SMART HOLDINGS, INC. "SMHS"

CONSOLIDATED FINANCIAL STATEMENTS



MARCH 31, 2016

TABLE OF CONTENTS

1- CONSOLIDATED BALANCE SHEET (UNAUDITED)

2- CONSOLIDATED INCOME STATEMENT (UNAUDITED)

3- CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

4- CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

5- NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SMART HOLDINGS, INC.
BALANCE SHEET
MARCH 31, 2016 and MARCH 31, 2015

ASSETS	Consolidated Unaudited March 31, 2016	Consolidated Unaudited March 31, 2015
Current Assets:		
Cash and Cash Equivalents	$ 5,810	$ 9,409
Accounts Receivable	$ 72,324	$ 230
Inventories	$ 40,652	$ 66,281
Other Current Assets	$ 250,241	$ 218,889
Total Current Assets	**$ 369,027**	**$ 294,810**
Non-Current Assets:		
Long-Term Investments (see Note D)	$ 7,874,343	$ 7,401,687
Fixed Assets, Net (see Note E)	$ 1,185,600	$ 1,506,701
Intangible Assets (see Note F)	$ 23,405,149	$ 31,292,174
Other Non-Current Assets	$ 732	-
Total Non-Current Assets	**$ 32,465,823**	**$ 40,200,562**
Total Assets	**$ 32,834,851**	**$ 40,495,371**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 93,125	$ 117,151
Financial Payable (see Note G)	$ 1,017,652	$ 614,705
Total Current Liabilities	**$ 1,110,777**	**$ 731,856**
Non-Current Liabilities:		
Loans From Stockholders	$ 1,003,218	$ 1,259,538
Total Non-Current Liabilities	**$ 1,003,218**	**$ 1,259,538**
Total Liabilities	**$ 2,113,995**	**$ 1,991,394**
Stockholders' Equity (Deficit):		
Common Stock	$ 99,510	$ 99,510
Additional Paid-in Capital	$ 30,565,071	$ 38,324,637
Accumulated Deficit	$ 56,275	$ 79,831
Total Liabilities and Stockholders' Equity	**$ 32,834,851**	**$ 40,495,371**

SMART HOLDINGS, INC.
INCOME STATEMENT
FOR THE THREE MONTHS ENDED
MARCH 31, 2016 and MARCH 31, 2015

	THREE Months Ended	
	Consolidated Unaudited	Consolidated Unaudited
	March 31, 2016	March 31, 2015
Revenue	$ 10,227	$ 23,229
Cost of Revenue	$ 0	$ 5,390
Gross Profit	**$ 10,227**	**$ 17,839**
Operating Expenses		
Sales & General and Administrative	$ 30,543	$ 10,236
Total Operating Expenses	**$ 30,543**	**$ 10,236**
Operating Income (loss)	**$ (20,316)**	**$ 7,603**
Financing Expenses	$ 3,964	$ 0
Net Income (loss) from Operations	$ (24,280)	$ 7,603
Income Tax	$ 0	$ 0
Net Income (Loss)	**$ (24,280)**	**$ 7,603**
Basic and diluted loss per share	-	-
Weighted average number of common shares outstanding	995,098,061	995,098,061

SMART HOLDINGS, INC.
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED
MARCH 31, 2016 and MARCH 31, 2015

	THREE Months Ended	
	Consolidated Unaudited March 31, 2016	Consolidated Unaudited March 31, 2015
Cash Flow From Operating Activities		
Net Profit/(Loss)	$ (24,280)	$ 7,603
Adjustments to reconcile net loss to net flows from operating activities:		
Depreciation and Amortization	$ 0	$ 0
Changes in operating assets and liabilities:		
Account Receivables	$ 3,439	$ 3,378
Inventories	$ 0	$ 39,372
Loans from Stockholders	$ (65,551)	$ (269,963)
Accounts Payable	$ (7,422)	$ 21,857
Financial Payable	$ 151,840	$ (68,562)
Intangible Assets	$ 0	$ 2,830
Other Assets	$ (32,952)	$ (18,860)
Total Adjustments	$ 49,354	$ (289,948)
Net Cash Flow From Operating Activities	**$ 25,074**	**$ (282,345)**
Cash Flows From Investing Activities		
Purchases of property and equipment	$ 0	$ (33,923)
Proceeds from sales of property and equipment	$ 0	-
Long-Term Investments	$ (38,105)	$ 156,387
Net Cash Flow From Investing Activities	**$ (38,105)**	**$ 122,463**
Cash Flows From Financing Activities		
Common Stock & APIC	$ 0	-
Retained Earnings	$ 0	-
Net Cash Provided By Financing Activities	**$ 0**	**$ 0**
Effect of Exchange Rate Changes on **Cash and Cash Equivalents**	$ 0	-
Net Change in Cash and Cash Equivalents	$ (13,031)	$ (159,882)
Cash and Cash Equivalents, Beginning of the Period	$ 18,840	$ 169,291
Cash and Cash Equivalents, End of the Period	**$ 5,810**	**$ 9,409**

SMART HOLDINGS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FROM DECEMBER 31, 2014 THROUGH MARCH 31, 2016

	CONSOLIDATED, UNAUDITED			
	Common Stock Shares	Amount	Common Stock + APIC	Accumulated Deficit
Balance, December 31, 2014	995,098,061	$ 99,510	$ 38,424,147	$ 72,228
Net Profit Three Months Ended March 31,2015				$ 7,603
Balance, March 31, 2015	995,098,061	$ 99,510	$ 38,424,147	$ 79,831
Net Profit Three Months Ended June 30,2015				$ 3,723
Balance, June 30, 2015	995,098,061	$ 99,510	$ 38,424,147	$ 83,554
Net Loss Three Months Ended September 30,2015				$ (45,254)
Balance, September 30, 2015	995,098,061	$ 99,510	$ 38,424,147	$ 38,300
Prior Adjustment (Functional Currency Translation Adjustments Due to Turkish Subsidiary AWPC)				$ (33,737)
Net Profit Three Months Ended December 31, 2015				$ 75,992
Balance, December 31, 2015	995,098,061	$ 99,510	$ 30,664,581	$ 80,555
Net Loss Three Months Ended March 31, 2016				$ (24,280)
Balance, March 31, 2016	995,098,061	$ 99,510	$ 30,664,581	$ 56,275

NOTE A – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**:

NATURE OF BUSINESS: The Company is incorporated in the State of Nevada.

BASIS OF ACCOUNTING: These financial statements have been prepared under the accrual method of accounting according to the US GAAP.

INCOME TAXES: There is no provision for income tax expenses for this period as there is a loss.

PROPERTY AND EQUIPMENT: Property and equipment are stated at cost.

NOTE B – COMPANY INFORMATION:

Subsidiary of SMHS is Anadolu Ceviz Üretim A.S., i.e. Anatolian Walnut Production Co. ("AWPC"), a Turkish company which is currently growing 40,000 walnut trees in Turkey. AWPC begun the harvesting of the walnuts in October 2014. Messrs. Laz and Uslu are the Issuer's sole board of directors. AWPC's operations are located in Turkey.

The financial statements are consolidated with AWPC.

NOTE C – **FUNCTIONAL CURRENCY TRANSLATION:**

Financials of the Company's Turkish subsidiary AWPC are translated into US Dollars from Turkish Liras "TRY" (functional currency) at the current exchange rate. The functional currency weakened against US Dollars; therefore the financial figures for March 31, 2016 were translated to lower US Dollars equivalents compared to the financial figures for March 31, 2015.

NOTE D – **LONG-TERM INVESTMENTS:**

Long-term investments consist of the followings; preparation of the lands and fencing of the land; installation of wells; production and planting of 40,000 walnut trees and seedlings; installation of drip irrigation system; maintenance of lands and trees for up to the balance sheet date; mulch, fertilizers, the use of electricity; all employee costs for up to the balance sheet date.

NOTE E- FIXED ASSETS:

Fixed Assets consist of the followings; land, three giant ripper dozers, five farm tractors, one loader, one pickup truck, one service van, two ATV, seven well water engines/pipes & equipment, three water tanks with a total volume of 64,450 ft^3 , water engine/pipes & equipment, transformers and power transmission line, 2,200 ft^2 residence & office building; 7,530 ft^2 warehouse.

NOTE F – INTANGIBLE ASSETS:

The both US GAAP (*ASC 805, Business Combinations, and ASC 350, Intangibles — Goodwill and Other) and IFRS (IFRS 3(R), Business Combinations, and IAS 38, Intangible Assets*) define intangible assets as non monetary assets without physical substance. The recognition criteria for both accounting models require that there will be probable future economic benefits and costs that can be reliably measured.

Under US GAAP, intangible assets are classified into: purchased vs. internally created intangibles, and limited-life vs. indefinite-life intangibles. Internally created intangibles of the company that are definable, are recorded.

Walnut production is an agriculture investment. AWPC which already completed its investment regarding with its 332-acre existing walnut orchard, owns these intangible assets that have commercial and marketing characteristics, which are used in the improvement and operation of the commercial activity.

According to the Turkish Commercial Code ("TCC") in the scope of converting the business type regulation, AWPC's business type was converted from Limited to Joint Stock on October 8th, 2012 by the Court Decision. The investment of walnut production belonging to the Limited company was accepted as an asset of AWPC and was added as capital in kind to Joint Stock Company by the Court while converting its business type from Limited to Joint Stock. This was published in the Turkish trade registry gazette on October 30, 2012, numbered 8182.

NOTE G – FINANCIAL PAYABLE:

New 8 years long-term agricultural loan is acquired from a Turkish Bank in 2015. The available loan limit is given by the various Turkish banks is now around 2 million USD. (According to the exchange rate of December 2015)