued £	Other Reserves £	Deficit £	Total equity £
<b>At incorporation</b>	10	-	-	-	-	10
Loss for period	-	-	-	-	(79,128)	(79,128)
<b>Total comprehensive loss for the year</b>	-	-	-	-	<b>(79,128)</b>	<b>(79,128)</b>
Proceeds from share issue	886,403	291,233	175,493	-	-	1,353,139
<b>Total transactions with owners, recognised directly in equity</b>	<b>886,403</b>	<b>291,233</b>	<b>175,493</b>	-	-	1,353,139
<b>Balance, 30 June 2019</b>	886,413	291,233	175,493	-	(79,128)	1,274,011
<b>Balance, 1 July 2019</b>	886,413	291,233	175,493	-	(79,128)	1,274,011
Loss for period	-	-	-	-	(12,671,931)	(12,671,931)
<b>Total comprehensive loss for the year</b>	-	-	-	-	<b>(12,671,931)</b>	<b>(12,671,931)</b>
Issue of shares and shares to be issued	569,594	4,370,343	2,076,352	-	-	7,016,289
Share-based compensation	-	-	-	968,568	-	968,568
<b>Total transactions with owners, recognised directly in equity</b>	<b>569,594</b>	<b>4,370,343</b>	<b>2,076,352</b>	<b>968,568</b>	-	<b>7,984,857</b>
<b>Balance, 30 June 2020</b>	<b>1,456,007</b>	<b>4,661,576</b>	<b>2,251,845</b>	<b>968,568</b>	<b>(12,751,059)</b>	<b>(3,413,063)</b>

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

The Notes on pages 21 to 44 form part of these Financial Statements.

# WORLD HIGH LIFE PLC

## COMPANY STATEMENT OF CHANGES IN EQUITY

Company:

	Share Capital £	Share Premium £	Shares to be issued £	Other Reserves £	Deficit £	Total equity £
<b>At incorporation</b>	10	-	-	-	-	10
Loss for period	-	-	-	-	(79,128)	(79,128)
<b>Total comprehensive loss for the year</b>	-	-	-	-	<b>(79,128)</b>	<b>(79,128)</b>
Proceeds from share issue	886,403	291,233	175,493	-	-	1,353,139
<b>Total transactions with owners, recognised directly in equity</b>	<b>886,403</b>	<b>291,233</b>	<b>175,493</b>	-	-	1,353,139
<b>Balance, 30 June 2019</b>	886,413	291,233	175,493	-	(79,128)	1,274,011
<b>Balance, 1 July 2019</b>	886,413	291,233	175,493	-	(79,128)	1,274,011
Loss for period	-	-	-	-	(13,049,051)	(13,049,051)
<b>Total comprehensive loss for the year</b>	-	-	-	-	<b>(13,049,051)</b>	<b>(13,049,051)</b>
Issue of shares	569,594	4,370,343	2,076,352	-	-	7,016,289
Share-based compensation	-	-	-	968,568	-	968,568
<b>Total transactions with owners, recognised directly in equity</b>	<b>569,594</b>	<b>4,370,343</b>	<b>2,076,352</b>	<b>968,568</b>	-	<b>7,984,857</b>
<b>Balance, 30 June 2020</b>	<b>1,456,007</b>	<b>4,661,576</b>	<b>2,251,845</b>	<b>968,568</b>	<b>(13,128,179)</b>	<b>(3,790,183)</b>

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

The Notes on pages 21 to 44 form part of these Financial Statements.

# WORLD HIGH LIFE PLC

## CASH FLOW STATEMENTS

	Group		Company	
	30 June 2020 £	30 June 2019 £	30 June 2020 £	30 June 2019 £
<b>Operating activities</b>				
Net loss for the year	(12,671,931)	(79,128)	(13,049,051)	(79,128)
Adjusted for:				
Depreciation	30,982	-	-	-
Share based payments	968,568	-	968,568	-
Accretion and interest	292,194	-	292,194	-
Shares issued for services	496,098	-	496,098	-
Accrued interest	29,885	-	3,573	-
Impairment - goodwill	7,434,666	-	-	-
Impairment – investment	-	-	8,476,595	-
Derivative fair value adjustment	383,139	-	383,139	-
Changes in non-cash working capital:				
Trade receivables and other	162,743	(286)	(3,541)	(286)
Inventory	263,555	-	-	-
Accounts payable and accrued liabilities	877,442	33,731	1,500,648	33,731
Cash flows from operating activities	(1,732,659)	(45,683)	(931,777)	(45,683)
<b>Investing activities</b>				
Acquisition of Love Hemp Limited, net of cash acquired	(2,915,651)	-	(3,000,000)	-
Property and equipment	(69,204)	-	-	-
Loan to subsidiary	-	-	(1,291,255)	-
Cash flows from investing activities	(2,984,855)	-	(4,291,225)	-
<b>Financing activities</b>				
Ordinary shares issued for cash	1,045,181	1,177,646	1,045,181	1,177,646
Share subscriptions received in advance	-	175,493	-	175,493
Convertible debentures issued for cash	2,355,782	-	2,355,782	-
Convertible debentures - transaction costs	(48,459)	-	(48,459)	-
Loans received	659,415	-	609,415	-
Lease payments	(102,694)	-	-	-
Loan repayments	(298,621)	-	-	-
Cash flows from financing activities	3,610,604	1,353,139	3,961,919	1,353,139
<b>(Decrease)/increase in cash</b>	<b>(1,106,910)</b>	<b>1,307,456</b>	<b>(1,261,113)</b>	<b>1,307,456</b>
<b>Cash, beginning of year</b>	<b>1,307,456</b>	<b>-</b>	<b>1,307,456</b>	<b>-</b>
<b>Cash, end of year</b>	<b>200,546</b>	<b>1,307,456</b>	<b>46,343</b>	<b>1,307,456</b>
<b>Non-cash transactions:</b>				
Convertible debenture conversion feature	252,618	-	252,618	-
Reallocated to equity upon conversion of convertible debenture	184,288	-	184,288	-
Shares to be issued to settle debt	1,454,680	-	1,454,680	-
Shares issued to settle debt	223,165	-	223,165	-

The Notes on pages 21 to 44 form part of these Financial Statements.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. NATURE AND CONTINUANCE OF OPERATIONS

World High Life Limited was incorporated 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’s head office and registered office address is 7-9 Swallow Street, 2<sup>nd</sup> Floor, London, United Kingdom, W1B 4DE. There is no ultimate controlling party.

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 Company acquired the entire share capital of Love Hemp Ltd on 18 October 2019 which the Directors have treated as a business combination as explained in Note 9 to the financial statements for the year ended 30 June 2020. The Directors are required to and have prepared consolidated financial statements which include the results of the acquired subsidiary from the date that the acquisition took place.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) as endorsed by the EU.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities (including derivative instruments) measure at fair value.

#### *Going concern*

The consolidated financial statements have been prepared on a going concern basis. The Group’s assets are generating revenues and based on the Board’s budgets, cash flow forecasts, and considered ability to raise further finance, the Directors are of the view that the Group will have sufficient funds to undertake meet its liabilities as they fall due for at least a period of 12 months from the date these financial statements have been approved. There is no certainty whether the Group will generate significant revenues or attain profitable operations in the near future. Further, there is no certainty that the Group will be able to raise sufficient finance in the future. The Group incurred a loss of £12,671,931 for the year ended 30 June 2020, and has an accumulated deficit £12,751,059. Additionally, the Group also had a working capital deficiency of £4,614,416 as at 30 June 2020.

The Group has a need for financing working capital, product development, marketing and sales. Because of continuing operating losses, the Group’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. It is not possible to accurately predict whether present financing efforts will be successful or if the Group will attain profitable levels of operations. The Group will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions raise significant doubt as to the Company’s ability to continue as a going concern.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Group’s operations. As of the date of the audit report the extent of the impact of this outbreak and related containment measures on the Group’s operations cannot be reliably estimated. The directors have taken proactive steps to manage costs during this time and expect to be in a position to meet all short-term obligations from cash flow generated from operations.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### *Risks and uncertainties*

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Company's medium-term performance are liquidity risk, credit risk, interest rate risk and fair value estimation (Note 15)

### *Critical accounting judgements and estimation uncertainty*

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. Significant items subject to such judgement and estimates are set out in Note 3.

### *New and amended standards mandatory for the first time for the financial year beginning 1 July 2019*

The following new IFRS standards and/or amendments to IFRS standards are mandatory for the first time for the Company:

Standard		Effective date
IFRS 16	Leases	1 January 2019
IAS 28 (Amendments)	Long term interests in associates and joint ventures	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements	2015 – 2017 Cycle	1 January 2019
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

The adoption of these standards has not had a material impact on the financial statements other than changes to disclosures.

### *New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed below. The Group intends to adopt these standards, if applicable when they become effective.

Standard		Effective date
IFRS 3 (Amendments)	Business Combinations	1 January 2020
IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2020
IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 7 and 9 (Amendments)	Interest Rate Benchmark Reform	1 January 2020

The Group is evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Group's results or shareholders' funds.

### **3. USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Impairment of non-current assets

Non-current assets, including property and equipment, and intangible assets, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognised immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognised previously. The evaluation of asset carrying values includes consideration discount rates, probability of business outcomes, and anticipated growth rates.

The estimates and assumptions used are subject to uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit and loss.

### Business combinations

The consolidated financial statements comprise the financial statements of World High Life Plc and its subsidiaries as at 30 June 2020. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Contingent deferred consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured at fair value, with the changes in fair value recognised in profit or loss.

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Management determines whether assets acquired and liabilities assumed constitute a business. In examining processes and potential outputs, management considers the ability of the acquired and existing processes to adequately be capable of producing the potential outputs; where the processes are insufficient and/or incomplete to produce potential outputs, the company considers the acquisition to be an asset acquisition.

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of the equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognised as goodwill as of the acquisition date.



# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Determination of asset fair values and allocation of purchase consideration

Significant asset acquisitions and business combinations require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of property and equipment, as well as the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about future events, including but not limited to future production potential, and future market prices of products, and the ability to effectively distribute products. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. Provisional purchase price allocations are subject to review by management upon integration of the acquired businesses and will be adjusted as necessary were circumstances indicate it is appropriate to do so.

### Share-based payments

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of warrants and stock options granted to Directors, Officers, employees, and consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value, however the most significant estimate is the volatility. The Company estimated volatility based on historic share prices of companies operating in the regulated cannabis industry. Historical volatility is not necessarily indicative of future volatility. The expected life of stock options or warrants is determined based on the estimate that they would be exercised evenly over their term. There was no recent history of stock option exercises available to consider in the estimate of expected life at the time of grant.

### Convertible instruments

Convertible instruments are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortised cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Foreign currencies

#### *Functional and presentation currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"). The functional currency of the Company is Pounds Sterling which is also the presentation currency of the group.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

*Translation of foreign transactions and balances into the functional currency*

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction

### Cash and cash equivalents

In the Statement of Cash Flows, cash is comprised of cash at bank and in hand and demand deposits with banks and other financial institutions, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### Earnings per share

The Company presents basic loss per share for its ordinary shares, calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to ordinary shareholders or the weighted average number of ordinary shares outstanding when the effect is anti-dilutive.

### Financial instruments

#### Financial assets

On initial recognition, financial assets are recognised at fair value and are subsequently classified and measured at: (i) amortised cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortised cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

#### Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognised based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognised for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognised in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortised cost decreases, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortised cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities is classified as other financial liabilities and carried on the statement of financial position at amortised cost.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

### **Taxation**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and other equity instruments are recognised as a deduction from equity. Ordinary shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of ordinary shares issued in the private placements to be the more easily measurable component and the ordinary shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

The Company's Ordinary shares have a nominal (par) value of £0.01. All amount for shares over the nominal value are recorded to share premium.

Shares to be issued are Ordinary shares which have a nominal (par) value of £0.01 which were issued shortly after the year end.

### Share-based payments

The Company may grant stock options to acquire common shares of the Company to Directors, Officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### Inventory

Inventories of finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realisable value. Inventory consists of infused products, raw materials, accessories, and product packaging. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realisable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written-down to net realisable value.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using the following methods and rates:

Category	Method	Rate
Leasehold improvements	Declining balance	20%
Production equipment	Declining balance	15%
Office equipment	Declining balance	15%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

### Leases

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognised in operating expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognised at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Revenue

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognised, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of infused products for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery and it is probable that future economic benefits will flow to the entity.

### 5. NATURE OF EXPENSES

	Group	
	30 June, 2020	30 June, 2019
	£	£
<b>Selling, general and administrative expense</b>		
Office and administration	70,372	7,737
Advertising and promotion	1,349,709	-
Rent, utilities, operating costs	199,473	-
Travel and entertainment	237,592	45,496
Insurance	66,063	-
Bank charges and processing costs	79,831	-
<b>Total</b>	<b>2,003,040</b>	<b>53,233</b>

### 6. TRADE RECEIVABLES AND OTHER

	Group		Company	
	30 June, 2020	30 June, 2019	30 June, 2020	30 June, 2019
	£	£	£	£
Trade receivables	75,641	-	-	-
Prepaid expenses and deposits	206,654	286	3,827	286
Due from Love Hemp Limited	-	-	1,176,595	-
<b>Total</b>	<b>282,295</b>	<b>286</b>	<b>1,180,422</b>	<b>286</b>

### 7. INVENTORY

	Group		Company	
	30 June, 2020	30 June, 2020	30 June, 2020	30 June, 2020
	£	£	£	£
Raw materials	162,856	-	-	-
Finished goods	118,495	-	-	-

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

<b>Total</b>	281,351	-	-	-
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During the year ended 30 June 2020 the Company recorded inventory in cost of goods sold of £426,656.

### 8. PROPERTY AND EQUIPMENT

#### Group

	<b>Leasehold Improvements</b>	<b>Right of Use</b>	<b>Production Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
Balance 30 June 2019	-	-	-	-	-
Additions - Love Hemp acquisition	34,413	1,246,419	58,419	147,309	1,486,560
Additions	-	-	32,090	37,114	69,204
Balance 30 June 2020	34,413	1,246,419	90,509	184,423	1,555,764
<b>Accumulated depreciation</b>					
Balance 30 June 2019	-	-	-	-	-
Additions - Love Hemp acquisition	2,243	-	14,432	36,981	53,656
Depreciation	1,213	-	9,661	20,108	30,982
Balance 30 June 2020	3,456	-	24,093	57,089	84,638
<b>Net book value</b>					
30 June 2019	-	-	-	-	-
30 June 2020	30,957	1,246,419	66,416	127,334	1,471,126

A continuity of the lease liability underlying the right of use assets is as follows:

	<b>30 June, 2020</b>
	<b>£</b>
Balance, 30 June 2019	-
Acquired in Love Hemp transaction (Note 9)	1,246,419
Principal reduction	(102,694)
Balance, 30 June 2020	1,143,725
Less: Current portion	(180,918)
Non-current portion	962,807

The Group recorded interest expense of £33,004 in relation to the lease liability during the year. No property and equipment was held by the Company the year ended 30 June 2020 or the period ended 30 June 2019.

### 9. ACQUISITION OF LOVE HEMP LIMITED

On 18 October 2019 the Company acquired 100% of Love Hemp Ltd. ("Love Hemp") for consideration of between £9 million and £10 million as follows:

## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

- £3 million of the consideration paid in cash on completion
- £3 million satisfied by the issue of 30,000,000 Ordinary Shares on completion

A further earn out of up to a maximum of £4 million to be paid as follows:

- £1,500,000 in cash on the date falling six months and one day from the date of completion, provided that at the Company's election it can alternatively pay to the sellers an amount of £2,000,000 to be satisfied by the issue of Ordinary Shares calculated on a 10% discount to the 10 day VWAP preceding the date of the issue of those shares.
- £1,500,000 in cash on the date falling twelve months and one day from the date of completion provided that at the Company's election it can alternatively pay to the sellers an amount of £2,000,000 to be satisfied by the issue of Ordinary Shares calculated on a 10% discount to the 10 day VWAP preceding the date of the issue of those shares.

Subsequent to 30 June 2020 the Company entered a Deed of Variation with the Sellers of Love Hemp Ltd. whereby the purchase consideration was amended as follows:

- On 25 September 2020 the Company issued 22,222,222 Ordinary shares at a deemed price of £0.09 per share as settlement of the first earn out payment which was due under the original agreement.
- £1,500,000 in cash on 15 January 2021 provided that at the sellers election the Company can alternatively pay to the sellers an amount of £2,000,000 to be satisfied by the issue of Ordinary Shares calculated on a 10% discount to the 10 day VWAP preceding the date of the issue of those shares.

The acquisition aligns with the Company's mandate to invest in leading companies in the European CBD wellness industry. Love Hemp is an early mover in the UK CBD market with established distribution and long-standing brand recognition.

The acquisition has been accounted for as a business combination, using the acquisition method. The purchase consideration has been provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date.

The estimated purchase price allocation is as follows:

<b>Consideration</b>	<b>£</b>
30,000,000 Ordinary shares at a fair value of £0.10 per share:	3,000,000
Cash	3,000,000
Contingent consideration	4,000,000
	<b>10,000,000</b>
<b>Provisional net assets of Love Hemp Ltd.</b>	
Cash	84,349
Accounts receivable	378,395
Inventory	544,906
Other current assets	66,357
Equipment	186,485
Right of use asset	1,246,419
Lease liability	(1,246,419)
Accounts payable and accrued liabilities	(808,531)
Loan payable	(586,627)
Net assets acquired	(134,666)
Goodwill	10,134,666
<b>Total</b>	<b>10,000,000</b>



## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

As of the date of these consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalised. The Company is currently in the process of determining the fair values of the net assets acquired, specifically the final allocation between goodwill and separately identifiable assets. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value above and are subject to change within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date.

Goodwill is expected to arise in the acquisition of Love Hemp because the cost of acquisition included amounts in relation to the benefit of expected revenue growth, existing distribution relationships, and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year ended 30 June 2020, in light of the international COVID-19 Virus pandemic, the Company determined it would be prudent to conduct an impairment analysis of the acquired provisional goodwill and intangible assets. Using a probability weighted discounted cash flow ("DCF") analysis the Company determined that an impairment charge of £7,434,666 of the provisional goodwill and intangible assets was appropriate given uncertain economic growth prospects. The DCF utilized a 15% discount rate and estimated sales growth rates of between 0% to 15% per month.

Cash consideration of £3,000,000 less cash acquired of £84,349 resulted in net cash on completion of the acquisition of £2,915,651.

The continuity of goodwill is as follows:

	<b>30 June, 2020</b>
	<b>£</b>
Acquisition of Love Hemp	10,134,666
Impairment	(7,434,666)
<b>Total as at 30 June 2020</b>	<b>2,700,000</b>

From the date of the acquisition on 18 October 2019 to 30 June 2020 Love Hemp Ltd. recognized revenue of £1,690,447 and incurred a loss of £696,253. If the acquisition had occurred on 1 July 2019 (which it did not) the Company would have recognized revenue of £2,632,060 and incurred a loss of £13,087,531.

The Company's investment in Love Hemp Limited is as follows:

	<b>30 June, 2020</b>
	<b>£</b>
Cost of acquisition of Love Hemp	10,000,000
Impairment recognised during the year	(8,476,595)
<b>Total as at 30 June 2020</b>	<b>1,523,405</b>

The Directors have recognised an impairment of £8,476,595 to investments so as to ensure that the aggregate carrying value of investments and balances due from LoveHemp Ltd at 30 June 2020 is £2,700,000.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Group		Company	
	30 June, 2020 £	30 June, 2020 £	30 June, 2020 £	30 June, 2020 £
Accounts payable	506,308	33,731	273,675	33,731
Accrued liabilities and other	67,352	-	-	-
<b>Total</b>	<b>573,660</b>	<b>33,731</b>	<b>273,675</b>	<b>33,731</b>

### 11. LOANS PAYABLE

A continuity of the loan balance is as follows:

	Group 30 June, 2020 £	Company 30 June, 2020 £
Balance acquired - Love Hemp acquisition (Note 9)	586,627	-
Accrued interest	29,885	3,126
Loans issued	659,415	609,862
Shares to be issued for debt settlement	(308,636)	(308,636)
Shares issued	(223,165)	(223,165)
Re-payments	(298,621)	-
Total	445,505	81,187
Current portion	(172,843)	(81,187)
<b>Non-current portion</b>	<b>272,662</b>	<b>-</b>

a) During April 2019, Love Hemp entered a loan agreement for a principal amount of up to £360,343 bearing interest at 9.90% per annum. The loan matures in sixty months and requires monthly repayments of £7,638. Upon maturity, Love Hemp is required to pay a completion fee of £10,495. The loan is secured by the assets of Love Hemp.

b) Love Hemp issued a 12% promissory note of £250,000 which was repaid following the close of the acquisition.

c) The Company entered unsecured loan agreements whereby approximately £396,341 was advanced to the Company with an interest rate of 5% per annum repayable on November 1, 2020. On 30 April 2020 £220,404 plus accrued interest of £2,761 was settled by the issuance of 2,231,650 Ordinary shares with a fair value of £0.10 each. On 30 June 2020 the Company entered an agreement to settle the remaining £175,937 plus accrued interest of £714 through the issuance of 1,962,789 Ordinary shares with a fair value of £0.09. As the Ordinary shares were issued subsequent to 30 June 2020 the balance has been recorded as shares to be issued as of 30 June 2020.

d) The Company obtained a bounce back loan facility of £50,000.

## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

e) The Company entered unsecured loan agreements whereby approximately £81,187 was advanced to the Company with an interest rate of 5% per annum repayable on November 1, 2020. The loan was from a Company with a common CFO and Director.

f) The Company entered unsecured loan agreements whereby approximately £131,887 was advanced to the Company with an interest rate of 5% per annum repayable on November 1, 2020. On 30 June 2020 the Company entered an agreement to settle £131,887 plus accrued interest of £1,670 through the issuance of 1,483,967 Ordinary shares with a fair value of £0.09. As the Ordinary shares were issued subsequent to 30 June 2020 the balance has been recorded as shares to be issued as of 30 June 2020.

## 12. DERIVATIVE FINANCIAL INSTRUMENT

<b>Group and Company</b>	<b>October 2019 £</b>	<b>November 2019 £</b>	<b>Total £</b>
Balance, 30 January 2019	-	-	-
Balance, 30 June 2019	-	-	-
Convertible debentures issued (a,b)	2,338,554	17,228	2,355,782
Transaction costs - cash	(48,459)	-	(48,459)
Conversion feature	(250,452)	(1,884)	(252,336)
Accretion expense	120,385	681	121,066
Interest expense	169,836	1,292	171,128
Converted to Ordinary Shares	(612,877)	-	(612,877)
<b>Balance, 30 June 2020</b>	<b>1,716,987</b>	<b>17,317</b>	<b>1,734,304</b>

In October and November of 2019, the Company issued 2,355,782 £0.10 convertible debenture units raising gross proceeds of £2,355,782. The convertible debentures units each consist of one debenture convertible into £0.01 nominal value Ordinary Shares at a price of £0.10 and one share purchase warrant exercisable at a price of £0.15 for a period of two years from closing, subject to the Company's right to accelerate the maturity date upon 30 days' notice in the event that the Ordinary Shares trade at £0.25 or higher for a 10 day period.

The debentures accrue interest of 10% annually and are subject to the Company's right to force conversion upon 30 days' notice in the event that the Ordinary Shares trade at £0.30 or higher for a 10-day period. Interest may be paid in cash or in Ordinary Shares, or a combination thereof at the discretion of the Company. The Debentures will mature in two years plus one day from the closing dates.

In connection with the above the Company paid cash transaction costs of £45,883 and issued a total of 54,970 share purchase warrants exercisable at a price of 0.15 per ordinary share for a period of two years from issue.

As stated in the convertible debenture agreements the conversion price will be adjusted if the Company completes a rights offering for less than 90% of the quoted price. The variability of the conversion price creates a derivative which has been recognized as a financial liability.

A continuity of the derivative liability related to the debenture conversion feature is as follows:

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

	October 2019 £	November 2019 £	Total £
Balance, 30 June 2018	-	-	-
Balance, 30 June 2019	-	-	-
Conversion feature - initial recognition	250,452	1,884	252,336
Fair value adjustment	380,285	2,854	383,139
Allocated to equity	(184,288)	-	(184,288)
<b>Balance, 30 June 2020</b>	<b>446,449</b>	<b>4,738</b>	<b>451,187</b>

The conversion feature was valued at 30 June 2020 using the Black-Scholes valuation model with the following assumptions: Expected life 1.3 years, volatility 75%, discount rate 1%, dividend yield 0%.

### 13. SHARE CAPITAL AND RESERVES

#### Authorised

2,000,000,000 ordinary shares with £0.01 nominal (par) value. As of 30 June 2020, there were 145,600,721 ordinary shares outstanding.

#### Shares Under Lock-In Agreement

The Company has ordinary shares subject to trading restrictions which were released 12 September 2020 subject to agreed upon orderly market conditions. As at 30 June 2020, a total of 127,415,360 ordinary shares were subject to these lock-in restrictions.

The Sellers of Love Hemp are entitled to sell up to 10% of the Ordinary Shares at any time from the Completion date of the transaction. Up to 55% can be sold at any time from the date that is twelve months plus one day from the Completion date. The remaining 45% can be sold twenty four months following the Completion date.

#### Issued and Outstanding – Ordinary Shares

On 14 April 2019 the Company completed a subdivision of its Ordinary shares (“share consolidation”) on the basis of ten post-subdivision Ordinary share for every one pre-subdivision Ordinary shares held (10-to-1). All references contained in these financial statements to issued and outstanding Ordinary shares, warrants, per share amounts, and exercise prices, have been retroactively restated to reflect the effect of the share subdivision.

On 20 November 2019 the Company completed a consolidation of its Ordinary shares (“share consolidation”) on the basis of one post-consolidation Ordinary share for every ten pre-consolidation Ordinary shares held (10-to-1).

During the year ended 30 June 2020 the Company issued ordinary shares as follows:

- a) In July 2019 the Company issued 3,079,930 units at a price of £0.10 per unit for gross proceeds of £307,993 with each unit consisting of one ordinary share and one half of a share purchase warrant. The par value of £0.01 per share totalling £30,799 was recorded to share capital and £277,194 was recorded to share premium. £175,493 of the proceeds was recorded prior to 30 June 2019 and was previously recorded as shares to be issued. Each full warrant entitles the holder to acquire an additional ordinary share at a price of £0.20 per ordinary share for a period of 2 years from the date of issuance. If the price

## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

of the ordinary shares of the Company trade above £0.50 per share on a stock exchange for 10 consecutive days, the Company has the right to provide notice to accelerate the expiry of the warrants to 30 days after the notice is given.

- b) In July 2019 the Company issued 1,990,000 ordinary shares at a fair value of £0.10 each for services totalling £199,000.
- c) In August 2019, the Company issued 7,285,000 Ordinary Shares to raise £728,500 at a subscription price of £0.10 to which the subscribers also received half a warrant of which a whole warrant can be exercised in return for an Ordinary Share at a price of £0.20 per Ordinary Share for a period of two years from the date of issue. The Company maintains an election to accelerate the expiry of such warrants should the Company's shares trade at a price of £0.50 or more for a period of 10 days.
- d) In August 2019, the Company issued 8,100,000 Ordinary Shares to raise £81,000 at a subscription price of £0.01.
- e) In August 2019, the Company issued 675,000 Ordinary Shares to raise £40,500 at a subscription price of £0.06 to which the subscribers also received half a warrant of which a whole warrant can be exercised in return for an Ordinary Share at a price of £0.12 per Ordinary Share for a period of two years from the date of issue. The Company maintains an election to accelerate the expiry of such warrants should the Company's shares trade at a price of £0.30 or more for a period of 10 days.
- f) In August 2019, the Company issued 626,810 Ordinary Shares to raise £62,681 at a subscription price of £0.10 to which the subscribers also received half a warrant of which a whole warrant can be exercised in return for an Ordinary Share at a price of £0.20 per Ordinary Share for a period of two years from the date of issue. The Company maintains an election to accelerate the expiry of such warrants should the Company's shares trade at a price of £0.50 or more for a period of 10 days.
- g) In September 2019 the Company issued 500,000 Ordinary Shares at a fair value of £0.10 each to Peterhouse Capital Ltd. for services totalling £50,000.
- h) On 18 October 2019 the Company issued 30,000,000 Ordinary Shares at a fair value of £0.10 each to acquire Love Hemp Ltd (Note 9).
- i) In December 2019, the Company issued 814,680 Ordinary Shares to raise £81,468 at a subscription price of £0.10 to which the subscribers also received half a warrant of which a whole warrant can be exercised in return for an Ordinary Share at a price of £0.20 per Ordinary Share for a period of two years from the date of issue. The Company maintains an election to accelerate the expiry of such warrants should the Company's shares trade at a price of £0.50 or more for a period of 10 days.
- h) On 30 April 2020, the Company issued 960,000 Ordinary Shares with a fair value of £0.10 each for service totalling £96,000.
- i) On 30 April 2020, the Company issued 2,231,650 Ordinary Shares with a fair value of £0.10 each to settle debt totalling £223,165.
- j) On 4 February 2020 the Company issued 696,300 Ordinary shares of £0.01 each for £0.10 per share for a total consideration of £69,630 in lieu of consulting fees.

During the period ended 30 June 2019 the Company issued ordinary shares as follows:

- a) In January 2019 the Company was incorporated with an issued share capital of £10 divided into 1,000 ordinary shares with a nominal value of £0.01.

## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

- b) In June 2019 the Company issued 82,815,712 ordinary shares at a price of £0.01 per share for gross proceeds of £828,157.
- c) In June 2019 the Company issued 5,824,642 units at a price of £0.06 per unit for gross proceeds of £349,479 with each unit consisting of one ordinary share and one half of a share purchase warrant. The nominal value of £0.01 per share totalling £58,246 was recorded to share capital and £291,233 was recorded to share premium. Each full warrant entitles the holder to acquire an additional ordinary share at a price of £0.12 per ordinary share for a period of 2 years from the date of issuance. If the price of the ordinary shares of the Company trade above £0.30 per share on a stock exchange for 10 consecutive days, the Company has the right to provide notice to accelerate the expiry of the warrants to 30 days after the notice is given.
- d) In accordance with a £1.00 unit offering a total £175,493 had been collected by the Company prior to closing.

### Options

The Company has adopted an informal plan whereby options granted to acquire Ordinary Shares will not exceed 20 percent of the Company's issued Ordinary Shares from time to time without the prior approval of the Shareholders.

A summary of the share option transactions for the year ended 30 June 2020 is summarized as follows:

	Number of Options	Weighted Average Exercise Price £
<b>Balance at 30 June 2019</b>	-	-
Granted	28,800,000	0.128
<b>Balance at 30 June 2020</b>	28,800,000	0.128

The following table summarizes stock options outstanding and exercisable as at 30 June 2020

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price £	Weighted Average Remaining Years
27 February 2025	25,500,000	Nil	0.128	4.67
15 June 2025	3,300,000	Nil	0.128	4.96
	28,800,000			

The stock options were valued at issuance using the Black-Scholes Option Pricing Model using the following assumptions:

	30 June, 2020
Risk-free interest rate	0.36%
Expected life of options	4.25
Annualized volatility	80%
Dividend rate	0%
Weighted average fair value per option	£0.05

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

During the period ended 30 June 2020 share-based payment expense related to the issuance of options was £945,524.

### Warrants

A summary of warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price £
Granted	2,912,328	0.12
<b>Balance at 30 June 2019</b>	<b>2,912,328</b>	<b>0.12</b>
Granted	30,509,482	0.16
<b>Balance at 30 June 2020</b>	<b>33,421,810</b>	<b>0.15</b>

The following table summarises warrants outstanding at 30 June 2020:

Expiry date	Number of Warrants	Weighted Average Exercise Price £	Weighted Average Remaining Years
June 28, 2021	2,912,328	0.12	0.99
July 19, 2021	1,539,965	0.20	1.05
August 16, 2021	3,642,500	0.20	1.13
August 27, 2021	337,500	0.12	1.16
August 27, 2021	313,405	0.20	1.16
September 12, 2020	551,990	0.10	0.20
October 9, 2021	11,404,850	0.15	1.28
October 9, 2021	104,000	0.15	1.28
October 15, 2021	8,666,660	0.15	1.29
October 28, 2021	3,314,030	0.15	1.33
October 28, 2021	49,332	0.15	1.33
November 21, 2021	407,340	0.15	1.39
November 29, 2021	172,280	0.15	1.42
November 29, 2021	5,630	0.15	1.42
	<b>33,421,810</b>	<b>0.15</b>	<b>1.22</b>

Share-based compensation expense recognized during the period of £23,044 related to 551,990 warrants granted to the Corporate Adviser upon listing on the AQSE Growth Market. The warrants were valued using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	30 June, 2020
Risk-free interest rate	2.25%
Expected life	2
Annualized volatility	75%
Dividend rate	0%
Weighted average fair value per warrant	£0.04

Expected annualized volatility was determined using the historic volatility of established comparable publicly traded cannabis companies.

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14. RELATED PARTY TRANSACTIONS

#### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company or its subsidiary as a whole. The Directors have determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate Officers and/or companies controlled by those individuals. During the year the Company and its subsidiaries ended 30 June 2020 the Company entered the following transactions with key management personnel:

	<b>30 June, 2020</b>
<b>Key Management Remuneration:</b>	<b>£</b>
Service fees accrued - David Stadnyk, CEO, Director	264,000
Service fees accrued - Robert Payment, CFO, Director	25,000
Service fees accrued - Charlie Lamb, Director	15,000
Service fees accrued - Kevin Ernst, Director	15,000
Service fees accrued / paid - Andrew Male, Director	45,000
Salaries paid - Antonio Calamita, Director of Subsidiary	67,500
Salaries paid - Thomas Rowland, Director of Subsidiary	67,500
<b>Total</b>	<b>499,000</b>

	<b>30 June, 2020</b>
<b>Other transactions:</b>	<b>£</b>
Fair value of stock options granted to directors	325,291
Service fees, Heytsbury Corporate LLP, Corporate Secretary	43,417

The following is a summary of the amounts owing to key management:

	<b>30 June, 2020</b>
<b>Due to Key Management:</b>	<b>£</b>
Service fees accrued - David Stadnyk, CEO, Director	-
Service fees accrued - Robert Payment, CFO, Director	-
Service fees accrued - Charlie Lamb, Director	-
Service fees accrued - Kevin Ernst, Director	-
Service fees accrued - Andrew Male, Director	-
Service fees, Heytsbury Corporate LLP, Corporate Secretary	-
<b>Total</b>	<b>-</b>

	<b>30 June, 2020</b>
<b>Other amounts owing:</b>	<b>£</b>
Loan to company with common officers and directors	81,187
Deferred compensation - Antonio Calamita	1,800,000
Deferred compensation - Thomas Rowland	1,800,000
<b>Total</b>	<b>3,681,187</b>



# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 15. FINANCIAL INSTRUMENTS

#### Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial assets and liabilities measured at fair value on a recurring basis were calculated as follows:

#### Group:

30 June 2020 - Financial assets	Balance £	Level 1 £	Level 2 £	Level3 £
Cash	200,546	200,546	-	-
Trade receivables and other	75,641	75,641	-	-

30 June 2019 - Financial assets	Balance £	Level 1 £	Level 2 £	Level3 £
Cash	1,307,456	1,307,456	-	-
Trade receivables and other	-	-	-	-

30 June 2020 - Financial liabilities	Balance £	Level 1 £	Level 2 £	Level3 £
Accounts payable and accrued liabilities	573,660	573,660	-	-
Loans payable - current	172,843	172,843	-	-
Loans payable - non-current	272,662	272,662	-	-
Convertible debentures	1,734,304	-	1,734,304	-
Derivative liability	451,187	-	451,187	-

30 June 2019 - Financial liabilities	Balance £	Level 1 £	Level 2 £	Level3 £
Accounts payable and accrued liabilities	33,731	33,731	-	-

#### Company:

30 June 2020 - Financial assets	Balance £	Level 1 £	Level 2 £	Level3 £
Cash	46,343	46,343	-	-
Trade receivables and other	-	-	-	-

30 June 2019 - Financial assets	Balance £	Level 1 £	Level 2 £	Level3 £
Cash	1,307,456	1,307,456	-	-
Trade receivables and other	-	-	-	-

30 June 2020 - Financial liabilities	Balance £	Level 1 £	Level 2 £	Level3 £
Accounts payable and accrued liabilities	273,675	273,675	-	-
Loans payable - current	-	-	-	-

## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

Loans payable - non-current	-	-	-	-
Convertible debentures	1,734,304	-	1,734,304	-
Derivative liability	451,187	-	451,187	-

30 June 2019 - Financial liabilities	Balance £	Level 1 £	Level 2 £	Level 3 £
Accounts payable and accrued liabilities	33,731	33,731	-	-

#### Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarised below.

##### *Credit risk*

Credit risk is the risk of a potential loss to the Company if customer or third party to a financial instrument fails to meet its contractual obligations. The majority of the Company's credit exposure at 30 June 2020 is the carrying amount of cash. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major UK financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

##### *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

##### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 30 June 2020, the Company's current financial liabilities and contractual maturities were as follows:

#### Group

	2021	2022	2023 to 2025	2025 and thereafter
Remaining contractual maturities	£	£	£	£
Derivative financial liabilities:				
Derivative liability	-	451,187	-	-
Non-derivative financial liabilities:				
Accounts payable and accrued liabilities	573,660	-	-	-
Loans payable	172,843	70,414	61,242	141,006
Lease liability	180,918	141,364	424,092	397,351
Deferred consideration	4,000,000	-	-	-
Convertible debentures	-	1,734,304	-	-
<b>Total</b>	<b>4,927,421</b>	<b>211,778</b>	<b>485,334</b>	<b>538,357</b>

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### Company

	2021	2022	2023 to 2025	2025 and thereafter
Remaining contractual maturities	£	£	£	£
Derivative financial liabilities:				
Derivative liability	-	451,187	-	-
Non-derivative financial liabilities:				
Accounts payable and accrued liabilities	273,675	-	-	-
Loans payable	81,187	-	-	-
Lease liability	-	-	-	-
Deferred consideration	4,000,000	-	-	-
Convertible debentures	-	1,734,304	-	-
<b>Total</b>	<b>4,354,862</b>	<b>2,185,491</b>	<b>-</b>	<b>-</b>

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at 30 June 2020 the Company had cash, accounts payable and accrued liabilities, denominated in Canadian dollars ("CAD"). A 10% fluctuation in the foreign exchange rate between the Pound Sterling and Canadian dollar would not have a significant impact on profit or loss for the period. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

#### 16. CAPITAL MANAGEMENT

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 2, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United Kingdom and Europe with respect to cannabis legislation, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the periods presented. The Company is not subject to externally imposed capital requirement.

#### 17. SUBSEQUENT EVENTS

Subsequent to 30 June 2020, the Company completed the following transactions:

- The Company issued 6,666,660 Ordinary Shares of £0.01 upon conversion of debentures with a principal value of £666,666 convertible at £0.10. A further 515,478 Ordinary Shares of £0.01 were issued for accrued interest to the conversion date at a price of £0.09 for total consideration of £46,393.
- The Company issued 3,446,756 Ordinary Shares of £0.01 in settlement of debt at a price of £0.09 for total consideration of £310,208.
- The Company issued 12,733,823 Ordinary Share of £0.01 in settlement of various amounts due in lieu of cash at a price of £0.09 for total consideration of £1,146,044

# WORLD HIGH LIFE PLC

## NOTES TO THE FINANCIAL STATEMENTS

d) Entered a Deed of Variation with the Sellers of Love Hemp Ltd (Note 9)

e) The Company issued 38,114,285 Ordinary Shares of £0.01 through a private subscription raising gross proceeds of £381,143. Pursuant to the terms of the Subscription, each of the subscribers has been granted one warrant for each Ordinary Share subscribed for, and each warrant entitles the holder to subscribe for an additional Ordinary Share at a price of 1 pence per share exercisable for a period of two years, subject to the Company's right to accelerate the maturity date upon 30 days' notice in the event that the Ordinary Shares trade at 10 pence or higher for a 10 day period. In aggregate the Company has granted 38,114,285 warrants pursuant to the Subscription.

f) The Company entered unsecured loan agreements whereby approximately £179,000 was advanced to the Company with an interest rate of 10% per annum repayable on January 30, 2020.

### 18. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	30 June 2020 £	30 June 2019 £
Earnings (loss) for the year	(12,671,931)	(79,128)
Expected income tax (recovery) - 18% tax rate	(2,834,000)	(20,573)
Change in statutory, foreign tax, and other	824,000	-
Permanent Difference	175,000	-
Change in unrecognized deductible temporary differences	1,835,000	20,573
<b>Total income tax expense (recovery)</b>	-	-

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	30 June 2020 £	30 June 2019 £
Deferred Tax Assets (liabilities)		
Property and equipment	(117,000)	-
Debt with accretion	(8,000)	-
Intangible assets	1,218,000	-
Losses available for future period	798,000	20,573

A deferred tax asset has not been recognised on the statement of financial position as there is currently no certainty the Company will achieve profitable operations to apply the tax losses against. The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

30 June 2020	Expiry Date Range	30 June 2019	Expiry Date Range
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## WORLD HIGH LIFE PLC

### NOTES TO THE FINANCIAL STATEMENTS

Temporary Differences	£		£	
Property and equipment	(1,297,930)	No expiry date	-	No expiry date
Debt with accretion	(45,188)	No expiry date	-	No expiry date
Intangible assets	6,767,999	No expiry date	-	No expiry date
Non-capital losses	4,436,236	No expiry date	20,573	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.





