

SIPP INDUSTRIES INC.

December 31, 2012

Table of Contents

	Page
Balance Sheet	2
Statement of Earnings and Retained Earnings	3
Statement of Cash Flows	4
Statement of Shareholders' Equity	5
Notes to Financial Statements	6

These financial statements and notes thereto present fairly, in all material respects, the financial position of the company and the results of its operations and cash flows for the period presented, in conformity with accounting principles generally accepted in the United States, consistently applied.

SIPP INDUSTRIES INC.
CONSOLIDATED BALANCE SHEET
As at December 31, 2012
(Unaudited)

BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash	\$ 2,150
Accounts Receivable	450,000
Other Receivable	-
Inventory	1,200,000
Prepaid Accounts	-
	<u>1,652,150</u>

LONG-TERM EQUITY INVESTMENT

-

FIXED ASSETS - NBV

13,113

INTANGIBLE ASSETS - NBV

-

\$ 1,665,263

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 889,230
Other Payables	628,513
Due to Associated company	75,000
	<u>1,592,743</u>

LONG TERM LIABILITIES - Convertible Promissory Note

55,720

1,648,463

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Common Stock, authorized shares 888,000,000	
Issued and outstanding - 44,857,488 @ PV \$.001	44,857
Preferred Stock, authorized shares 10,000,000	
Issued and outstanding - 1,000,000 @ PV \$.001	1,000

Additional Paid In Capital 1,617,388

Deficit - 1,646,445

16,800

\$ 1,665,263

The accompanying notes are an integral part of these
financial statements

SIPP INDUSTRIES INC.
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED December 31, 2012
(Unaudited)

EARNINGS

REVENUE

Sales	\$	2,735,432
		-

TOTAL SALES		2,735,432
--------------------	--	-----------

COST OF SALES

Cost of Sales		1,390,500
---------------	--	-----------

TOTAL COST OF SALES		1,390,500
----------------------------	--	-----------

GROSS PROFIT		1,344,932
---------------------	--	-----------

OPERATING EXPENSES

Administrative Expense		749,687
Selling Expense		579,525

		1,329,212
--	--	-----------

OTHER INCOME & EXPENSES		-
------------------------------------	--	---

PROFIT (LOSS)		15,720
----------------------	--	--------

NET PROFIT (LOSS)		15,720
--------------------------	--	--------

Deficit - Beginning of period	-	1,662,165
-------------------------------	---	-----------

Deficit - End of period	-\$	1,646,445
-------------------------	------------	------------------

The accompanying notes are an integral part of these
financial statements

SIPP INDUSTRIES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD Ended December 31, 2012
(Unaudited)

CASH FLOWS

Cash flows from operating activities

Profit/Loss from operations	\$ 15,720
-----------------------------	-----------

Adjustments to cash flows from operating activities:

Amortization of goodwill	
Depreciation of fixed assets	-

Cash flows from operating activities	\$ 15,720
---	-----------

Cash flows from investing activities:

Capital expenditures	3,000
Investment in inventory	
Increase in accounts receivable	1,020
Decrease in prepaid expenses	-

Cash used in investing activities	\$ 4,020
--	----------

Cash flows from financing activities:

Increase in accounts payable and accrued liabilities	- 12,075
Increase in paid in capital	
Increase in convertible debt	2,525
Issuance of capital stock	

Cash used for financing activities	-\$ 9,550
---	-----------

Net increase (decrease) in cash	\$ 2,150
---------------------------------	----------

Cash at beginning of period	-
-----------------------------	---

Cash at end of period	\$ 2,150
-----------------------	----------

The accompanying notes are an integral part of these
financial statements

SIPP INDUSTRIES INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
AS AT December 31, 2012
(Unaudited)

	Pref Shares	Stock Amount	Common Shares	Stock Amount	PIC Amount	R/E
Opening Bal	1,000,000	\$1,000	44,857,488	\$44,857	\$ 1,617,388	-\$ 1,662,165
Issuance of stk			0		-	-
Capital Paid In					-	
Net Profit/Loss						15,720
Bal Dec 2012	1,000,000	\$1,000	44,857,488	44,857	\$ 1,617,388	-\$ 1,646,445

The accompanying notes are an integral part of these
financial statements

Total

\$ 1,080

-

-

15,720

\$16,800

SIPP INDUSTRIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD December 31, 2012
(Unaudited)

NOTE 1. GENERAL ORGANIZATION AND BUSINESS ISSUES

The company was administratively abandoned and reinstated in June 2010 through a court appointed guardian - custodian.

The company announced in Q1 2011 that it has finalized a merger with a specialty liquor company -SPECIALTY SPIRITS IMPORTS INC. - which is authorized to license privat label liquors and wines. This becomes a wholly owned subsidiary of Sipp Industries Inc.

In April 2012, the company has commenced operations under the brand name Cafelinos of selling franchises businesses providing a unique system for specialized coffee and bistro deployment for a variety of businesses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Accounting policies and procedures are listed below. The company will be adopting a December 31 year end effective with the 2010 year.

Accounting Basis

We have prepared the consolidated financial statements according to generally accepted accounting Principles (GAAP).

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less as cash equivalents. As of December 31, 2012 the company had no cash or cash equivalent balances in excess Of the federally insured amounts. The Company's policy is to invest excess funds in only well capitalized financial institutions.

Earnings per Share

The Company adopted the provisions of SFAS No. 128, "Earnings per Share." SFAS No. 128 requires the presentation of basic and diluted earnings per share ("EPS"). Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the potential dilution that could occur if options or other contracts to issue common stock were exercised or converted.

The Company has not issued any options or warrants or similar securities since inception.

Stock Based Compensation

As permitted by Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure", which amended SFAS 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", the Company has elected to continue to follow the intrinsic value method

in accounting for its stock-based employee compensation arrangements as defined by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and related Interpretations including "Financial Accounting Standards Board Interpretations No. 44, Accounting for Certain Transactions Involving Stock Compensation", and interpretation of APB No. 25. At December 31, 2012 the Company has not formed a Stock Option Plan and has not issued any options.

Dividends

The Company has adopted a policy regarding the payment of dividends. Dividends may be paid to shareholders once all divisions are fully operational and profitable. The Board may also pay dividends to counter any short selling or undermining of the entity. See Note 1.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using the straight-line method of depreciation

over the assets' estimated useful lives. Maintenance and repairs are

over the assets' estimated useful lives. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of fixed assets are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in income.

Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements.

Advertising

Advertising is expensed when incurred.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Goodwill

Goodwill is created when we acquire a business. It is calculated by deducting the fair value of the net assets acquired from the consideration given and represents the value of factors that contribute to greater earning power, such as a good reputation, customer loyalty. We assess goodwill of individual subsidiaries for impairment in the fourth quarter of every year, and when circumstances indicate that goodwill might be impaired.

NOTE 3. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a net profit for the year to December 31, 2012 of \$ 15,720. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4. RECENTLY ISSUED ACCOUNTING STANDARDS

Management does not believe that any recently issued but not yet adopted accounting standards will have a material effect on the Company's results of operations or on the reported amounts of its assets and liabilities upon adoption.

NOTE 5. SHAREHOLDERS' EQUITY

Common Stock:

As of December 31, 2012 the company has 44,857,488 shares of common stock issued and outstanding.

NOTE 6. PROVISION FOR INCOME TAXES

The Company provides for income taxes under Statement of Financial Accounting Standards NO. 109, Accounting for Income Taxes. SFAS No. 109 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse.

SFAS No. 109 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes is comprised of the net changes in deferred taxes less the valuation account plus the current taxes payable.

