

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 3,112,298	\$ 2,540,291
Accounts receivable	1,087,102	600,163
Prepaid expenses	1,136,646	546,498
Inventory	557,822	391,824
Total current assets	5,893,868	4,078,776
Fixed assets, net	6,690,882	5,370,135
Intangible assets, net	208,852	135,270
Other receivables	39,128	38,281
Goodwill	19,185,745	11,385,139
Advance to related party	505,872	511,738
Deposits	581,929	527,588
Total assets	\$ 33,106,276	\$ 22,046,927

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**Consolidated Balance Sheets**  
**March 31,**  
**(unaudited)**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Notes payable, current portion	\$ 481,225	\$ 482,417
Accounts payable	3,393,547	2,008,854
Accrued expenses	845,606	848,838
Accounts payable to related parties	32,279	64,410
Taxes payable	360,127	261,160
Capital leases obligations, current portion	186,978	175,005
Deferred consideration for acquisitions, current portion	2,354,714	928,964
Deferred taxes	12,329	12,062
Deferred revenue	29,103	41,232
Total current liabilities	7,695,906	4,822,942
Non-current liabilities:		
Notes payable, non-current portion	1,210,019	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	879,423	191,404
Other long-term liabilities	-	96,328
Total long-term liabilities	2,346,536	1,802,641
Total liabilities	10,042,443	6,625,583
Commitments and contingencies (Note 9)		
Shareholders' deficit:		
Common stock, \$0.001 par value, 250,000,000 shares authorized, 160,636,468 and 160,012,875 shares issued and outstanding, at March 31, 2019 and December 31, 2018, and 47,087,125 and 47,087,125 shares conditionally issuable, at March 31, 2019 and December 31, 2018, respectively	209,719	209,092
Additional paid-in capital	2,973,975	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 March 31, 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 March 31, 2019 and December 31, 2018, respectively)	-	-
Accumulated other comprehensive loss	364,235	211,754
Accumulated deficit	(7,136,006)	(5,964,764)
Total The Coffeesmiths Collective, Inc. shareholders' deficit	(3,588,077)	(3,113,896)
Non-controlling interest:		
Preference shares of DEPT-UK (25,000,000 shares authorized, £1 par value, 19,887,606 and 12,589,641 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively)	25,688,121	17,571,450
Non-controlling interest in Dollop	963,790	963,790
Total liabilities and shareholders' deficit	\$ 33,106,276	\$ 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**  
**For the Three Months Ended March 31,**  
**(unaudited)**

	<u>2019</u>	<u>2018</u>
Revenue, net	\$ 6,468,671	\$ 1,823,709
Operating expenses		
Direct costs of revenue	4,223,642	1,146,720
Professional fees	134,602	23,038
Rent	1,059,624	207,201
Depreciation and amortization	257,729	81,685
Property taxes	-	10,051
Other general and administrative expenses	1,941,567	339,199
Operating loss	(1,148,494)	15,815
Other income (expense)		
Interest expense	(22,749)	(5,988)
Loss before provision for income taxes	(1,171,240)	9,827
Provision for income tax	-	-
Net loss before non-controlling interest	(1,171,240)	9,827
Loss attributable to non-controlling interest	1,440	(170)
Net loss attributable to common shareholders	\$ (1,169,800)	\$ 9,657
Foreign currency translation loss	152,481	(415,630)
Total comprehensive loss	<u>\$ (1,017,319)</u>	<u>\$ (405,973)</u>
Net loss attributable to common shareholders per share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>207,637,867</u>	<u>160,012,000</u>

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**THE COFFEESMITHS COLLECTIVE, INC.**  
**(f/k/a DOCASA, Inc.)**  
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**Condensed Consolidated Statement of Shareholders' Deficit**  
**March 31, 2019**  
**(unaudited)**

	Class A Ordinary Stock		Class B Ordinary Stock		Common Stock		Issuable		Paid-in Capital	Accumulated Other	Non- Controlling Interest	Accumulated Deficit	Total Equity
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount		Income (Loss)			
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	-	-	-	-	-	-	-	-	-	-	131,991	-	131,991
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(998,444)	-	-	(998,444)
Net loss for the period ended March 31, 2018	-	-	-	-	-	-	-	-	-	-	-	809,210	809,210
Balance, March 31, 2018	-	\$ -	-	\$ -	150,036,000	\$150,036	57,064,000	\$ 57,064	\$ 758,933	\$ (679,166)	\$ 4,804,725	\$ (2,473,251)	\$ 2,618,341
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	-	-	-	-	-	-	-	-	-	-	7,152,881	-	7,152,881
Issuance of common stock for acquisitions	-	-	-	-	626,593	627	-	-	543,953	-	-	-	544,580
Other comprehensive loss	-	-	-	-	-	-	-	-	-	152,481	-	-	152,481
Net loss for the period ended March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	(1,171,240)	(1,171,240)
Balance, March 31, 2019	-	\$ -	-	\$ -	162,631,468	\$162,632	47,087,125	\$ 47,087	\$2,973,975	\$ 364,235	\$ 25,688,121	\$ (7,136,006)	22,100,044

*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 Three Months Ended March 31,**  
**(unaudited)**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net income (loss) attributable to common shareholders	\$ (1,169,800)	\$ 9,657
Adjustments to reconcile net loss before taxes and non-controlling interest to net cash provided by (used in) operations:		
Depreciation and amortization expense	257,729	81,685
Other comprehensive income (loss)	152,481	(377,208)
Non-controlling interest gain (loss)	1,440	(170)
Changes in operating assets and liabilities:		
Accounts receivable	(486,939)	(206,396)
Prepaid expenses	(590,148)	(99,973)
Inventory	(165,998)	(19,495)
Other non-current receivables	5,019	(1,525)
Deposits	(54,341)	(7,992)
Accounts payable	1,384,693	430,297
Accounts payable to related parties	(32,131)	1,528
Accrued expenses	(3,232)	244,227
Taxes payable	98,967	64,426
Deferred taxes	267	-
Deferred revenue	(12,129)	(334)
Other non-current liabilities	(2,196,895)	30,059
<b>Net cash provided by (used in) operating activities</b>	<b>(2,811,016)</b>	<b>148,786</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of fixed assets	(353,002)	(150,687)
Acquisition of intangible assets	(60,796)	-
Cash paid for acquisitions	(3,980,131)	-
Cash acquired from acquisitions	547,756	-
Advance to related party	5,866	-
<b>Net cash used in investing activities</b>	<b>(3,840,307)</b>	<b>(150,687)</b>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from notes payable	-	12,699
Payments on notes payable to related party	(10,787)	-
Payments on capital leases	(22,117)	(29,334)
Sale of preference shares	7,305,714	-
Payments on notes payable	(49,479)	(29,029)
<b>Net cash provided by (used in) financing activities</b>	<b>7,223,331</b>	<b>(45,664)</b>
Net increase (decrease) in cash	572,007	(47,565)
Cash at beginning of period	2,540,291	139,350
Cash at end of period	<b>\$ 3,112,298</b>	<b>\$ 91,785</b>

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**Condensed Consolidated Statements of Cash Flows**  
**For the Three Months Ended March 31,**  
**(unaudited)**

	<b>2019</b>	<b>2018</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 7,303	\$ 5,376
Cash paid for taxes	\$ -	\$ -
<b>Non-cash investing and financing activities:</b>		
Acquisitions - Goodwill	\$ 7,274,743	\$ -
Acquisitions - Inventory	\$ 49,784	\$ -
Acquisition - Prepaid expenses	\$ 223,128	\$ -
Acquisitions - Fixed assets, net	\$ 1,244,539	\$ -
Acquisitions - Accounts payable	\$ 4,959	\$ -
Acquisitions - Accrued expenses	\$ 782,567	\$ -
Acquisitions - Long-term liabilities	\$ 3,832,913	\$ -
Issuance of preference shares for liabilities	\$ -	\$ 111,061
Issuance of common stock for acquisitions	\$ 554,450	\$ -
Fixed asset additions by capital leases	\$ -	\$ 58,668

*See accompanying notes to unaudited condensed consolidated financial statements.*

**The Coffeesmiths Collective, Inc.**  
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**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
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**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 March 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, 2018, 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.

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**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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 three months ended March 31, 2019, the Company executed 6 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 18 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 \$3,980,131 in cash, \$554,450 in shares and deferred cash payments of \$211,929.

### ***Nature of Operations***

We are in the specialty coffee industry, specifically with company-operated stores. The Company generates revenue through sales at forty-six company-operated stores in the UK 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.



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**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
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***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 March 31, 2019 of \$28,094 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.

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**March 31, 2019**  
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***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 three months ended March 31, 2019 and 2018, advertising expense was \$54,194 and \$164, 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 March 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 March 31, 2019 and March 31, 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

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**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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 March 31, 2019, the exchange rate between U.S. Dollars and British Pounds was US\$1.30 = £1.00, and the weighted average exchange rate for the three months ended March 31, 2019 was US\$1.28 = £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 three months ended March 31, 2019 of \$1,169,800 and a working capital surplus as of March 31, 2019 of \$1,802,038, and has cash used in operations of \$2,811,016 for the three months ended March 31, 2019. In addition, as of March 31, 2019, the Company had a stockholders' deficit and accumulated deficit of \$3,588,077 and \$7,136,006, 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.

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

**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	<u>1,918,125</u>
Total consideration given	<u><u>\$ 2,156,002</u></u>

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	<u>(1,184)</u>
Total identifiable net liabilities	142,748
Goodwill	<u>2,013,254</u>
Total consideration	<u><u>\$ 2,156,002</u></u>

The revenue and net income for Tapped, as reflected in the consolidated statement of operations, for the three months ended March 31, 2019, to reflect the current period, was \$346,969 and \$20,932, respectively.

*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 March 31, 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 Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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	<u>\$ 1,623,921</u>
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	<u>(45,931)</u>
Total identifiable net liabilities	(74,400)
Goodwill	1,698,321
Total consideration	<u>\$ 1,623,921</u>

The revenue and net loss for Bea's, as reflected in the consolidated statement of operations, for the three months ended March 31, 2019, to reflect the current period, was \$527,811 and \$315,829, respectively.

*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	<u>545,594</u>
Total consideration given	<u>\$ 1,003,893</u>
Fair value of identifiable assets acquired, and liabilities assumed:	
Cash	\$ 1,867
Accounts receivable	39,829
Inventory	12,461
Prepaid expenses	12,615
	14,313

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

Fixed assets, net	
Accrued expenses	(269,315)
Taxes payable	(46)
Total identifiable net liabilities	<u>(188,276)</u>
Goodwill	1,192,169
Total consideration	<u><u>\$ 1,003,893</u></u>

The revenue and net loss for Cafe2u, as reflected in the consolidated statement of operations, for the three months ended March 31, 2019, to reflect the current period, was \$319,376 and \$350, respectively.

*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	<u>\$ 3,506,433</u>
Total consideration given	<u><u>\$ 3,506,433</u></u>
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	<u>97,302</u>
Total identifiable net liabilities	<u>(265,370)</u>
Goodwill	3,771,803
Total consideration	<u><u>\$ 3,506,433</u></u>

The revenue and loss for The Roastery, as reflected in the consolidated statement of operations, for the three months ended March 31, 2019, to reflect the current period, was \$151,703 and \$50,515, respectively.

*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 Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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	<u>50,000</u>
Total consideration given	<u><u>\$ 1,050,000</u></u>

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	<u>(1,303,988)</u>
Total identifiable net liabilities	(483,082)
Percentage of company acquired	<u>51%</u>
Total identifiable net liabilities acquired	(246,372)
Goodwill	<u>1,296,372</u>
Total consideration	<u><u>\$ 1,050,000</u></u>

The revenue and loss for Dollop, as reflected in the consolidated statement of operations, for the three months ended March 31, 2019 was \$1,866,693 and \$378,792, respectively.

*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	<u>594,692</u>
Total consideration given	<u><u>\$ 1,255,096</u></u>

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

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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	<u>(158,124)</u>
Goodwill	1,413,220
Total consideration	<u><u>\$ 1,255,096</u></u>

*Other Acquisitions - 2019*

During the three months ended March 31, 2019, the Company executed 6 purchase agreements and asset purchase agreements with various third parties to acquire in the aggregate 18 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 \$3,980,131 in cash, \$554,450 in shares and deferred cash payments of \$211,929. See Note 1 and 7.

Consideration given:

Cash given	\$ 3,980,131
Shares	554,450
Deferred consideration	211,929
Total consideration given	<u><u>\$ 4,746,510</u></u>

Fair value of identifiable assets acquired, and liabilities assumed:

Cash and Deposits	\$ 547,756
Inventory	49,784
Prepaid expenses	223,128
Fixed assets, net	1,244,539
Accounts payable	(4,959)
Accrued expenses	(782,567)
Other long-term liabilities	(3,832,913)
Total identifiable net assets	<u>(2,668,233)</u>
Goodwill	7,274,743
Total consideration	<u><u>\$ 4,746,510</u></u>

**NOTE 3 – INVENTORY**

The Company has inventory of various items used for the sale of coffee and complementary products. As of March 31, 2019, and December 31, 2018, the Company had inventory of \$557,822 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:

	March 31, 2019	December 31, 2018
Consumable products	\$ 95,898	\$ 73,758
Retail products	27,933	34,333
Food and drinks	433,991	283,733
Total inventory	<u><u>\$ 557,822</u></u>	<u><u>\$ 391,824</u></u>



**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

**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:

	March 31, 2019	December 31, 2018
Motor vehicles	138,333	63,481
Site furniture, fixtures and fittings	3,202,641	797,509
Leasehold improvements	5,095,893	4,957,158
Site equipment and machinery	2,876,254	849,262
Subtotal	11,473,713	6,667,410
Less: Accumulated depreciation	(4,622,239)	(1,297,274)
Fixed assets, net	<u>\$ 6,690,882</u>	<u>\$ 5,370,137</u>

The depreciation expense for the three months ended March 31, 2019 and 2018 was \$257,729 and \$80,491, 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 three months ended March 31, 2019 and 2018 was \$1,251 and \$1,194, 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	\$ 3,754
2020	\$ 5,005
2021	\$ 5,005
2022	\$ 5,005
2023	\$ 5,005
Future	<u>\$ 24,639</u>
Total	\$ 48,413

*Goodwill*

The Company has goodwill related to the various acquisitions. The Company has not determined the deductibility of goodwill for tax purposes. As of March 31, 2019, the Company has \$19,195,615 of goodwill, as allocated below:

Balance, December 31, 2017	\$ 2,013,254
Acquisitions	9,371,885
Balance, December 31, 2018	\$ 11,385,139
Reclassification	\$ 535,733
Acquisitions	<u>\$ 7,274,743</u>
Balance, March 31, 2019	<u>\$ 19,195,615</u>

**NOTE 6 – NOTES PAYABLE**

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

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

	<b>March 31, 2019</b>			<b>December 31, 2018</b>		
	<b>Principal</b>	<b>Accrued Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Accrued Interest</b>	<b>Total</b>
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	243,396	-	242,603	262,158	13,343	275,501
HSBC	59,872	-	60,565	65,159	3,063	68,222
Deij Capital Limited (1)	-	-	-	10,786	-	10,786
Chase SBA	186,113	-	186,113	191,667	-	191,667
Chase	587,361	-	587,361	614,702	-	614,702
Pinnacle	74,329	-	74,329	81,385	-	81,385
Schaffner	385,125	-	385,125	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	122,500	-	122,500	-	-	-
HP Loan	-	-	-	22,644	-	22,644
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 1,691,244</u>	<u>-</u>	<u>\$ 1,691,244</u>	<u>\$ 1,751,510</u>	<u>\$ 16,406</u>	<u>\$ 6</u>

(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 March 31, 2019. As of March 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 March 31, 2019. As of March 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 March 31, 2019. As of March 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 March 31, 2019. As of March 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 March 31, 2019. As of March 31, 2019, and December 31, 2018, the principal was \$4,349. This note was acquired by Arch Investments, LLC.

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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 March 31, 2019 and December 31, 2018, was \$243,396 (£186,618) and \$264,587 (£249,067), respectively. As of March 31, 2019, the current portion was \$107,824 and the non-current portion was \$135,573.

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 March 31, 2019 and December 31, 2018, was \$59,872 and \$23,356, respectively. As of March 31, 2019, the current portion was \$24,090 and the non-current portion was \$35,782.

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 March 31, 2019 was \$186,113. As of March 31, 2019, the current portion was \$17,785 and the non-current portion was \$168,328.

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 March 31, 2019 was \$587,361. As of March 31, 2019, the current portion was \$114,748 and the non-current portion was \$472,613.

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 March 31, 2019 was \$385,125. As of March 31, 2019, the current portion was \$42,450 and the non-current portion was \$342,675.

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 March 31, 2019 was \$74,329. As of March 31, 2019, the current portion was \$19,281 and the non-current portion was \$55,048.

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 March 31, 2019 was \$122,500. As of March 31, 2019, the current portion was \$72,500 and the non-current portion was \$50,000.

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

Year Ending December 31,	
2019	\$ 259,726
2020	489,645
2021	321,818
2022	232,884
2023	173,164
Future	214,008
Total	<u>\$ 1,691,244</u>

**NOTE 7 – RELATED PARTIES TRANSACTIONS**

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

As of March 31, 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 Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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).

In the three months ended March 31, 2019, the Company issued 626,593 shares of common stock related to various acquisitions. The shares were valued at \$544,580. See Note 2.

As of March 31, 2019, the Company has not granted any stock options and has not recorded any stock-based compensation.

### ***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 March 31, 2019, and December 31, 2018, 14,509,672 and 14,509,672 shares were outstanding, respectively. Of the outstanding shares, 1,603,460 and 1,603,460 were issued to related parties (Stefan Allesch-Taylor and Matthew Gill), as of March 31, 2019 and December 31, 2018, respectively.

DEPT-UK has a non-controlling interest of 0.2%. For the three months ended March 31, 2019, the Company had a non-controlling interest of \$25,688,121.

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.

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

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 three months ended March 31, 2019, 5,502,216 Preference Shares were issued for contributions of \$7,152,881 (£5,502,216) 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 June 25, 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	\$	3,007,322
2020		3,354,356
2021		2,977,448
2022		2,427,242
2023		2,082,499
Future		7,444,672
Total	<u>\$</u>	<u>21,293,539</u>

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 40 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 three months ended March 31, 2019 and 2018 was \$694,590 and \$207,201, respectively.

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

**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.

**Concentration of Customer**

The Company has one customer, which, for the three months ended March 31, 2019 had sales of \$126,136 (£97,028) 2% of total revenue). The Company has a contract with the customer that expires in February 2020.

**NOTE 11 – REVENUE CLASSES**

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

	For the three months Ended March 31, 2019	For the three months ended March 31, 2018
Revenues:		
Coffee and complementary food products	\$ 6,281,305	\$ 1,639,035
Coffee school	-	3,231
Management fees	187,365	181,443
Total	<u>\$ 6,468,671</u>	<u>\$ 1,823,709</u>

**NOTE 12 – CAPITAL LEASE OBLIGATIONS**

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

	March 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	<u>431,995</u>	<u>431,995</u>
Less: Accumulated depreciation	16,199	106,739
Fixed assets, net	<u>\$ 309,057</u>	<u>\$ 325,256</u>

**The Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**  
**(unaudited)**

Aggregate future minimum rentals under capital leases are as follows:

2019	\$	183,529
2020		130,936
2021		85,153
2022		36,262
Future		-
Total		<u>435,881</u>
Less: Interest		<u>53,477</u>
Present value of minimum lease payments		382,404
Less: Current portion of capital lease obligations		183,529
Capital lease obligations, net of current portion	\$	<u><u>198,875</u></u>

**NOTE 13 – INCOME TAXES**

As of March 31, 2019, and December 31, 2018, the Company has U.S. net operating loss carry forwards of \$1,165,829 and \$919,868, 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 three months ended March 31, 2019, as follows:

	<u>March 31,</u> 2019	<u>December 31,</u> 2018
Tax expense (benefit) at the statutory rate		
Federal	\$ (119,276)	\$ (30,812)
Non-U.S.	(126,685)	(481,759)
State income taxes, net of federal income tax benefit	(45,325)	(11,738)
Non-deductible items		-
Federal	17,891	4,618
Non-U.S.	273,395	519,691
Change in valuation allowance	<u>-</u>	<u>-</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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 Coffeesmiths Collective, Inc.**  
**(f/k/a DOCASA, Inc.)**  
**and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2019**

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

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Deferred tax assets:		
Net operating loss carryforward	\$ 245,961	\$ 561,409
Less: Deferred tax asset valuation allowance	<u>(245,961)</u>	<u>(561,409)</u>
 Total net deferred taxes	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

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 \$245,961 and \$561,409, as of March 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**

Subsequent to March 31, 2019, the Company executed an asset purchase agreement for the acquisition of 10 coffee shops, for approximately \$520,000.

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.