

SMART HOLDINGS, INC. "SMHS"

CONSOLIDATED FINANCIAL STATEMENTS



DECEMBER 31, 2016

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

ASSETS	Consolidated Unaudited Dec 31, 2016	Consolidated Unaudited Dec 31, 2015
Current Assets:		
Cash and Cash Equivalents	\$ 13,584	\$ 18,840
Accounts Receivable	\$ 49,029	\$ 75,764
Inventories	\$ 33,587	\$ 40,652
Other Current Assets	\$ 234,350	\$ 217,304
Total Current Assets	\$ 330,550	\$ 352,560
Non-Current Assets:		
Long-Term Investments (see Note D)	\$ 1,661,088	\$ 7,836,238
Fixed Assets, Net (see Note E)	\$ 5,039,116	\$ 1,185,600
Intangible Assets (see Note F)	\$ 20,633,513	\$ 23,405,149
Other Non-Current Assets	\$ 2,072	\$ 717
Total Non-Current Assets	\$ 27,335,790	\$ 32,427,705
Total Assets	\$ 27,666,339	\$ 32,780,264
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 19,031	\$ 100,547
Financial Payable (see Note G)	\$ 295,725	\$ 865,812
Total Current Liabilities	\$ 314,756	\$ 966,359
Non-Current Liabilities:		
Financial Payable (see Note G)	\$ 1,333,745	\$ 0
Loans From Stockholders	\$ 690,298	\$ 1,068,769
Total Non-Current Liabilities	\$ 2,024,043	\$ 1,068,769
Total Liabilities	\$ 2,338,799	\$ 2,035,129
Stockholders' Equity (Deficit):		
Common Stock	\$ 99,510	\$ 99,510
Additional Paid-in Capital	\$ 25,253,183	\$ 30,565,071
Accumulated Deficit	\$ (25,152)	\$ 80,555
Total Liabilities and Stockholders' Equity	\$ 27,666,339	\$ 32,780,264

SMART HOLDINGS, INC.
INCOME STATEMENT
DECEMBER 31, 2016 and DECEMBER 31, 2015

	TWELVE Months Ended	
	Consolidated Unaudited	Consolidated Unaudited
	Dec 31, 2016	Dec 31, 2015
Revenue	\$ 199,091	\$ 416,682
Cost of Revenue	\$ 117,253	\$ 188,472
Gross Profit	<u>\$ 81,838</u>	<u>\$ 228,210</u>
Operating Expenses		
Sales & General and Administrative	\$ 160,673	\$ 186,146
Total Operating Expenses	<u>\$ 160,673</u>	<u>\$ 186,146</u>
Operating Income (loss)	\$ (78,835)	\$ 42,064
Other Income (expense)	\$ 4,876	\$ 0
Net Income (loss) from Operations	\$ (73,959)	\$ 42,064
Income Tax	\$ 0	\$ 0
Net Income (Loss)	<u><u>\$ (73,959)</u></u>	<u><u>\$ 42,064</u></u>
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
DECEMBER 31, 2016 and DECEMBER 31, 2015

	TWELVE Months Ended	
	Consolidated Unaudited Dec 31, 2016	Consolidated Unaudited Dec 31, 2015
Cash Flow From Operating Activities		
Net Profit/(Loss)	\$ (73,959)	\$ 42,064
Adjustments to reconcile net loss to net flows from operating activities:		
Depreciation and Amortization	\$ 120,607	\$ 24,335
Changes in operating assets and liabilities:		
Account Receivables	\$ 26,735	\$ (72,156)
Inventories	\$ 7,065	\$ 65,001
Loans from Stockholders	\$ (378,472)	\$ (460,731)
Accounts Payable	\$ (81,516)	\$ 5,253
Financial Payable	\$ 763,658	\$ 182,545
Intangible Assets	\$ 2,771,637	\$ 7,889,854
Other Assets	\$ (18,401)	\$ (17,992)
Total Adjustments	\$ 3,211,313	\$ 7,616,111
Net Cash Flow From Operating Activities	\$ 3,137,354	\$ 7,658,174
Cash Flows From Investing Activities		
Purchases of property and equipment	\$ (3,974,123)	\$ 0
Proceeds from sales of property and equipment	\$ 0	\$ 262,842
Long-Term Investments	\$ 6,175,149	\$ (278,164)
Net Cash Flow From Investing Activities	\$ 2,201,026	\$ (15,322)
Cash Flows From Financing Activities		
Common Stock & APIC	\$ (5,311,888)	\$ (7,759,566)
Retained Earnings	\$ 0	\$ 0
Net Cash Provided By Financing Activities	\$ (5,311,888)	\$ (7,759,566)
Effect of Exchange Rate Changes on Accumulated Deficit	\$ (31,748)	\$ (33,737)
Net Change in Cash and Cash Equivalents	\$ (5,257)	\$ (150,450)
Cash and Cash Equivalents, Beginning of the Period	\$ 18,840	\$ 169,291
Cash and Cash Equivalents, End of the Period	\$ 13,584	\$ 18,840

SMART HOLDINGS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FROM DECEMBER 31, 2014 THROUGH DECEMBER 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
Net Profit Three Months Ended June 30, 2016				\$ 1,615
Balance, June 30, 2016	995,098,061	\$ 99,510	\$ 30,664,581	\$ 57,890
Net Profit Three Months Ended September 30, 2016				\$ 50,291
Balance, September 30, 2016	995,098,061	\$ 99,510	\$ 30,664,581	\$ 108,181
Prior Adjustment (Functional Currency Translation Adjustments Due to Turkish Subsidiary AWPC)				\$ (31,748)
Net Loss Three Months Ended December 31, 2016				\$ (101,585)
Balance, December 31, 2016	995,098,061	\$ 99,510	\$ 25,352,693	\$ (25,152)

SMART HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2016
UNAUDITED; CONSOLIDATED

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 Anatolian Walnut Production Co. ("AWPC"), a Turkish company which is currently growing 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 current period were translated to lower US Dollars equivalents compared to the financial figures for previous period.

NOTE D – LONG-TERM INVESTMENTS FOR THE PERIOD OF DECEMBER 31, 2016

The existing 332-acre walnut orchard was capitalized therefore it was transferred from the long-term investments to the fixed assets account entry as of December 31, 2016.

Long-term investments consist of the followings; preparation of the new land and fencing of the new land; installation of wells; building of a warehouse; production and planting of 35,000 walnut trees; installation of drip irrigation system; maintenance of the new land and trees for up to the balance sheet date; mulch, fertilizers, the use of electricity; employee costs for the new land for up to the balance sheet date.

NOTE E- FIXED ASSETS FOR THE PERIOD OF DECEMBER 31, 2016

Fixed Assets consist of the followings; 332-acre walnut orchard, land, two dozers, six farm tractors, one loader, one service van, one pickup truck, one 4x4 car, two ATVs, eight well water engines/pipes & equipment, three water tanks with a total volume of 64,450 ft³ , transformers and power transmission line, 2,200 ft² residence & office building; 7,530 ft² 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:

The Bank Loans are stated in Financial Payable account entry and it is divided as short-term (current) and long-term (non-current).