THE COFFEESMITHS COLLECTIVE, INC.
(f/k/a DOCASA, Inc.)
and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash	$ 1,401,242	$ 2,540,291
Accounts receivable	1,512,753	600,163
Prepaid expenses	1,392,874	546,498
Inventory	461,072	391,824
Total current assets	4,767,941	4,078,776
Fixed assets, net	6,585,981	5,370,135
Intangible assets, net	207,100	135,270
Other receivables	38,098	38,281
Goodwill	19,990,672	11,385,139
Advance to related party	546,330	511,738
Deposits	578,773	527,588
Total assets	$ 32,714,895	$ 22,046,927

THE COFFEESMITHS COLLECTIVE, INC.
(f/k/a DOCASA, Inc.)
and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	June 30, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Notes payable, current portion	$ 434,746	$ 482,417
Accounts payable	4,083,108	2,008,854
Accrued expenses	1,030,067	848,838
Accounts payable to related parties	32,523	64,410
Taxes payable	423,982	261,160
Capital leases obligations, current portion	186,978	175,005
Deferred consideration for acquisitions, current portion	2,254,683	928,964
Deferred taxes	12,005	12,062
Deferred revenue	27,889	41,232
Total current liabilities	8,485,980	4,822,942
Non-current liabilities:		
Notes payable, non-current portion	1,157,951	1,258,306
Note payable to related party	-	10,787
Capital leases obligations, non-current portion	257,094	245,816
Deferred consideration for acquisitions, non-current portion	810,935	191,404
Other long-term liabilities	-	96,328
Total long-term liabilities	2,225,980	1,802,641
Total liabilities	10,711,960	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 June 30, 2019 and December 31, 2018, and 20,179,231 and 47,087,125 shares conditionally issuable, at June 30, 2019 and December 31, 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 June 30, 2019 and December 31, 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 June 30, 2019 and December 31, 2018, respectively)	-	-
Accumulated other comprehensive loss	(426,115)	211,754
Accumulated deficit	(8,463,732)	(5,964,764)
Total The Coffeesmiths Collective, Inc. shareholders' deficit	(4,980,646)	(3,113,896)
Non-controlling interest:		
Preference shares of DEPT-UK (25,000,000 shares authorized, £1 par value, 20,531,522 and 12,589,641 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively)	26,019,791	17,571,450
Non-controlling interest in Dollop	963,790	963,790
Total liabilities and shareholders' deficit	$ 32,714,895	$ 22,046,927

See accompanying notes to unaudited condensed consolidated financial statements.

THE COFFEESMITHS COLLECTIVE, INC.
(f/k/a DOCASA, Inc.)
and Subsidiaries
Condensed Consolidated Statements of Operations
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenue, net	$ 8,927,138	$ 2,091,034	$ 15,395,809	$ 3,914,743
Operating expenses				
Direct costs of revenue	6,052,479	1,792,407	10,276,121	2,939,127
Professional fees	96,944	161,216	231,546	184,254
Rent	1,282,254	381,276	2,341,878	588,477
Depreciation and amortization	291,881	91,681	549,610	173,366
Property taxes	-	-	-	10,051
Other general and administrative expenses	2,779,095	607,903	4,720,662	947,101
Operating loss	(1,575,514)	(943,449)	(2,724,008)	(927,633)
Other income (expense)				
Interest expense	(4,144)	(7,151)	(26,893)	(13,139)
Loss before provision for income taxes	(1,579,658)	(950,600)	(2,750,901)	(940,772)
Provision for income tax	-	-	-	-
Net loss before non-controlling interest	(1,579,658)	(950,600)	(2,750,901)	(940,772)
Loss attributable to non-controlling interest	250,493	1,475	251,933	1,305
Net loss attributable to common shareholders	$ (1,329,164)	$ (949,125)	$ (2,498,968)	$ (939,467)
Foreign currency translation loss	(790,350)	144,979	(637,869)	(270,651)
Total comprehensive loss	$ (2,119,514)	$ (804,146)	$ (3,136,836)	$ (1,210,118)
share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	212,063,466	160,820,162	210,811,241	160,418,748

See accompanying notes to unaudited condensed consolidated financial statements.

THE COFFEESMITHS COLLECTIVE, INC.

(f/k/a DOCASA, Inc.)

and Subsidiaries

Condensed Consolidated Statement of Shareholders' Deficit

June 30, 2019

(unaudited)

	Class A Ordinary Stock		Class B Ordinary Stock		Common Stock		Issuable		Paid-in	Accumulated Other Compre- Income	Non- Controlling	Accumulated	Total
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Capital	(Loss)	Interest	Deficit	Equity
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	-	-	-	-	-	-	-	-	-	-	975,486	-	975,486
Issuance of common stock for acquisitions	-	-	-	-	1,932,239	1,933	-	-	1,627,116	-	-	-	1,629,049
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(891,887)	-	-	(891,887)
Net loss for the period ended June 30, 2018	-	-	-	-	-	-	-	-	-	-	-	(139,914)	(139,914)
Balance, June 30, 2018	-	$ -	-	$ -	150,036,000	$150,036	57,064,000	$ 57,064	$2,386,049	$ (572,609)	$ 5,648,220	$ (3,422,375)	$ 4,246,385
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	-	-	-	-	-	-	-	-	-	-	8,448,341	-	8,448,341
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	-	-	-	-	-	-	-	-	-	(637,869)	-	-	(637,869)
Net loss for the period ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	(2,498,968)	(2,498,968)
Balance, June 30, 2019	-	$ -	-	$ -	189,827,928	$189,828	20,179,231	$ 20,179	$3,699,194	$ (426,115)	$ 26,983,581	$ (8,463,732)	22,002,935

See accompanying notes to unaudited condensed consolidated financial statements.

THE COFFEESMITHS COLLECTIVE, INC.
(f/k/a DOCASA, Inc.)
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30,
(unaudited)

	2019	2018
Cash flows from operating activities:		
Net income (loss) attributable to common shareholders	$ (2,498,968)	$ (939,467)
Adjustments to reconcile net loss before taxes and non-controlling interest to net cash provided by (used in) operations:		
Depreciation and amortization expense	549,610	173,366
Loss on disposal of intangible assets	-	2,801
Stock-based compensation	9,000	-
Other comprehensive loss	(637,869)	(270,651)
Non-controlling interest gain	249,720	1,305
Changes in operating assets and liabilities:		
Accounts receivable	(912,590)	(238,126)
Other receivables	-	8,722
Prepaid expenses	(846,376)	(207,096)
Inventory	(69,248)	(2,063)
Other non-current receivables	(34,409)	-
Deposits	(51,185)	5,201
Accounts payable	2,074,254	570,597
Accounts payable to related parties	(31,887)	4,588
Accrued expenses	181,230	926,238
Taxes payable	162,822	123,858
Deferred taxes	(57)	-
Deferred revenue	(13,343)	(2,981)
Other non-current liabilities	(2,312,323)	(70,518)
Net cash provided by (used in) operating activities	(4,181,619)	85,774
Cash flows used in investing activities:		
Acquisition of fixed assets	(504,373)	(417,065)
Acqusition of intangible assets	(60,796)	-
Cash paid for acquisitions	(3,980,131)	(39,545)
Cash acquired from acquisitions	547,756	-
Advance to related party	(34,592)	-
Net cash used in investing activities	(4,032,136)	(456,610)
Cash flows from (used in) financing activities:		
Proceeds from notes payable	-	270,497
Payments on notes payable to related party	(10,787)	-
Payments on capital leases	(77,998)	(161,137)
Sale of preference shares	7,305,714	863,120
Payments on notes payable	(142,223)	(393,353)
Net cash provided by financing activities	7,074,706	579,127
Net increase (decrease) in cash	(1,139,049)	208,291
Cash at beginning of period	2,540,291	139,350
Cash at end of period	$ 1,401,242	$ 347,641

THE COFFEESMITHS COLLECTIVE, INC.

(f/k/a DOCASA, Inc.)

and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the Six Months Ended June 30,

(unaudited)

	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,303	$ 4,850
Cash paid for taxes	$ -	$ -
Non-cash investing and financing activities:		
Acquisitions - Goodwill	$ 7,274,743	$ -
Acquisitions - Inventory	$ 56,284	$ -
Acquisition - Prepaid expenses	$ 223,128	$ -
Acquisitions - Fixed assets, net	$ 1,300,739	$ -
Acquisitions - Accounts payable	$ 4,959	$ -
Acquisitions - Accrued expenses	$ 782,567	$ -
Acquisitions - Long-term liabilities	$ 3,832,913	$ -
Issuance of common stock for acquisitions	$ 1,261,080	$ -
Issuance of preference shares for liabilities	$ -	$ 111,061
Fixed asset additions by capital leases	$ -	$ 58,668
Fair value of shares issued for acquisition	$ -	$ 1,629,049
Capital lease additions	$ -	$ 58,668

See accompanying notes to unaudited condensed consolidated financial statements.

The Coffeesmiths Collective, Inc.
(f/k/a DOCASA, Inc.)
and Subsidiaries
Notes to Condensed Consolidated Financial Statements
June 30, 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 June 30, 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 June 30, 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, Coffeesmiths Collective 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, 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 various dates during the six months ended June 30, 2019, the Company executed 8 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 30 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 $4,305,131 in cash, $554,450 in shares and deferred cash payments of $536,929.

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 June 30, 2019 we had 86 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 June 30, 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 six months ended June 30, 2019 and 2018, advertising expense was $243,812 and $8,068, 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 June 30, 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 June 30, 2019 and June 30, 2018.

Foreign Currency Translation and Transactions

The British Pound ("£") is the functional currency of 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 June 30, 2019, the exchange rate between U.S. Dollars and British Pounds was US$1.27 = £1.00, and the weighted average exchange rate for the six months ended June 30, 2019 was US$1.27 = £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 six months ended June 30, 2019 of $2,798,968 and a working capital deficit as of June 30, 2019 of $3,718,039, and has cash used in operations of $4,181,619 for the six months ended June 30, 2019. In addition, as of June 30, 2019, the Company had a stockholders' deficit and accumulated deficit of $4,980,646 and $8,463,732, 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, 2018 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.

NOTE 2 – ACQUISITIONS

Acquisition of Tapped and Packed Ltd

On November 1, 2017, DEPT-UK entered into an acquisition agreement (the "Tapped Acquisition Agreement") with Tapped and Packed Ltd ("Tapped"), a United Kingdom corporation. Richard Lilley, an individual ("Lilley"), was the owner of record of 100 capital shares of Tapped. Pursuant to the Tapped Acquisition Agreement, Tapped stock was transferred to DEPT-UK on November 1, 2017, in consideration of £175,000 and 1,546,875 shares of common stock of the Company. The £175,000 was paid in October 2017 as a prepayment to the completion date of November 1, 2017. Stefan Allesch-Taylor ("Allesch-Taylor"), Chairman of the Company, utilized his personally owned shares of common stock of the Company, and assigned the 1,546,875 shares (the "Allesch-Taylor Shares") from his ownership to Lilley. In exchange for the use of the Allesch-Taylor Shares, which were provisionally valued at $1,918,125, the Board of Directors issued Allesch-Taylor 1,325,000 Preference Shares of DEPT-UK. The Provisional Share Compensation Value was determined by the previous day's closing price of $1.24 per share. The Company's common stock is thinly-traded and an insignificant amount of stock traded has historically caused significant fluctuations in the price per share of the Company's common stock. The Allesch-Taylor Shares of common stock were assigned to Lilley on or about October 19, 2017 and were released in accordance to the agreement. See Notes 1, 7 and 8. Also in connection with the Tapped Acquisition Agreement, Gill and Lopez were appointed to serve on Tapped's Board of Directors.

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

Consideration given:		
Cash given	$	237,877
Common stock shares given		1,918,125
Total consideration given	$	2,156,002
Fair value of identifiable assets acquired, and liabilities assumed:		
Cash	$	200,582
Prepaid expense		92,052
Inventory		51,411
Fixed assets, net		73,337
Deposits		119,999
Accrued expenses		(192,645)
Short-term note payable		(200,804)
Deferred taxes		(1,184)
Total identifiable net liabilities		142,748
Goodwill		2,013,254
Total consideration	$	2,156,002

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 June 30, 2019, of $1,698,321, 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. As of December 31, 2018, these shares were not issued and recorded as issuable. 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

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 DEPT-UK. 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 six months ended June 30, 2019, the Company executed 8 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 30 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 $4,305,131 in cash, $554,450 in shares and deferred cash payments of $536,929. See Note 1 and 7.

Consideration given:		
Cash given	$	4,305,131
Shares		554,450
Deferred consideration		536,929
Total consideration given	$	4,746,510

Fair value of identifiable assets acquired, and liabilities assumed:		
Cash and Deposits	$	547,756
Inventory		56,284
Prepaid expenses		223,128
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		(2,604,533)
Goodwill		7,861,043
Total consideration	$	5,396,510

NOTE 3 – INVENTORY

The Company has inventory of various items used for the sale of coffee and complementary products. As of June 30, 2019, and December 31, 2018, the Company had inventory of $454,572 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:

	June 30, 2019	December 31, 2018
Consumable products	$ 84,648	$ 73,758
Retail products	22,763	34,333
Food and drinks	353,662	283,733
Total inventory	$ 461,073	$ 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:

	June 30, 2019	December 31, 2018
Motor vehicles	$ 138,333	$ 63,481
Site furniture, fixtures and fittings	3,215,737	797,509
Leasehold improvements	5,187,564	4,957,158
Site equipment and machinery	2,959,646	849,262
Subtotal	11,501,280	6,667,410
Less: Accumulated depreciation	(4,915,298)	(1,297,274)
Fixed assets, net	$ 6,585,982	$ 5,370,137

The depreciation expense for the six months ended June 30, 2019 and 2018 was $549,610 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 six months ended June 30, 2019 and 2018 was $2,502 and $2,388, 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	$ 2,502
2020	$ 5,005
2021	$ 5,005
2022	$ 5,005
2023	$ 5,005
Future	$ 24,639
Total	$ 47,161

Goodwill

The Company has goodwill related to the various acquisitions. The Company has not determined the deductibility of goodwill for tax purposes. As of June 30, 2019, the Company has $19,781,915 of goodwill, as allocated below:

Balance, December 31, 2017	$ 2,013,254
Acquisitions	9,371,885
Balance, December 31, 2018	$ 11,385,139
Reclassification	$ 744,490
Acquisitions	$ 7,861,043
Balance, June 30, 2019	$ 19,990,672

NOTE 6 – NOTES PAYABLE

The Company has notes payable as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 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	219,436		219,436	262,158	13,343	275,501
HSBC	51,745		51,745	65,159	3,063	68,222
Deij Capital Limited (1)		-		10,786	-	10,786
Chase SBA	180,120	-	180,120	191,667	-	191,667
Chase	559,708	-	559,708	614,702	-	614,702
Pinnacle	67,273	-	67,273	81,385	-	81,385
Schaffner	371,867	-	371,867	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
Metric Coffee Company	110,000	-	110,000			
HP Loan		-		22,644	-	22,644
Total	$ 1,592,697	-	$ 1,592,697	$ 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 June 30, 2019. As of June 30, 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 June 30, 2019. As of June 30, 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 June 30, 2019. As of June 30, 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 June 30, 2019. As of June 30, 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 June 30, 2019. As of June 30, 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 nine 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 June 30, 2019 and December 31, 2018, was $219,436 (£165,882) and $264,587 (£249,067), respectively. As of June 30, 2019, the current portion was $107,824 and the non-current portion was $111,613.

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 June 30, 2019 and December 31, 2018, was $51,745 and $23,356, respectively. As of June 30, 2019, the current portion was $24,423 and the non-current portion was $27,322.

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 June 30, 2019 was $180,120. As of June 30, 2019, the current portion was $18,076 and the non-current portion was $162,045.

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 June 30, 2019 was $559,708. As of June 30, 2019, the current portion was $117,160 and the non-current portion was $442,548.

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 June 30, 2019 was $371,867. As of June 30, 2019, the current portion was $42,644 and the non-current portion was $329,223.

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 June 30, 2019 was $67,273. As of June 30, 2019, the current portion was $19,572 and the non-current portion was $47,701.

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 June 30, 2019 was $110,000. As of June 30, 2019, the current portion was $72,500 and the non-current portion was $37,500.

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

Year Ending December 31,		
2019	$	174,107
2020		499,326
2021		314,692
2022		232,884
2023		173,164
Future		198,484
Total	$	1,592,697

NOTE 7 – RELATED PARTIES TRANSACTIONS

As of June 30, 2019, and December 31, 2018, the Company owed Allesch-Taylor, the Company's chairman, payables of $37,698 (£28,777) and $37,698 (£28,777), respectively.

As of June 30, 2019, December 31, 2018, the Company owed Lopez, the Company's chief executive officer, payables of $26,430 and $26,430, respectively.

As of June 30, 2019, and December 31, 2018, the Company owed Deij Capital, a company in which Gill, the deputy chairman of the Company, is the director and owner, notes payable of $0 (£0) and $0 (£0), respectively. On October 1, 2018, Deij Capital forgave this business loan (see Note 6).

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 regards 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 regards 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 six months ended June 30, 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 June 30, 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 June 30, 2019, and December 31, 2018, 20,531,522 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 June 30, 2019 and December 31, 2018, respectively.

DEPT-UK has a non-controlling interest of 0.2%. For the six months ended June 30, 2019, the Company had a non-controlling interest of $3,653.

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 regards 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 six months ended June 30, 2019, 6,021,850 Preference Shares were issued for contributions of $7,941,881 (£6,021,850) 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 12, 2019, there were no pending or threatened lawsuits.

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:

2019	$	1,757,894
2020		3,404,444
2021		2,967,040
2022		2,416,834
2023		2,082,499
Future		7,452,262
Total	$	20,080,972

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

The Company has 45 leases in the UK, of which one is for the administrative office, a central kitchen, three roasteries and 42 storefronts. We have 20 leases in the United States, 19 storefronts and one roastery. Various leases have break out dates prior to expiration.

Rent expense for the six months ended June 30, 2019 and 2018 was $2,341,878 and $588,477 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 six months ended June 30, 2019		For the six months ended June 30, 2018	
Revenues:				
Coffee and complementary food products	$	14,960,213	$	2,819,984
Coffee school		-		6,108
Management fees		435,596		113,035
Total	$	15,395,809	$	2,939,127

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Company leases various assets under capital lease. As of June 30, 2019, and December 31, 2018, capital lease obligations consisted of the following:

	June 30, 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	136,199	106,739
Fixed assets, net	$ 295,796	$ 325,256

Aggregate future minimum rentals under capital leases are as follows:

2019	$ 225,545
2020	164,159
2021	65,371
2022	36,262
Future	-
Total	491,337
Less: Interest	47,265
Present value of minimum lease payments	444,072
Less: Current portion of capital lease obligations	186,978
Capital lease obligations, net of current portion	$ 257,094

NOTE 13 – INCOME TAXES

As of June 30, 2019, and December 31, 2018, the Company has U.S. net operating loss carry forwards of $753,779 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 six months ended June 30, 2019, as follows:

	June 30, 2019	December 31, 2018
Tax expense (benefit) at the statutory rate		
Federal	$ (185,071)	$ (30,812)
Non-U.S.	(339,712)	(481,759)
State income taxes, net of federal income tax benefit	(11,917)	(11,738)
Non-deductible items		-
Federal	4,618	4,618
Non-U.S.	339,712	519,691
Change in valuation allowance	192,371	-
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 June 30, 2019 and December 31, 2018, are as follows:

	June 30, 2019	December 31, 2018
Deferred tax assets:		
Net operating loss carry forward	$ 753,780	$ 561,409
Less: Deferred tax asset valuation allowance	(753,780)	(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 $753,780 and $561,409, as of June 30, 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

Subsequent to June 30, 2019, the Company executed an asset purchase agreement for a coffee roastery wholesale business and an asset purchase agreement for the acquisition of 4 coffee shops for approximately $696,850.