

SMART HOLDINGS, INC. "SMHS"

CONSOLIDATED FINANCIAL STATEMENTS



JUNE 30, 2014

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SMART HOLDINGS, INC.
BALANCE SHEET
JUNE 30, 2014 and JUNE 30, 2013

ASSETS	Consolidated Unaudited June 30, 2014	Consolidated Unaudited June 30, 2013
Current Assets:		
Cash and Cash Equivalents	\$ 6,409	\$ 13,601
Accounts Receivable	\$ 136,944	\$ 320,133
Loans to Stockholder	-	-
Inventories	\$ 105,983	\$ 126,893
Other Current Assets	\$ 242,376	\$ 194,371
Total Current Assets	\$ 491,712	\$ 654,998
Non-Current Assets:		
Long-Term Investments (see Note D)	\$ 7,552,161	\$ 4,819,135
Fixed Assets, Net (see Note E)	\$ 1,567,253	\$ 2,908,513
Intangible Assets (see Note F)	\$ 34,001,773	\$ 43,383,986
Other Non-Current Assets	-	\$ 20,315
Total Non-Current Assets	\$ 43,121,188	\$ 51,131,949
Total Assets	\$ 43,612,900	\$ 51,786,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 143,698	\$ 98,476
Financial Payable	\$ 60,272	\$ 4,956
Total Current Liabilities	\$ 203,971	\$ 103,432
Non-Current Liabilities:		
Loans From Stockholders	\$ 1,788,820	\$ 1,798,605
Total Non-Current Liabilities	\$ 1,788,820	\$ 1,798,605
Total Liabilities	\$ 1,992,790	\$ 1,902,037
Stockholders' Equity (Deficit):		
Common Stock	\$ 99,510	\$ 50,015,560
Additional Paid-in Capital	\$ 41,639,413	-
Accumulated Deficit	\$ (118,813)	\$ (130,650)
Total Liabilities and Stockholders' Equity	\$ 43,612,900	\$ 51,786,947

SMART HOLDINGS, INC.
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS AND THREE MONTHS ENDED
JUNE 30, 2014 and JUNE 30, 2013

	SIX Months Ended		THREE Months Ended	
	Consolidated Unaudited	Consolidated Unaudited	Consolidated Unaudited	Consolidated Unaudited
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue	\$ 67,680	\$ 73,599	\$ 17,622	\$ 69,558
Cost of Revenue	-	-	-	-
Gross Profit	<u>\$ 67,680</u>	<u>\$ 73,599</u>	<u>\$ 17,622</u>	<u>\$ 69,558</u>
Operating Expenses				
General and Administrative	\$ 53,814	\$ 43,608	\$ 11,183	\$ 41,057
Total Operating Expenses	<u>\$ 53,814</u>	<u>\$ 43,608</u>	<u>\$ 11,183</u>	<u>\$ 41,057</u>
Operating Income (loss)	<u>\$ 13,866</u>	<u>\$ 29,991</u>	<u>\$ 6,439</u>	<u>\$ 28,501</u>
Other Income (expense)	-	-	-	-
Net Income (loss) from Operations	\$ 13,866	\$ 29,991	\$ 6,439	\$ 28,501
Income Tax	-	\$ 5,998	-	\$ 5,998
Net Income (Loss)	<u>\$ 13,866</u>	<u>\$ 23,993</u>	<u>\$ 6,439</u>	<u>\$ 22,503</u>
Basic and diluted loss per share	-	-	-	-
Weighted average number of common shares outstanding	995,098,061	995,098,061	995,098,061	995,098,061

SMART HOLDINGS, INC.
STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED
JUNE 30, 2014 and JUNE 30, 2013

	SIX Months Ended	
	Consolidated Unaudited June 30, 2014	Consolidated Unaudited June 30, 2013
Cash Flow From Operating Activities		
Net Profit/(Loss)	\$ 13,866	\$ 23,993
Adjustments to reconcile net loss to net flows from operating activities:		
Depreciation and Amortization	-	-
Changes in operating assets and liabilities:		
Account Receivables	\$ 62,885	\$ (320,133)
Inventories	-	\$ (126,893)
Loans from Stockholders	\$ 38,896	\$ 1,760,833
Accounts Payable	\$ 28,992	\$ (92,478)
Financial Payable	\$ 53,855	\$ 26,006
Intangible Assets	-	-
Other Assets	\$ (73,527)	\$ (13,519)
Total Adjustments	\$ 111,101	\$ 1,233,816
Net Cash Flow From Operating Activities	\$ 124,966	\$ 1,257,809
Cash Flows From Investing Activities		
Purchases of property and equipment	\$ (7,795)	\$ (7,727,648)
Proceeds from sales of property and equipment	-	\$ 11,227
Long-Term Investments	\$ (157,138)	-
Net Cash Flow From Investing Activities	\$ (164,933)	\$ (7,716,421)
Cash Flows From Financing Activities		
Common Stock	-	\$ 6,470,721
Additional Paid-in Capital	\$ 22,191	-
Net Cash Provided By Financing Activities	\$ 22,191	\$ 6,470,721
Net Change in Cash and Cash Equivalents	\$ (17,776)	\$ 12,109
Cash and Cash Equivalents, Beginning of the Period	\$ 24,184	\$ 1,492
Cash and Cash Equivalents, End of the Period	\$ 6,409	\$ 13,601

SMART HOLDINGS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FROM DECEMBER 31, 2011 THROUGH JUNE 30, 2014

	Consolidated, Unaudited			
	Common Stock Shares	Amount	Paid-In Capital	Accumulated Deficit
Balance, Dec 31, 2011	707,786,670	\$ 70,779	\$ 688,939	\$ (696,122)
Prior Adjustment				\$ 177,560
Net Loss for the Year Ended December 31,2012				\$ (77,221)
Balance, December 31, 2012*	20,098,061	\$ 2,009	\$ 685,097	\$ (595,783)
*Following reverse split its shares 1-for 90, effective as of October 12,2012				
Net Profit Three Months Ended March 31,2013				\$ 1,491
Balance, March 31,2013	20,098,061	\$ 2,009	\$ 685,097	\$ (594,292)
Prior Adjustment				\$ 439,649
Net Profit Six Months Ended June 30,2013				\$ 23,993
Balance, June 30,2013**	995,098,061	\$ 99,510	\$ 50,015,560	\$ (130,650)
**The company issued 975,000,000 common shares on April 8, 2013, to acquire Anatolian Walnut Production Co. "AWPC", a Turkish Company (see Note B).				
Net Loss Three Months Ended September 30,2013				\$ (35,253)
Balance, September 30,2013	995,098,061	\$ 99,510	\$ 50,015,560	\$ (165,903)
Prior Adjustment				\$ 94,456
(Functional Currency Translation Adjustments Due to Turkish Subsidiary AWPC) (see Note C).				
Net Loss Three Months Ended December 31,2013				\$ (61,233)
Balance, December 31, 2013	995,098,061	\$ 99,510	\$ 41,716,732	\$ (132,680)
Net Profit Three Months Ended March 31,2014				\$ 7,428
Balance, March 31, 2014	995,098,061	\$ 99,510	\$ 41,738,923	\$ (125,252)
Net Profit Three Months Ended June 30, 2014				\$ 6,439
Balance, June 30, 2014	995,098,061	\$ 99,510	\$ 41,738,923	\$ (118,813)

SMART HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2014
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 the Company had losses for the previous years.

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

REVERSE SPLIT: The Company reverse split its shares 1-for 90, effective as of October 12, 2012.

ACQUISITION: The Company issued 975,000,000 post-1-for-90 reverse split shares to acquire Anadolu Ceviz Üretim A.S., i.e. Anatolian Walnut Production Co. (“AWPC”), a Turkish company on April 8, 2013. (see Note B below).

NOTE B – CHANGE OF CONTROL, ACQUISITION:

On April 8, 2013, the Company issued 975,000,000 post-1-for-90 reverse split shares to acquire 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 intends to begin harvesting the walnuts in 2014. As part of the acquisition, Messrs. Laz and Uslu became the Issuer’s sole directors. AWPC’s operations are located in Turkey.

The financial statements as of and for the period ended June 30, 2014 & June 30, 2013 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 June 30, 2014 were translated to lower US Dollars equivalents compared to the financial figures for June 30, 2013.

NOTE D – LONG-TERM INVESTMENTS:

Long-term investments consist of the followings; preparation and fencing of the land; installation of five wells; production and planting of 40,000 walnut trees; installation of drip irrigation system; maintenance of land 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, two giant ripper dozers, two farm tractors, one loader, one service van, two ATV, five well water engines/pipes & equipment, two water tanks with a total volume of 22,072 ft³ water engine/pipes & equipment, 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 and have definite life, are recorded.

Walnut production is an agriculture investment, the income level of which consistently increases, depending on the years. AWPC which already completed its investment, 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.