CAFÉ HOLDINGS, INC.

Condensed Consolidated Financial Statements and Footnotes

December 31, 2019

(unaudited)

CAFÉ HOLDINGS INC.
(f/k/a The Coffeesmiths Collective, Inc.)
and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash	$ 726,493	$ 2,540,291
Accounts receivable	1,293,989	600,163
Prepaid expenses	826,491	546,498
Inventory	417,230	391,824
Total current assets	3,264,203	4,078,776
Fixed assets, net	6,498,712	5,370,135
Intangible assets, net	183,245	135,270
Other receivables	39,803	38,281
Goodwill	3,263,317	11,385,139
Advance to related party	550,888	511,738
Deposits	308,319	527,588
Total assets	$ 14,108,487	$ 22,046,927

CAFÉ HOLDINGS INC.
(f/k/a The Coffeesmiths Collective, Inc.)
and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	December 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Notes payable, current portion	$ 5,496,342	$ 482,417
Accounts payable	4,188,850	2,008,854
Accrued expenses	1,829,152	848,838
Accounts payable to related parties	-	64,410
Taxes payable	1,560,480	261,160
Capital leases obligations, current portion	155,509	175,005
Deferred consideration for acquisitions, current portion	2,893,187	928,964
Deferred taxes	12,542	12,062
Deferred revenue	38,985	41,232
Total current liabilities	16,175,047	4,822,942
Non-current liabilities:		
Notes payable, non-current portion	986,043	1,258,306
Note payable to related party	-	10,787
Capital leases obligations, non-current portion	66,512	245,816
Deferred consideration for acquisitions, non-current portion	663,376	191,404
Other long-term liabilities	-	96,328
Total long-term liabilities	1,715,931	1,802,641
Total liabilities	17,890,978	6,625,583
Commitments and contingencies (Note 9)	-	-
Shareholders' deficit:		
Common stock, $0.001 par value, 250,000,000 shares authorized, 189,827,928 and 160,012,875 shares issued and outstanding, at December 31, 2019 and 2018, and 20,179,231 and 47,087,125 shares conditionally issuable, at December 31, 2019 and 2018, respectively	210,007	209,092
Additional paid-in capital	3,699,194	2,430,022
Class A ordinary shares of DEPT-UK (25,000,000 shares authorized, £1 par value, 0 and 0 shares issued and outstanding as of December 31, 2019 and 2018, respectively)	-	-
Class B ordinary shares of DEPT-UK (10,000,000 shares authorized, £1 par value, 0 and 0 shares issued and outstanding as of December 31, 2019 and 2018, respectively)	-	-
Accumulated other comprehensive loss	91,063	211,754
Accumulated deficit	(31,424,722)	(5,964,764)
Total The Coffeesmiths Collective, Inc. shareholders' deficit	(27,424,458)	(3,113,896)
Non-controlling interest:		
Preference shares of DEPT-UK (25,000,000 shares authorized, £1 par value, 20,431,502 and 12,589,641 shares issued and outstanding as of December 31, 2019 and 2018, respectively)	23,158,096	17,571,450
Non-controlling interest	483,871	963,790
Total liabilities and shareholders' deficit	$ 14,108,487	$ 22,046,927

See accompanying notes to unaudited condensed consolidated financial statements.

CAFÉ HOLDINGS INC.
(f/k/a The Coffeesmiths Collective, Inc.)
and Subsidiaries
Condensed Consolidated Statements of Operations
For the Years Ended December 31,
(unaudited)

	2019	2018
Revenue, net	$ 36,990,104	$ 10,049,846
Operating expenses		
Direct costs of revenue	24,931,504	6,794,062
Professional fees	1,213,154	270,416
Rent	5,334,179	1,488,265
Depreciation and amortization	2,007,627	543,036
Property taxes	-	-
Other general and administrative expenses	11,592,571	3,540,439
Operating loss	(8,088,931)	(2,586,371)
Other income (expense)		
Interest expense	(72,620)	(82,348)
Impairment expense	(17,778,325)	(13,582)
Loss before provision for income taxes	(25,939,876)	(2,682,300)
Provision for income tax	-	-
Net loss before non-controlling interest	(25,939,876)	(2,682,300)
Loss attributable to non-controlling interest	479,919	4,077
Net loss attributable to common shareholders	$ (25,459,958)	$ (2,678,222)
Foreign currency translation loss	(120,691)	(107,524)
Total comprehensive loss	$ (25,580,648)	$ (2,785,746)
Net loss attributable to common shareholders per share	$ (0.11)	$ (0.01)
Weighted average number of shares outstanding	223,313,883	208,288,685

See accompanying notes to unaudited condensed consolidated financial statements.

CAFÉ HOLDINGS INC.

(f/k/a The Coffeesmiths Collective, Inc.)
and Subsidiaries

Condensed Consolidated Statement of Shareholders' Deficit
December 31, 2019
(unaudited)

	Class A Ordinary Stock		Class B Ordinary Stock		Common Stock		Common Stock Issuable		Additional Paid-in Capital	Accumulated Other Compre- hensive Income (Loss)	Non- Controlling Interest	Accumulated Deficit	Total Equity
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount					
Balance, December 31, 2017	-	$ -	-	$ -	160,012,875	$ 160,013	47,087,125	$ 47,087	$ 758,933	$ 319,278	$ 4,672,734	$ (3,282,461)	$ 2,675,584
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	10,592,782	-	10,592,782
Issuance of common stock for acquisitions	-	-	-	-	-	-	-	-	-	-	3,506,434	-	3,506,434
Recognition of Dollop non-controlling interest on acquisition	-	-	-	-	-	-	-	-	-	-	(236,710)	-	(236,710)
Issuance of common stock for acquisitions	-	-	-	-	1,992,000	1,992	-	-	1,671,089	-	-	-	1,673,081
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(107,524)	-	-	(107,524)
Net loss for the period ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	(2,682,303)	(2,682,303)
Balance, December 31, 2018	-	$ -	-	$ -	162,004,875	$ 162,005	47,087,125	$ 47,087	$ 2,430,022	$ 211,754	$ 18,535,240	$ (5,964,764)	$ 15,421,344
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	8,509,841	-	8,509,841
Issuance of common stock for acquisitions	-	-	-	-	902,659	903	-	-	1,260,185	-	-	-	1,261,088
Issuance of issuable common stock	-	-	-	-	26,907,894	26,908	(26,907,894)	(26,908)	-	-	-	-	-
Issuance of common stock for services	-	-	-	-	12,500	13	-	-	8,987	-	-	-	9,000
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(120,691)	-	-	(120,691)
Net loss for the period ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	(3,403,114)	(25,459,958)	(28,863,072)
Balance, December 31, 2019	-	$ -	-	$ -	189,827,928	$ 189,828	20,179,231	$ 20,179	$ 3,699,194	$ 91,063	$ 23,641,967	$ (31,424,722)	$ (3,782,491)

See accompanying notes to unaudited condensed consolidated financial statements.

CAFÉ HOLDINGS INC.
(f/k/a The Coffeesmiths Collective, Inc.)
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31,
(unaudited)

	2019	2018
Cash flows from operating activities:		
Net loss attributable to common shareholders	$ (25,459,958)	$ (2,682,302)
Adjustments to reconcile net loss before taxes and non-controlling interest to net cash used in operations:		
Depreciation and amortization expense	2,007,627	543,036
Impairment expense	17,778,325	-
Stock-based compensation	9,000	-
Other comprehensive loss	(120,691)	(107,524)
Non-controlling interest gain (loss)	(479,919)	-
Changes in operating assets and liabilities:		
Accounts receivable	(693,826)	(94,243)
Prepaid expenses	(503,121)	(21,410)
Inventory	(81,690)	(59,235)
Other non-current receivables	(40,672)	8,349
Deposits	219,269	(235,652)
Accounts payable	3,067,240	703,561
Accounts payable to related parties	(64,410)	10,064
Accrued expenses	197,747	(1,621,887)
Taxes payable	1,299,320	140,379
Deferred taxes	480	-
Deferred revenue	(2,247)	5,598
Other non-current liabilities	(96,328)	-
Net cash used in operating activities	(2,963,853)	(3,411,266)
Cash flows used in investing activities:		
Acquisition of fixed assets	(809,846)	(1,936,809)
Acqusition of intangible assets	(47,975)	-
Cash paid for acquisitions	(4,581,906)	(2,242,170)
Cash acquired from acquisitions	547,756	256,550
Advance to related party	(39,150)	(511,738)
Net cash used in investing activities	(4,931,121)	(4,434,167)
Cash flows from (used in) financing activities:		
Proceeds from notes payable	1,041,390	-
Payments on notes payable to related party	(10,787)	-
Payments on capital leases	(198,800)	(108,425)
Sale of preference shares	5,586,646	10,592,782
Payments on notes payable	(337,272)	(214,436)
Net cash provided by financing activities	6,081,177	10,269,921
Net increase (decrease) in cash	(1,813,798)	2,424,488
Cash at beginning of period	2,540,291	115,803
Cash at end of period	$ 726,493	$ 2,540,291

CAFÉ HOLDINGS INC.
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and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31,
(unaudited)

	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,303	$ 32,138
Cash paid for taxes	$ -	$ -
Non-cash investing and financing activities:		
Assets and liabilities acquired in acquisitions		
Acquisitions - Goodwill	$ 9,656,503	$ 9,372,020
Acquisitions - Accounts receivable, net	$ -	$ 225,520
Acquisitions - Inventory	$ 56,284	$ 235,651
Acquisitions - Loan receivable	$ -	$ 6,130
Acquisition - Prepaid expenses	$ 223,128	$ 135,320
Acquisitions - Fixed assets, net	$ 1,300,739	$ 1,808,465
Acquisitions - Intangible assets, net	$ -	$ 126,209
Acquisitions - Deposits	$ -	$ 79,737
Acquisitions - Accounts payable	$ 4,959	$ 539,347
Acquisitions - Accrued expenses	$ 782,567	$ 1,917,994
Acquisitions - Loans	$ -	$ 1,437,798
Acquisitions - Long-term liabilities	$ 3,832,913	$ -
Issuance of common stock for acquisitions	$ 1,261,080	$ 1,673,081
Issuance of preference shares for liabilities	$ -	$ 3,506,434
Assets acquired from capital leases	$ -	$ 158,645
Contingent consideration for acquisitions	$ 2,436,195	$ 928,965

See accompanying notes to unaudited condensed consolidated financial statements.

CAFÉ HOLDINGS INC.
(f/k/a The Coffeesmiths Collective, Inc.)
and Subsidiaries
Notes to Condensed Consolidated Financial Statements
December 31, 2019
(unaudited)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Coffeesmiths Collective, Inc., formerly known as DOCASA, Inc. (hereinafter the "Company," "we," "us," "our," or "Coffeesmiths Collective") was incorporated in the State of Nevada on July 22, 2014, under the name of FWF Holdings, Inc. The Company changed its name on August 4, 2016. The Company was originally engaged in the business of commercial production and distribution of hot sauce (see Note 3). On August 4, 2016, the Company changed its year end from July 31 to August 31.

On July 8, 2016, the Company experienced a change in control. Atlantik LP ("Atlantik"), a related party, acquired a majority of the issued and outstanding common stock of the Company in accordance with a stock purchase agreement by and between Atlantik and Nami Shams (the "Seller"). On the closing date, July 8, 2016, pursuant to the terms of the stock purchase agreement, Atlantik purchased from the Seller 115,000,000 shares of the Company's outstanding restricted common stock for $200,000, representing 76.1% of the Company's outstanding common stock at that time.

On September 1, 2016, the Company acquired 99.8% of the voting stock of the Department of Coffee and Social Affairs Limited, a United Kingdom corporation (the "DEPT-UK"), and the Company agreed to issue DEPT-UK's majority shareholder 170,000,000 shares of the Company's common stock—110,000,000 shares initially and 60,000,000 shares at a time determined by the Company's Board of Directors but no later than August 31, 2017, which deadline was subsequently extended to August 31, 2019. Also, on September 1, 2016, the Company acquired 115,000,000 shares of the Company's common stock from Atlantik in exchange for issuing Atlantik a promissory note for $320,000, which shares were then cancelled, and which note has since been paid in full. As a result of the acquisition and the issuance of the initial 110,000,000 shares of common stock, and the cancellation of the 115,000,000 Atlantik shares, DEPT-UK is now the majority-owned subsidiary of the Company, and the Company experienced a change of control.

DEPT-UK formed a wholly owned subsidiary, Department of Coffee and Internal Affairs Limited ("DCIA"), on September 11, 2014, as filed with the Registrar of Companies for England and Wales. As of December 31, 2019, DCIA has had no operations or activity.

On April 5, 2017, the Company formed Department of Coffee and Social Affairs IL, Inc. ("DEPT-IL"), an Illinois corporation.

On May 18, 2017, the Company formed Department of Coffee and Social Affairs White Space Limited ("DEPT-UKWS"), as filed with the Registrar of Companies for England and Wales. DEPT-UKWS is a subsidiary of DEPT-UK. As of December 31, 2019, DEPT-UKWS has had no operations or activity.

For financial reporting purposes, the acquisition of DEPT-UK and the change of control in connection with acquisition represented a "reverse merger" rather than a business combination, and DEPT-UK is deemed to be the accounting acquirer in the transaction. For the periods subsequent to August 31, 2016, the acquisition is being accounted for as a reverse-merger and recapitalization. DEPT-UK is the acquirer for financial reporting purposes, and the Company (DOCASA, Inc., f/k/a FWF Holdings, Inc.) is the acquired company. Consequently, the assets and liabilities and the operations that are reflected in the historical financial statements prior to the acquisition are those of DEPT-UK and have been recorded at the historical cost basis of DEPT-UK, and the financial statements after completion of the acquisition include the assets and liabilities of both the Company and DEPT-UK, and the historical operations of DEPT-UK prior to closing and operations of both companies from the closing of the acquisition.

On November 1, 2017, DEPT-UK acquired Tapped and Packed Ltd ("Tapped"), a UK company, for a combination of cash and shares of common stock of the Company. See Note 2. Tapped became a subsidiary of DEPT-UK as a result of the transaction. Tapped has four shop locations in the UK which serve coffee and food.

On February 23, 2018, the Board of Directors determined to change the Company's fiscal year end to December 31 from August 31. The Company believes this change will benefit the Company by aligning its reporting periods to be more consistent with peer coffee companies.

On May 23, 2018, DEPT-UK acquired Bea's of Bloomsbury Limited ("Bea's"), a UK company, for shares of common stock of the Company. See Note 2. Bea's became a subsidiary of DEPT-UK as a result of the transaction. Bea's has five shop locations in the UK which serves coffee and food.

Effective October 29, 2018, majority of the shareholders of the Company approved the following changes to the Company's Articles of Incorporation:

On October 29, 2018, the majority of the shareholders of the Company approved the amendment to the Articles of Incorporation to change the Company's name from "DOCASA, Inc." to "The Coffeesmiths Collective, Inc." The purpose of the name change will help further our brand identity and will reflect the major focus of our business operations as a specialty coffee company. The filing of the name change with the state of Nevada was completed and effected as of October 29, 2018. The Company filed with FINRA for a name change and symbol change on November 1, 2018. On December 4, 2018, both changes were approved.

On November 15, 2018, DEPT-UK executed a Share Purchase Agreement with Thomas Acland, David Downie, William Vernon, Kate Elizabeth Acland, and Martyn Ward for the acquisition of Coffee Global Limited (a/k/a Cafe2U ("Cafe2U"). Cafe2U became a subsidiary of DEPT-UK as a result of the transaction. Cafe2U is a franchised mobile coffee van and has 85 vans in the UK all operating under a master franchise agreement.

On December 1, 2018, the Company executed a Capital Contribution Agreement with Paul Leisen, Joan Lundgren, John Sweeney, Jacob Muller and Travis Schaffner for the acquisition of Dollop Coffee, LLC ("Dollop"). Dollop became a subsidiary of Coffeesmiths Collective as a result of the transaction. Dollop has coffee cafes and provides roasting and distribution and has 16 locations in Chicago, Illinois.

On December 1, 2018, DEPT-UK executed a Share Purchase Agreement with Silverstream Investments Ltd. for the acquisition of The Roastery Department Ltd. ("The Roastery"). The Roastery became a subsidiary of DEPT-UK as a result of the transaction. The Roastery is a roastery and has one location in the UK.

On various dates during 2018, DEPT-UK executed various share purchase agreements and asset purchase agreements with various third parties for coffee shops, roastery, bakery and assets, as applicable. The acquired entities became subsidiaries of DEPT-UK. The acquired assets were incorporated into the operations of DEPT-UK. These acquisitions, in aggregate, were for $783,869 in cash and deferred cash payments of $594,692.

On February 18, 2019, Dept. Cold Brew changed its name to Baker & Spice (London) Ltd.

On March 14, 2019, Coffeesmiths Collective, Ltd. ("CCL"), a limited liability company, was formed. It is a subsidiary of the parent company and the UK parent company to DEPT-UK and the other subsidiaries located in the UK.

On various dates during the twelve months ended December 31, 2019, the Company executed 10 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 35 other coffee shops ("Other Acquisitions - 2019"). The acquired businesses became subsidiaries of the Company. The acquired assets were incorporated into the operations of CCL. These acquisitions, in the aggregate, were for $4,581,906 in cash, $554,450 in shares and deferred cash payments of $936,715.

On February 20, 2020, the Company changed its name from The Coffeesmiths Collective, Inc. to Café Holdings, Inc. The Company has filed the change of name with the State of Nevada. The required paperwork has been submitted to FINRA for review.

Nature of Operations

We are in the specialty coffee industry, specifically with company-operated stores. The Company predominately generates revenue through sales at company operated stores in the UK and the US, for the period ending December 31, 2019 we had 72 company operated stores in the US and the US. Similar to other leading operators, we sell our proprietary coffee and related products, and complementary food and snacks.

Principles of Consolidation

The consolidated financial statements include the accounts of Coffeesmiths Collectives and its subsidiaries, DEPT-UK, DCIA, DEPT-IL and DEPT-UK's subsidiaries, Tapped, Bea's, Cafe2U, The Roastery, Dept. Cold Brew and others. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company has no cash in excess of FDIC limits in the US and Financial Services Compensation Scheme in the UK.

Accounts Receivable

Accounts receivable consisted of amounts due from customers primarily for management fees. The Company considered accounts more than 30 days old to be past due. The Company used the allowance method for recognizing bad debts. When an account was deemed uncollectible, it was written off against the allowance. The Company generally does not require collateral for its accounts receivable. Management has recorded an allowance for doubtful accounts as of December 31, 2019 of $28,904 and as of December 31, 2018 of $45,002.

Inventory

Inventory is recorded at the lower of cost or market and the cost of sales are recorded utilizing the first in first out ("FIFO") method.

Fixed Assets

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets of five years for all assets, and the lesser of the lease term or the useful life of the leased equipment. Leasehold improvements are amortized over the lesser of the lease term or the useful life of the improvements. Expenditures for maintenance and repairs along with fixed assets below our capitalization threshold are expensed as incurred.

Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

We follow accounting guidance for financial and non-financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

> Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
>
> Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. We have adopted this update. We do not believe this guidance will impact the recognition of our primary source of revenue from company-owned coffee shops. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Stock-Based Compensation

The Company accounts for stock-based instruments issued to employees in accordance with ASC Topic 718. ASC Topic 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. The value of the portion of an award that is ultimately expected to vest is recognized as an expense over the requisite service periods using the straight-line attribution method. The Company accounts for non-employee share-based awards in accordance with the measurement and recognition provisions ASC Topic 505-50. The Company estimates the fair value of stock options at the grant date by using the Black-Scholes option-pricing model.

Advertising

Advertising is expensed as incurred and is included in other general and administrative expenses on the accompanying condensed consolidated statement of operations. For the twelve months ended December 31, 2019 and 2018, advertising expense was $287,200 and $54,087, respectively.

Income Taxes

The Company adopted the provisions of ASC 740, "Income Taxes." When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for unrecognized tax benefits in the accompanying condensed consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of December 31, 2019, tax years 2014 - 2018 remain open for IRS audit and tax years 2015–2018 remain open for HM Revenue & Customs ("HMRC") audit. The Company has received no notice of audit from the IRS or HMRC for any of the open tax years.

Net Earnings (Loss) Per Share

In accordance with ASC 260-10, "Earnings Per Share," basic net earnings (loss) per common share is computed by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed using the weighted average number of common stock shares outstanding during the period. The Company does not currently have any potential dilutive securities outstanding as of December 31, 2019 and 2018.

Foreign Currency Translation and Transactions

The British Pound ("£") is the functional currency of CCL, DEPT-UK and the UK operations whereas the financial statements are reported in United States Dollar ("USD," "$"). Assets and liabilities are translated based on the exchange rates at the condensed consolidated balance sheet date, while revenue and expense accounts are translated at the average exchange rates prevailing during the period. Equity accounts are translated at historical exchange rates. The resulting translation gain and loss adjustments are accumulated as a component of shareholders' equity and other comprehensive loss.

Comprehensive Loss

The Company reports comprehensive loss and its components in its consolidated financial statements. Comprehensive loss consists of net loss on foreign currency translation adjustments affecting shareholders' equity that, under U.S. GAAP, are excluded from net loss. As of December 31, 2019, the exchange rate between U.S. Dollars and British Pounds was US$1.33 = £1.00, and the weighted average exchange rate for the twelve months ended December 31, 2019 was US$1.30 = £1.00. As of December 31, 2018, the exchange rate between U.S. Dollars and British Pounds was US$1.28 = £1.00, and the weighted average exchange rate for the year ended December 31, 2018 was US$1.31 = £1.00. For the acquisitions described herein, the weighted average exchange rates varied by each acquisition based on the date of acquisition exchange rate.

Going Concern

The Company had net loss attributable to common shareholders for the twelve months ended December 31, 2019 of $25,939,876 and a working capital deficit as of December 31, 2019 of $12,910,844, and has cash used in operations of $2,963,853 for the twelve months ended December 31, 2019. In addition, as of December 31, 2019, the Company had a stockholders' deficit and accumulated deficit of $27,424,458 and $31,424,722, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The ability of the Company to continue its operations is dependent on the execution of management's plans, which include the raising of capital through the debt and/or equity markets, until such time that funds provided by operations are sufficient to fund working capital requirements. If the Company were not to continue as a going concern, it would likely not be able to realize its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the consolidated financial statements.

There can be no assurances that the Company will be successful in generating additional cash from the equity/debt markets or other sources to be used for operations. The financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary. Based on the Company's current resources, the Company will not be able to continue to operate without additional immediate funding. Should the Company not be successful in obtaining the necessary financing to fund its operations, the Company would need to curtail certain or all operational activities and/or contemplate the sale of its assets, if necessary.

Effect of Recent Accounting Pronouncements

The Company reviews new accounting standards and updates as issued. No new standards or updates had any material effect on these financial statements. The accounting pronouncements and updates issued subsequent to the date of these financial statements that were considered significant by management were evaluated for the potential effect on these financial statements. Management does believe that some of the subsequent pronouncements will have a material effect on these financial statements as presented and does not anticipate the need for any future restatement of these financial statements because of the retro-active application of any accounting pronouncements issued subsequent to December 31, 2019, through the date these financial statements were issued.

In February 2016, the Financial Accounting Standards Board ("FASB") issued an ASU on lease accounting. The ASU requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. The ASU is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. While the Company is still evaluating the ASU, the Company expects the adoption of the ASU to have a material effect on the Company's financial condition due to the recognition of the lease rights and obligations as assets and liabilities. The Company expects the ASU to have a material effect on the Company's results of operations and financial position, and the ASU will have no effect on cash flows.

The Company has been affected negatively by COVID-19 as the Company's sales are from coffee shops which have been closed due to COVID-19 and the governments' closing of food and beverage businesses in the UK and the US, which has had a negative impact in 2020.

NOTE 2 – ACQUISITIONS

Acquisition of Bea's of Bloomsbury Limited

On May 23, 2018, DEPT-UK entered into an acquisition agreement (the "Bea's Acquisition Agreement") with Bea's, a United Kingdom corporation. Pursuant to the Bea's Acquisition Agreement, Bea's stock was transferred to DEPT-UK on May 23, 2018, in consideration of 1,933,239 shares of common stock of the Company. The Company's common stock was valued at $0.84 therefore the Company recorded the value of $1,623,921. Management recorded a provisional goodwill, as of December 31, 2019, which is attributable to common synergies, the workforce, and may be adjusted based on management's final determination of the fair value of the assets and liabilities acquired. See Notes 1, 7 and 8.

The following table summarizes the consideration given by DEPT-UK and the provisional fair values of the assets and liabilities assumed at the acquisition date.

Consideration given:		
Common stock shares given	$	1,623,921
Total consideration given	$	1,623,921

Fair value of identifiable assets acquired, and liabilities assumed:

Prepaid expense	$	86,764
Inventory		36,311
Fixed assets, net		315,558
Deposits		54,357
Accounts payable		(250,365)
Accrued expenses		(271,096)
Short-term note payable		(45,931)
Total identifiable net liabilities		(74,400)
Goodwill		1,698,321
Total consideration	$	1,623,921

Acquisition of Coffee Global Limited

On November 15, 2018, DEPT-UK entered into a share purchase agreement for the acquisition of Coffee Global Limited (a/k/a Cafe2U, the "Coffee Global Acquisition Agreement") with Thomas Acland, David Downie, William Vernon, Kate Elizabeth Acland, and Martyn Ward. Pursuant to the Coffee Global Acquisition Agreement, Cafe2U's stock was transferred to DEPT-UK on November 15, 2018, in consideration of £825,000 ($997,350), to be paid in two installments; 1) £357,000 ($458,299) at the execution of the agreement, 2) additional consideration (in such sum as to be determined pursuant to the determination of the Completion Accounts in accordance with the provision of the Share Purchase Agreement) to be paid 50% by shares (340,997) in the Company and 50% in cash up to the maximum total additional consideration sum of £468,000 ($545,594). Management has calculated provisional goodwill of $1,192,169, which is attributable to common synergies, the workforce, and may be adjusted based on management's final determination of the fair value of the assets and liabilities acquired. See Notes 1 and 7.

The following table summarizes the consideration given by DEPT-UK and the provisional fair values of the assets and liabilities assumed at the acquisition date.

Consideration given:

Cash given	$	458,299
Deferred loan		545,594
Total consideration given	$	1,003,893

Fair value of identifiable assets acquired, and liabilities assumed:

Cash	$	1,867
Accounts receivable		39,829
Inventory		12,461
Prepaid expenses		12,615
Fixed assets, net		14,313
Accrued expenses		(269,315)
Taxes payable		(46)
Total identifiable net liabilities		(188,276)
Goodwill		1,192,169
Total consideration	$	1,003,893

Acquisition of The Roastery Department Ltd.

On December 1, 2018, DEPT-UK executed a Share Purchase Agreement ("The Roastery Acquisition Agreement") with Silverstream Investments Ltd. for the acquisition of The Roastery Department Ltd. ("The Roastery"). The Roastery Acquisition Agreement provided Silverstream with preference shares of DEPT-UK in the amount of £2,750,000 ($3,506,433), which at closing was satisfied by the issuance of 2,750,000 shares. The Roastery became a subsidiary of DEPT-UK as a result of the transaction. The Roastery is a specialty coffee roaster and has one location in the UK. Management has calculated provisional goodwill of $3,771,803, which is attributable to common synergies, the workforce, and may be adjusted based on management's final determination of the fair value of the assets and liabilities acquired. See Notes 1 and 7.

The following table summarizes the consideration given by the Company and the provisional fair values of the assets and liabilities assumed at the acquisition date.

Consideration given:		
Shares given	$	3,506,433
Total consideration given	$	3,506,433
Fair value of identifiable assets acquired, and liabilities assumed:		
Cash	$	30,497
Accounts receivable		122,100
Prepaid expenses		(337)
Fixed assets, net		117,137
Accounts payable		(51,404)
Accrued expenses		(580,665)
Taxes payable		97,302
Total identifiable net liabilities		(265,370)
Goodwill		3,771,803
Total consideration	$	3,506,433

Acquisition of Dollop Coffee, LLC

On December 1, 2018, the Company entered into a Capital Contribution Agreement (the "Dollop Acquisition Agreement") with Paul Leisen, Joan Lundgren, John Sweeney, Jacob Muller and Travis Schaffner to acquire 51% of the membership interest of Dollop. Additionally, the Company issued shares of common stock of the Company with a fair market value of $50,000, or 62,500 shares, to Dollop Brand, LLC. Management has calculated provisional goodwill of $1,296,372, which is attributable to common synergies, the workforce, and may be adjusted based on management's final determination of the fair value of the assets and liabilities acquired. See Notes 1 and 7.

The following table summarizes the consideration given by the Company and the provisional fair values of the assets and liabilities assumed at the acquisition date.

Consideration given:		
Cash given	$	1,000,000
Shares given		50,000
Total consideration given	$	1,050,000
Fair value of identifiable assets acquired, and liabilities assumed:		
Cash	$	91,841
Accounts receivable		51,768
Inventory		172,368
Loan receivable		6,130
Prepaid expenses		30,951
Fixed assets, net		1,156,486
Accounts payable		(213,974)
Accrued expenses		(251,372)
Taxes payable		(89,481)
Loans payable, current portion		(133,810)
Loans payable, non-current portion		(1,303,988)
Total identifiable net liabilities		(483,082)
Percentage of company acquired		51%
Total identifiable net liabilities acquired		(246,372)
Goodwill		1,296,372
Total consideration	$	1,050,000

The payment to Dollop Coffee LLC for the 51% equity investment by CHI was enabled through a Ten-Year Zero Coupon Convertible Loan Note for $3 million from Silverstream Investments Limited in December 2019. The consideration for Dollop, paid in full at closing, included both payments for equity and the provision of working capital. Further funding of up to $1.3 million for the purchase of minority shareholder interests in Dollop was to be made available when final acquisition terms with those shareholders had been agreed. This transaction never took place. The terms of the $3 million Silverstream loan were that it was convertible into equity in the Company (CHI) at any time between December 2019 and December 2029 at a 40% discount to the average bid price in the 4 weeks preceding conversion. Alternatively, the loan is repayable at any time (only if repaid in full) if conversion does not take place but in these circumstances Silverstream will be entitled to a repayment termination fee equivalent to 7% per annum interest for the life of the outstanding loan, payable in shares in the company at a 40% discount to the average bid price in the 4 weeks.

Other Acquisitions - 2018

During the year ended December 31, 2018, the Company executed six purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate five other coffee shops and one roastery ("Other Acquisitions - 2018"). The acquired businesses became subsidiaries of the Company. The acquired assets were incorporated into the operations of CCL. These Other Acquisitions - 2018, in the aggregate, were for $660,404 in cash and deferred cash payments of $594,692. See Note 1 and 7.

Consideration given:		
Cash given	$	783 ,869
Deferred consideration		594,692
Total consideration given	$	1,255,096
Fair value of identifiable assets acquired, and liabilities assumed:		
Cash	$	112,252
Accounts receivable, net		11,823
Inventory		14,519
Prepaid expenses		5,338
Fixed assets, net		230,360
Deposits		34,854
Accounts payable		(23,627)
Accrued expenses		(253,034)
Taxes payable		(39,399)
Loans		(31,651)
Deferred taxes		(11,942)
Other long-term liabilities		(1,249)
Total identifiable net assets		(158,124)
Goodwill		1,413,220
Total consideration	$	1,255,096

Other Acquisitions - 2019

During the twelve months ended December 31, 2019, the Company executed 10 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 35 other coffee shops ("Other Acquisitions - 2019"). The acquired businesses became subsidiaries of the Company. The acquired assets were incorporated into the operations of DEPT-UK. These acquisitions, in the aggregate, were for $4,581,906 in cash, $554,450 in shares and deferred cash payments of $936,715. See Note 1 and 7.

Consideration given:		
Cash given	$	4,581,906
Shares		554,450
Deferred consideration		936,715
Total consideration given	$	6,073,071
Fair value of identifiable assets acquired, and liabilities assumed:		
Cash and Deposits	$	547,756
Inventory		56,284
Prepaid expenses		250,128

Fixed assets, net		1,301,739
Accounts payable		(4,959)
Accrued expenses		(782,567)
Other long-term liabilities		(3,832,913)
Total identifiable net assets		(2,464,533)
Goodwill		8,537,604
Total consideration	$	6,073,071

NOTE 3 – INVENTORY

The Company has inventory of various items used for the sale of coffee and complementary products. As of December 31, 2019, and December 31, 2018, the Company had inventory of $484,023 and $391,824, respectively. The Company accounts for its inventory using the lower of cost or market and the cost of sales are recorded utilizing the first in first out ("FIFO") method.

The inventory is as follows:

	December 31, 2019		December 31, 2018	
Consumable products	$	78,541	$	73,758
Retail products		36,559		34,333
Food and drinks		302,130		283,733
Total inventory	$	417,230	$	391,824

NOTE 4 – FIXED ASSETS

The Company has fixed assets including computer equipment, office equipment, site equipment and machinery, site fit out costs, site furniture, fixtures and fittings, as reflected in the table below:

	December 31, 2019		December 31, 2018	
Motor vehicles	$	102,310	$	63,481
Site furniture, fixtures and fittings		3,020,624		797,509
Leasehold improvements		7,158,992		4,957,158
Site equipment and machinery		2,697,166		849,262
Subtotal		12,979,092		6,667,410
Less: Accumulated depreciation		(6,480,380)		(1,297,274)
Fixed assets, net	$	6,498,712	$	5,370,137

The depreciation expense for the twelve months ended December 31, 2019 and 2018 was $2,007,627 and $173,366, respectively. The variance between the expense and the increase in accumulated depreciation is due to timing of the currency translation calculation.

NOTE 5 – INTANGIBLE ASSETS

Website Development

The Company has intangible assets related to website development. The amortization of the intangible assets is over a three-year period.

The amortization expense for the twelve months ended December 31, 2019 and 2018 was $3,502 and $3,753, respectively. The variance between the expense and the increase in accumulated amortization is due to timing of the currency translation calculation.

The future estimated amortization expense is as follows:

2019	$ 1,251
2020	$ 5,005
2021	$ 5,005
2022	$ 5,005
2023	$ 5,005
Future	$ 24,639

Total	$ 45,910

Goodwill

The Company has goodwill related to the various acquisitions. As of 31 December 2019, the Company performed an assessment of the carrying value of goodwill against the current market conditions within which various acquisitions were operating. As a result of this assessment, the Company made impairments of $17,778,325. The Company has not determined the deductibility of goodwill for tax purposes. As of December 31, 2019, the Company has $3,263,317 of goodwill, as allocated below:

Balance, December 31, 2017	$ 2,013,254
Acquisitions	9,371,885
Balance, December 31, 2018	$ 11,385,139
Disposal	$ (229,748)
Revaluations	$(16,429,677)
Acquisitions	$ 8,537,603
Balance, December 31, 2019	$ 3,263,317

NOTE 6 – NOTES PAYABLE

The Company has notes payable as of December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019			December 31, 2018		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Arch Investments	$ 2,194	$ -	$ 2,194	$ 2,194	$ -	$ 2,194
Arch Investments	5,067	-	5,067	5,067	-	5,067
Arch Investments	5,065	-	5,065	5,065	-	5,065
Arch Investments	15,873	-	15,873	15,873	-	15,873
Arch Investments	4,349	-	4,349	4,349	-	4,349
HSBC	165,064	-	165,064	262,158	13,343	275,501
HSBC	45,397	-	45,397	65,159	3,063	68,222
Deij Capital Limited (1)	-	-	-	10,786	-	10,786
Chase SBA	165,806	-	165,806	191,667	-	191,667
Chase	502,579	-	502,579	614,702	-	614,702
Pinnacle	62,897	-	62,897	81,385	-	81,385
Schaffner	349,635	-	349,635	398,210	-	398,210
Coffee Global Loan		-		(8,724)	-	(8,724
BSD LLC Loan		-		226	-	226
Citibank LOC		-		65,589	-	65,589
HSBC		-		15,160	-	15,160
HSBC Overdraft	569,744	-	569,744			
Silverstream Investments Limited	4,456,035	-	4,456,035			
Metric Coffee Company	105,000	-	105,000			
Square Loans	27,681		27,681			
HP Loan		-		22,644	-	22,644
Total	$ 6,482,385	-	$ 6,482,385	$ 1,751,510	$ 16,406	$ 1,767,916

(1) Related party

On July 1, 2014, DEPT-UK entered into a business loan with Deij Capital Limited ("Deij Capital"), a related party in which Gill is the director and owner. The loan is for 3 years, with an interest rate of 0%. The note has been extended to July 1, 2019. The imputed interest is deemed immaterial as of December 31, 2018. The facility loan was for $171,437 (£100,000) to be drawn down as and when required. On September 30, 2016, Deij Capital converted the balance due of $179,534 (£135,464) into 135,464 shares of Preference Shares. On May 31, 2017, Deij Capital converted of the balance due $63,990 (£51,500) into 51,500 shares of Preference Shares. On October 1, 2018, Deij Capital forgave this business loan (see Note 7).

On July 31, 2014, DOCASA executed a promissory note for $2,194 with Nami Shams, a former officer and director of the Company. The note has no set term of repayment and is non-interest bearing. The imputed interest is deemed immaterial as of December 31, 2019. As of December 31, 2019, and December 31, 2018, the principal was $2,194. This note was acquired by Arch Investments, LLC.

On April 30, 2015, DOCASA executed a promissory note for $5,067 with Nami Shams, a former officer and director of the Company. The note has no set term of repayment and is non-interest bearing. On July 20, 2016, Arch Investments, LLC acquired this promissory note due to Nami Shams. The imputed interest is deemed immaterial as of December 31, 2019. As of December 31, 2019, and December 31, 2018, the principal was $5,067.

On July 31, 2015, DOCASA executed a promissory note for $5,065 with Nami Shams, a former officer and director of the Company. The note has no set term of repayment and is non-interest bearing. The imputed interest is deemed immaterial as of December 31, 2019. As of December 31, 2019, and December 31, 2018, the principal was $5,065. This note was acquired by Arch Investments, LLC.

On October 31, 2015, DOCASA executed a promissory note for $15,873 with Nami Shams, a former officer and director of the Company. The note has no set term of repayment and is non-interest bearing. The imputed interest is deemed immaterial as of December 31, 2019. As of December 31, 2019, and December 31, 2018, the principal was $15,873. This note was acquired by Arch Investments, LLC.

On January 31, 2016, DOCASA executed a promissory note for $4,349 with Nami Shams, a former officer and director of the Company. The note has no set term of repayment and is non-interest bearing. The imputed interest is deemed immaterial as of December 31, 2019. As of December 31, 2019, and December 31, 2018, the principal was $4,349. This note was acquired by Arch Investments, LLC.

On July 28, 2016, DEPT-UK entered into a business loan with HSBC. The loan is a development loan drawn down against development invoices. The loan is for four years, with an interest rate of 4.5% over the Bank of England base rate. The loan repayment is monthly, interest-only payments for the first twelve months followed by monthly repayments of principal and interest over the remaining forty-two months. The loan was for $437,992 (£352,500) with an initial $115,767 (£93,178) drawn. The outstanding principal and accrued interest as of December 31, 2019 and December 31, 2018, was $165,064 (£124,412) and $264,587 (£249,067), respectively. As of December 31, 2019, the current portion was $110,042 and the non-current portion was $55,021.

On September 8, 2016, Tapped, prior to being acquired by DEPT-UK, entered into a business loan with HSBC. The loan is for five years, with an interest rate of 5.51%. The loan was for £90,000. The outstanding principal as of December 31, 2019 and December 31, 2018, was $45.397 and $24,081, respectively. As of December 31, 2019, the current portion was $24,081and the non-current portion was $21,317.

On July 28, 2017, Dollop, prior to being acquired by the Company, entered into a business loan with Chase SBA. The loan is for ten years, with an interest rate of 6.51%. The loan was for $217,500. The outstanding principal as of December 31, 2019 was $165,806. As of December 31, 2019, the current portion was $18,371 and the non-current portion was $147,434.

On August 9, 2018, Dollop, prior to being acquired by the Company, entered into a business loan with Chase. The loan is for five years, with an interest rate of 8.35%. The loan was for $650,000. The outstanding principal as of December 31, 2019 was $502,579. As of December 31, 2019, the current portion was $122,137 and the non-current portion was $380,442.

On October 17, 2017, Dollop, prior to being acquired by the Company, entered into a promissory note with Travis Schaffner. The maturity date is January 20, 2026, with an interest rate of 1.83%. The note was for $449,054. The outstanding principal as of December 31, 2019 was $349,635. As of December 31, 2019, the current portion was $43,036 and the non-current portion was $306,599.

On February 13, 2018, Dollop, prior to being acquired by the Company, entered into a business loan with Pinnacle Capital Partners. The loan is for five years, with an interest rate of 6%. The loan was for $101,700. The outstanding principal as of December 31, 2019 was $62,897. As of December 31, 2019, the current portion was $20,166 and the non-current portion was $42,730.

On February 1, 2019, Dollop, entered into a promissory note with Metric Coffee Company. The maturity date is February 1, 2021, with an interest rate of 7%. The note was for $125,000. The outstanding principal as of December 31, 2019 was $105,000. As of December 31, 2019, the current portion was $72,500 and the non-current portion was $32,500.

On August 27, 2019, CCL, entered into a loan arrangement with Silverstream Investments Limited. The loans are payable on demand, carry no interest and are secured by shares in subsidiary entitles. The outstanding principal as of December 31, 2019 was $1,399,723. As of December 31, 2019, the current portion was $1,399,723 and the non-current portion was $0.

On September 13, 2019, DEPT-UK, entered into an overdraft facility with HSBC. This is a rolling facility with an interest rate of 4% over the Bank of England base rate. The facility is for $630,000. The outstanding principal as of December 31, 2019 was $569,744. As of December 31, 2019, the current portion was $569,744 and the non-current portion was $0.

On October 2, 2019, Dept-IL, Chicago Grind location, entered into a business loan with Square. The total loan amount is $22,450, which includes the loan fee of $2,450. The loan will mature on April 2, 2021 and 9% of daily sales are applied, by Square, to repay the loan. The balance on June 10, 2020 is $10,721.30, $11,728.70 has been paid to date.

On November 26, 2019 DEPT-IL, Presidential Towers location, entered into a business loan with Square. The total loan amount is $16,950, which includes the loan fee of $1,950. The loan will mature on May 26, 2021 and 9% of daily sales are applied, by Square, to repay the loan. The balance on June 10, 2020 is $10,874.10, $6075.90 has been paid to date.

On February 19, 2020, Dept-IL, 800 W Diversey location, entered into a business loan with Square. The total loan amount is $17,063, which includes the loan fee of $2,063. The loan will mature on August 19, 2021 and 15.5% of daily sales are applied, by Square, to repay the loan. The balance on June 10, 2020 is $15,327.91. $1,735.09 has been paid to date.

On March 16, 2020, Dept-IL, LaSalle location, entered into a business loan with Square. The total loan amount is $22,133, which includes the loan fee of $2,633. The loan will mature on September 16, 2021 and 16.5% of daily sales are applied, by Square, to repay the loan. The balance on June 10, 2020 is $ 22,133.

Maturities of the long-term debt for each of the next five years and thereafter are as follows:

Year Ending December 31,		
2019	$	1,052,201
2020		492,179
2021		311,529
2022		232,884
2023		171,365
Future		168,609
Total	$	2,428,768

NOTE 7 – RELATED PARTIES TRANSACTIONS

As of December 31, 2019, and December 31, 2018, the Company owed Allesch-Taylor, the Company's chairman, payables $38,180 (£28,777) and $37,698 (£28,777), respectively.

As of December 31, 2019, December 31, 2018, the Company owed Lopez, the Company's chief executive officer, payables $26,430 and $26,430, respectively.

The Company has an employment agreement with Lopez, our CEO.

On December 21, 2018, the Company advanced $511,738 (£401,402) funds to MDG 02 Limited ("MDG"), a company owned by Gill, a director of the Company, in return for an option to purchase 100% of the share capital of MDG for £1. MDG used the proceeds to acquire two coffee shops in the UK. The option expires on December 20, 2038. Gill provided the option to the Company as an informal security for the repayment of the advanced funds. The advance is not formally documented and does not bear or accrued interest. The Company accounts for the option as a financial instrument, with a fair value that is not readily determinable.

The above related party transactions are not considered as arm's length transactions.

NOTE 8 – SHAREHOLDERS' EQUITY

Common Stock

The Company is authorized to issue up to 250,000,000 shares of common stock. Each outstanding share of common stock entitles the holder to one vote per share on all matters submitted to a shareholder vote. All shares of common stock are non-assessable and non-cumulative, with no pre-emptive rights.

On May 23, 2018, the Company issued 1,932,239 shares of common stock to various third parties as compensation for the acquisition of Bea's (see Notes 1 and 2).

On December 1, 2018, the Company recorded 62,500 shares of common stock as issuable in regard to the acquisition of Dollop (see Note 2).

On May 1, 2019, Allesch-Taylor exercised his rights to the common stock related to the issuable common stock (see Note 1) in regard to the acquisition in 2016, in the amount of 23,157,894 shares. Simultaneously with the issuance, Allesch-Taylor assigned these shares to unrelated third parties. After the issuance, there remains 23,929,231 shares of common stock issuable to Allesch-Taylor.

In the twelve months ended December 31, 2019, the Company issued 915,159 shares of common stock related to various acquisitions and stock-based compensation. The shares were valued at $1,270,088. See Note 2.

As of December 31, 2019, the Company has not granted any stock options.

Preference Shares and Non-Controlling Interest

Non-controlling interest is shown as a component of shareholders' deficit on the consolidated balance sheets and the share of new loss attributable to non-controlling interest is shown as a component of net loss in the consolidation statements of operations and comprehensive loss.

The Articles of Association of DEPT-UK, pursuant to the Companies Act 2006, authorized DEPT-UK to issue up to 25,000,000 preference shares, par value £1.00 per share (such subsidiary preference shares referred to herein as "Preference Shares"). Such Preference Shares have no votes and limited distribution rights. Subject to the provisions of the Companies Act 2006, DEPT-UK shall have the right pursuant to Section 687-688 of the Companies Act 2006 to redeem at par the whole or any part of the Preference Shares at any time or times after the date of issue of the said Preference Shares upon giving to the holders not less than three months' previous notice in writing. The Preference Shares, at the discretion of the Board of Director of DEPT-UK, can be purchased at the value they were issued or can be converted into contributed capital. The Preference Shares are accounted for as non-controlling interest. As of December 31, 2019, and December 31, 2018, 20,431,502 and 14,509,672 shares were outstanding, respectively. Of the outstanding shares, 1,592,710 and 1,592,710 were issued to related parties (Stefan Allesch-Taylor and Matthew Gill), as of December 31, 2019 and December 31, 2018, respectively.

DEPT-UK has a non-controlling interest of 0.2%. For the twelve months ended December 31, 2019, the Company had a non-controlling interest of $6,869.

On February 28, 2017, 51,500 Preference Shares were issued to Deij Capital in exchange for a debt of $36,500 (£51,500). See Note 7.

On December 5, 2017, Borough Capital contributed $25,000 (£18,583) to DEPT-UK, in exchange for 18,583 Preference Shares.

On December 14, 2017, Borough Capital contributed $45,000 (£33,488) to the DEPT-UK, in exchange for 33,488 Preference Shares.

During the four months ended December 31, 2017, 20,000 Preference Shares were issued for contributions of $26,558 (£20,000) to DEPT-UK.

On January 17, 2018, Borough Capital, in regard to an October 2017 contribution of $111,061 to DEPT-UK, converted the liability into 79,563 Preference Shares.

On November 1, 2017, DEPT-UK entered into the Tapped Acquisition Agreement with Tapped, a United Kingdom corporation. See Note 2.

The dollar amount of Preference Shares, as recorded, were recorded to non-controlling interest as part of consolidation.

On December 1, 2018, 2,750,000 Preference Shares were issued for the purchase of The Roastery valued at $3,506,433 (£2,750,000).

During the year ended December 31, 2018, 10,934,594 Preference Shares were issued for contributions of $10,592,782 (£8,184,574) to DEPT-UK.

During the twelve months ended December 31, 2019, 5,921,830 Preference Shares were issued for contributions of $8,509,841 (£5,921,830) to DEPT-UK.

Contributions were used to fund working capital, acquisitions and capital expenditures. The Preference Shares are reflected on the consolidated balance sheet as non-controlling interest.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of September 7, 2021, the below legal issues are reflected. Other than these issues, there were no other pending or threatened lawsuits known. Due to the Litigation, the Company is not privy to activities related to Dollop Coffee.

On March 20, 2020, the Company received Notice of a Claim filed in the State of Illinois in the Circuit Court of Cook County, Case No. 2020CH03407, Dollop Brand, LLC, et al. v. DOCASA, Inc., et al (the "Litigation") informing the Company of an alleged immediate dissolution of its 51% joint venture in Dollop Coffee, LLC ("Dollop Coffee") by minority shareholder Dollop Brand, LLC ("Brand")

and Brand’s principal Dan Weiss (“Weiss”). There were also further claims of $20 million against the Company and against officers of the Company who served on the Dollop Coffee Board of Managers (*i.e.* directors). In the complaint filed in March 2020, Weiss declared that he now owned 89% of Dollop. The Company firmly believes these actions to be vexatious, arbitrary and both unlawful and illegal in their substance. The Company’s attorneys provided Weiss with regulations that, during this debate of ownership, the Company had an obligation to file consolidated financial statements with the OTC Markets. Weiss categorically refused to provide any information to the Company. The Company therefore could not file the required financials January 2020 to date. The Company has a tentative settlement with Weiss that is expected to be executed in or about September 2021 (see Note 14).

The payment to Dollop Coffee LLC for the 51% equity investment by CHI was enabled through a Ten-Year Zero Coupon Convertible Loan Note for $3 million from Silverstream Investments Limited in December 2019. The consideration for Dollop, paid in full at closing, included both payments for equity and the provision of working capital. Further funding of up to $1.3 million for the purchase of minority shareholder interests in Dollop was to be made available when final acquisition terms with those shareholders had been agreed. This transaction never took place. The terms of the $3 million Silverstream loan were that it was convertible into equity in the Company (CHI) at any time between December 2019 and December 2029 at a 40% discount to the average bid price in the 4 weeks preceding conversion. Alternatively, the loan is repayable at any time (only if repaid in full) if conversion does not take place but in these circumstances Silverstream will be entitled to a repayment termination fee equivalent to 7% per annum interest for the life of the outstanding loan, payable in shares in the company at a 40% discount to the average bid price in the 4 weeks.

On or about March 22, 2020, Silverstream exercised its rights under its secured financing and foreclosed on all UK assets. This left only the Dollop assets in the U.S. in the Company.

On or about March 30, 2020, the Company retained attorneys Horwood Marcus & Berk Chartered (“HMB”) in Chicago to represent the Company and the above-mentioned officers of the Company in the Litigation. The Company has filed counterclaims against Brand and Weiss in the Litigation, as well as a series of motions seeking relief that includes, but is not limited to: (a) the dismissal of Brand’s and Weiss’s claims against the Company and its officers; and (b) court appointment of an independent receiver/manager for Dollop Coffee. The Company continues to explore legal action against Brand, Weiss and their and Dollop Coffee’s retained professionals. The Company estimates that these claims could be in excess of $90 million (see Note 14).

It was agreed with Silverstream Investments Limited in April 2020 that they would procure the financing of 100% of the litigation costs incurred by CHI. In exchange for providing 100% of these litigation costs, it has been agreed that Silverstream will be entitled to 80% of the net recovery from any settlements, with 20% of the net recovery going to CHI.

On June 16, 2020, in the Circuit Court of Cook County, Illinois, Law Division, a Complaint for Breach of Contract was filed in Caffe Streets, Inc. v. DHW Streets, LLC and Daniel Weiss, Case No. 2020L006458 (see Note 14).

On June 17, 2020, in the Circuit Court of Cook County, County Department, Law Division, a Plaintiff’s Complaint for Breach of Contract and Other Relief was filed in Affito Domus Vendita Holdings, LLC v. Dollop Larrabee, LLC, Dan Weiss, individually, and Dollop Coffee, LLC, Case No. 2020L006501 (see Note 14).

Lease Commitment

We lease office space in Schaumburg, Illinois, pursuant to a lease that is monthly. This facility serves as our corporate office.

Future minimum lease payments under leases with the various subsidiaries, are as follows:

2020	$	3,252,810
2021		2,952,746
2022		2,360,777
2023		1,962,682
2024		1,596,751
Future		5,349,365
Total	$	17,475,130

Note: The above table will change in each future filing due to currency translation as applicable.

The Company has 47 leases in the UK, of which one is for the administrative office, a central kitchen, three roasteries and 44 storefronts. We have 22 leases in the United States, 21 storefronts and one roastery. Various leases have break out dates prior to expiration.

Rent expense for the twelve months ended December 31, 2019 and 2018 was $5,334,179 and $1,488,265, respectively.

NOTE 10 – CONCENTRATIONS

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist principally of temporary cash investments.

The Company places its temporary cash investments with financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") for the United States and the Financial Services Compensation Scheme ("FSCS") for the United Kingdom. No amounts exceeded federally insured limits as of December 31, 2018. There have been no losses in these accounts through December 31, 2018.

NOTE 11 – REVENUE CLASSES

Selected financial information for the Company's operating revenue classes are as follows:

	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Revenues:		
Coffee and complementary food products	$ 36,342,230	$ 9,306,337
Coffee school	-	7,592
Management fees	647,874	735,917
Total	$ 36,990,104	$ 10,049,846

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Company leases various assets under capital lease. As of December 31, 2019, and December 31, 2018, capital lease obligations consisted of the following:

	December 31, 2019	December 31, 2018
Computer equipment	$ -	$ -
Office equipment	86,476	86,476
Site equipment and machinery	263,469	263,469
Site fit out costs	23,274	23,274
Site furniture, fixtures and fittings	58,776	58,776
Total fixed assets	431,995	431,995
Less: Accumulated depreciation	133,736	106,739
Fixed assets, net	$ 298,259	$ 325,256

Aggregate future minimum rentals under capital leases are as follows:

2020	$ 155,509
2021	100,945
2022	43,969
2023	3,856
Future	-
Total	304,278
Less: Interest	82,257
Present value of minimum lease payments	222,021
Less: Current portion of capital lease obligations	155,509
Capital lease obligations, net of current portion	$ 66,512

NOTE 13 – INCOME TAXES

As of December 31, 2019, and December 31, 2018, the Company has U.S. net operating loss carry forwards of $7,600,142 and $561,409, respectively. The carry forward expires through the year 2039. The Company's net operating loss carry forwards may be subject to annual limitations, which could reduce or defer the utilization of the losses as a result of an ownership change as defined in Section 382 of the Internal Revenue Code.

The Company's tax expense differs from the "expected" tax expense for Federal income tax purposes computed by applying the United States Federal tax rate of 21% to loss before taxes for twelve months ended December 31, 2019, as follows:

	December 31, 2019	December 31, 2018
Tax expense (benefit) at the statutory rate		
Federal	$ (321,259)	$ (30,812)
Non-U.S.	(5,126,115)	(481,759)
State income taxes, net of federal income tax benefit	(58,133)	(11,738)
Non-deductible items		-
Federal	-	4,618
Non-U.S.	3,733,448	519,691
Change in valuation allowance	1,772,059	-
Total	$ -	$ -

The tax effects of the temporary differences between reportable financial statement income and taxable income are recognized as deferred tax assets and liabilities.

The tax years 2018 and 2017 remains to examination by federal agencies and other jurisdictions in which it operates.

The tax effect of significant components of the Company's deferred tax assets and liabilities at December 31, 2019 and December 31, 2018, are as follows:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Net operating loss carry forward	$ 7,600,142	$ 561,409
Less: Deferred tax asset valuation allowance	(7,600,142)	(561,409)
Total net deferred taxes	$ -	$ -

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Because of the historical earnings history of the Company, the net deferred tax assets were fully offset by a 100% valuation allowance. The valuation allowance for the remaining net deferred tax assets was $7,600,142 and $561,409, as of December 31, 2019 and December 31, 2018, respectively.

The Company believes that the goodwill attributable to acquisitions (see Note 2) will be tax deductible, as applicable.

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. The Company has determined that there are no other such events that warrant disclosure or recognition in the financial statements, except as stated herein.

The outbreak of the coronavirus (COVID-19) resulted in increased travel restrictions, and shutdown of businesses, which may cause slower recovery of the economy. We may continue to experience impact from quarantines, market downturns and changes in customer behavior related to pandemic fears and impact on our workforce if the virus continues to spread. In addition, one or more of our customers, partners, service providers or suppliers may experience financial distress, delayed or defaults on payment, file for bankruptcy protection, sharp diminishing of business, or suffer disruptions in their business due to the outbreak. The extent to which the coronavirus impacts our results will depend on future developments and reactions throughout the world, which are highly uncertain and will include emerging information concerning the severity of the coronavirus and the actions taken by governments and private businesses to attempt to contain the coronavirus. It is likely to result in a potential material adverse impact on our business, results of operations and financial condition. Wider-spread COVID-19 globally could prolong the deterioration in economic conditions and could cause decreases in or delays in consumer spending and reduce and/or negatively impact our short-term ability to grow our revenues. Any decreased collectability of accounts receivable, bankruptcy of small and medium businesses, or early termination of agreements due to deterioration in economic conditions could negatively impact our results of operations. Both the UK and US subsidiary companies have applied for, and received, some government aid as a result of the COVID-19 impact.

On February 18, 2020, the Company secured financing for £30 million of equity with the investment group, Silverstream Investments Ltd. ("Silverstream"). Silverstream was already the largest lender to the Company at the time prior to the new proposed investment. Through their prior debt financing, they held a secured position over all of the assets of the UK operations. The projected closing of the new equity investment was on or about March 30, 2020. The only substantial pre-condition to closing the equity investment was that there be no outstanding or pending litigation of substance against the Company. The funds were designed to advance the Company's expansion plans in both the UK and the U.S. and to enable the Company to weather the down time due to what it perceived was an impending COVID-19 crisis for the sector.

On February 20, 2020, the Company changed its name from The Coffeesmiths Collective, Inc. to Café Holdings, Inc. ("CHI"). The Company has filed the change of name with the State of Nevada. The required paperwork was submitted to FINRA for review and has been approved.

As of March 4, 2020, CHI's loan arrangement with Silverstream Investments Limited increased from $1,280,315 as at December 31, 2019 to $3,618,860 by April 3, 2020. This was in part due to the conversion of a £1 million pound advance from the new equity investment by Silverstream received on February 21, 2020 and its subsequent conversion to debt when this investment subsequently failed to complete.

On March 20, 2020, the Company received Notice of a Claim filed in the State of Illinois in the Circuit Court of Cook County, Case No. 2020CH03407, Dollop Brand, LLC, et al. v. DOCASA, Inc., et al (the "Litigation") informing the Company of an alleged immediate dissolution of its 51% joint venture in Dollop Coffee, LLC ("Dollop Coffee") by minority shareholder Dollop Brand, LLC ("Brand") and Brand's principal Dan Weiss ("Weiss"). There were also further claims of $20 million against the Company and against officers of the Company who served on the Dollop Coffee Board of Managers (*i.e.* directors). In the complaint filed in March 2020, Weiss declared that he now owned 89% of Dollop. The Company firmly believes these actions to be vexatious, arbitrary and both unlawful and illegal in their substance. The Company's attorneys provided Weiss with regulations that, during this debate of ownership, the Company had an obligation to file consolidated financial statements with the OTC Markets. Weiss categorically refused to provide any information to the Company. The Company therefore could not file the required financials January 2020 to date. The Company has a tentative settlement with Weiss that is expected to be executed in or about September 2021 (see Note 9).

On March 21, 2020, the Governor of Illinois issued a "lockdown" notice causing the closure of all food, beverage and hospitality in Chicago until late June 2020. This was the first of several lockdowns in the Chicago area.

On March 22, 2020, the Company was informed that the Conditions Precedent in the SPA had not been met due to the receipt of the legal action by Weiss and the proposed Silverstream investment was rescinded.

On or about March 22, 2020, Silverstream exercised its rights under its secured financing and foreclosed on all UK assets. This left only the Dollop assets in the U.S. in the Company.

On March 23, 2020, the UK Government ordered the immediate closure of hundreds of thousands of businesses across the UK in a "lockdown" affecting 95% of the Company's UK operating assets for a period that lasted, to varying degrees, for over 24 weeks. This lockdown was then repeated again many months later.

On March 31, 2020, Coffee Global Limited and Taylor Street Baristas (London) Limited was sold.

On or about March 30, 2020, the Company retained attorneys Horwood Marcus & Berk Chartered ("HMB") in Chicago to represent the Company and the above-mentioned officers of the Company in the Litigation. The Company has filed counterclaims against Brand and Weiss in the Litigation, as well as a series of motions seeking relief that includes, but is not limited to: (a) the dismissal of Brand's and Weiss's claims against the Company and its officers; and (b) court appointment of an independent receiver/manager for Dollop Coffee. The Company continues to explore legal action against Brand, Weiss and their and Dollop Coffee's retained professionals. The Company estimates that these claims could be in excess of $90 million (see Note 9).

It was agreed with Silverstream Investments Limited in April 2020 that they would procure the financing of 100% of the litigation costs incurred by CHI. In exchange for providing 100% of these litigation costs, it has been agreed that Silverstream will be entitled to 80% of the net recovery from any settlements, with 20% of the net recovery going to CHI.

During this period, the UK Directors, advised by specialist restructuring and insolvency experts, determined that the non-operating holding company CHI in which sat the Group's headquarters and administrative functions, was no longer viable as it could no longer charge central costs to its subsidiaries in accordance with its business model nor draw upon fresh equity of the then rescinded equity investment.

As a result, the assets of the UK group specifically have either been sold at fair market price or transferred to existing secured preference debt holders who sought to realize their security. Those assets not transferred to debt holders were liquidated.

On June 16, 2020, in the Circuit Court of Cook County, Illinois, Law Division, a Complaint for Breach of Contract was filed in Caffe Streets, Inc. v. DHW Streets, LLC and Daniel Weiss, Case No. 2020L006458 (see Note 9).

On June 17, 2020, in the Circuit Court of Cook County, County Department, Law Division, a Plaintiff's Complaint for Breach of Contract and Other Relief was filed in Affito Domus Vendita Holdings, LLC v. Dollop Larrabee, LLC, Dan Weiss, individually, and Dollop Coffee, LLC, Case No. 2020L006501 (see Note 9).

On or about July 20, 2020, whatever assets had not been liquidated due to COVID-19 or had been taken over by Silverstream in the UK went into Administration.