



**Annual Report 2009**

**CASPIAN HOLDINGS PLC**

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**FOR THE YEAR ENDED 31ST DECEMBER 2009**

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**CASPIAN HOLDINGS PLC**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

|                           |  |
|---------------------------|--|
| <b>DIRECTORS:</b>         | M G Masterman<br>M V Garland<br>Dr B Pirola                                  |
| <b>SECRETARY:</b>         | MSP Secretaries Limited  |
| <b>REGISTERED OFFICE:</b> | 22 Melton Street<br>London<br>NW1 2BW  |
| <b>REGISTERED NUMBER:</b> | 4782584 (England and Wales)  |
| <b>BANKERS:</b>           | HSBC Bank PLC<br>PO Box 260<br>46 The Broadway<br>Ealing<br>London<br>W5 5JZ |
| <b>SOLICITORS:</b>        | Kerman & Co LLP<br>No 7 Savoy Court<br>Strand<br>London, WC2R 0ER            |

**CASPIAN HOLDINGS PLC**

**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

2009 was a year of reorganisation for Caspian Holdings Plc. The Company completed a debt to equity swap with loan holders and major creditors, as announced on 22 May 2009. The debt to equity swap removed the major liabilities from the balance sheet and demonstrated the confidence in the Management of the Company.

During 2009 the Company focused on its USA energy assets and the first revenue is expected to be received in first half of 2010. Operations are expected to expand in 2010. The Company continue to pursue the initiative to restore legal rights to the Zhengeldy oil field in Kazakhstan and in parallel the options for the sale of equipment.

The 2009 Financial Statements show a small loss after taxation of £74,154 compared to £4,397,146 in the previous year.

We thank all directors and employees, for their support and efforts during the year.

Yours faithfully



Michael Masterman  
Executive Chairman

## CASPIAN HOLDINGS PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2009

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2009.

#### **PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of a holding company, and through its subsidiaries that of oil exploration.

#### **REVIEW OF BUSINESS**

The results for the year and the financial position of the group and the company at the year end are as shown in the annexed financial statements.

Detailed reviews of activities, business developments and projects are included within the Chairman's Statement and the review of operations.

#### **DIVIDENDS**

No dividend will be distributed for the year and the retained loss transferred to reserves for the year will be £74,154.

#### **DIRECTORS**

The directors during the year under review were:

|               |   |                        |
|---------------|---|------------------------|
| M G Masterman | - | Executive Chairman     |
| M V Garland   | - | Non-Executive Director |
| Dr B Pirola   | - | Non-Executive Director |

#### **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

##### Michael Masterman aged 47, Executive Chairman

Michael has a strong track record in establishing and building new resources companies and in raising project finance, having spent 9 years at McKinsey and Company serving major international resources companies principally in the area of strategy and development. In 1996 he joined Anaconda Nickel (now Minara Resources), as Executive Director and Chief Financial Officer. Michael and the rest of the executive team were responsible for transforming Anaconda into a major nickel producer with the (US)\$1 billion Murrin Murrin project in Western Australia over a period of 3 years and growing a small team of 5 to over 400 people. In 2002 he joined Northsun Italia SpA, a leading independent Italian oil and gas company, which is currently bringing into production three gas fields in the Po Valley of Italy. In 2004 Northsun Italia and related companies were listed on the ASX as Po Valley Energy Limited of which he is the Chief Executive Officer and a major shareholder. Michael is a joint founder of the Company.

##### Michael Garland aged 49, Non-Executive Director

Michael was a Commercial Manager for Tullow Oil Plc and Commercial Director at Star Energy Group Plc before becoming a Director of Caspian Holdings. At Wood Gundy Inc Michael was involved in the early UK Government privatisations and set up the Australian desk to market the bank's products to Australian companies. When Wood Gundy Inc. was acquired by the Canadian Imperial Bank of Commerce he was involved in many aspects of the European and North American Capital Markets but primarily with the marketing of the bank's capital market products to government and semi-government organisations within Europe. Michael is Chief Executive Officer of Dominion Petroleum Limited.

##### Dr Byron Pirola aged 49, Non-Executive Director

Byron has over 21 years experience in strategic consulting to major Australian and International Companies. He has been a director of Po Valley Energy Limited, a leading European Oil and Gas company for over 6 years and has extensive experience in management, energy and resources, and in corporate governance. Byron is a director of Po Valley Energy Limited and Port Jackson Partners Limited.

The beneficial interests of the directors holding office on 31 December 2009 in the issued share capital of the Company were as follows:

|               | <u>Ordinary 0.1p Shares</u><br><u>31.12.09</u> | <u>Ordinary 0.1p Shares</u><br><u>01.01.09</u> |
|---------------|--|--|
| M G Masterman | 141,694,010                                    | 32,070,000                                     |
| M V Garland   | 10,800,000                                     | -  |
| Dr B Pirola   | 41,305,904                                     | 9,397,000                                      |

**CASPIAN HOLDINGS PLC**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

**Director's Remuneration**

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Director's remuneration and believes it upholds the objectives of the Company with regard to this issue. No remuneration was paid nor accrued to the Directors for the year ended 31 December 2009 as detailed below:

| <b><u>Director</u></b> | <b><u>Annual Salary per Contract</u></b><br><b><u>£</u></b> | <b><u>Annual Salary Paid in Year</u></b><br><b><u>£</u></b> | <b><u>Management Services Agreement per Contract</u></b><br><b><u>£</u></b> | <b><u>Management Service Agreement Paid in Year</u></b><br><b><u>£</u></b> | <b><u>Total Paid in Year</u></b><br><b><u>£</u></b> | <b><u>Total Accrued in Year</u></b><br><b><u>£</u></b> |
|------------------------|---|---|---|--|---|--|
| M G Masterman          | -   | -   | -   | -  | -   | -  |
| M V Garland            | -   | -   | -   | -  | -   | -  |
| B A Pirola             | -   | -   | -   | -  | -   | -  |

**Directors Service Contracts**

All Directors' contracts ran until 25 October 2008 or until the next Annual General Meeting ("AGM") of the Company where all Directors are required to resign by rotation. There is a 3 month notice period for all Directors. Upon re-election at the AGM, a Director's contract automatically renews for a further 12 months period.

**Directors Interests**

The Director's who held office at the end of the financial year 31 December 2009, had the following interest in the ordinary shares of the Company according to the register of Director's interests.

| <b><u>Director</u></b> | <b><u>Shares held at 31st December 2009</u></b> |
|------------------------|---|
| M G Masterman          | 141,694,010                                     |
| M V Garland            | 10,800,000                                      |
| Dr B Pirola            | 41,305,904                                      |

The Directors have interests in the following stock options.

| <b><u>Stock Options Held</u></b> | <b><u>Option Exercise Price</u></b> | <b><u>Expiry Date</u></b> |
|----------------------------------|-------------------------------------|---------------------------|
| <b><u>M. Masterman</u></b>       |                                     |                           |
| 5,000,000                        | £0.04                               | 31 December 2010          |
| 1,250,000                        | £0.03                               | 31 December 2010          |
| <b><u>B. Pirola</u></b>          |                                     |                           |
| 2,500,000                        | £0.04                               | 31 December 2010          |
| 1,250,000                        | £0.03                               | 31 December 2010          |

## CASPIAN HOLDINGS PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2009

#### **SUBSTANTIAL SHAREHOLDERS**

As at 31st December 2009 the following interests of 3% or more were held in the company's issued share capital

| <u>Shareholders</u>                                    | <u>Shares</u> | <u>Percent</u> |
|--|---------------|----------------|
| M Masterman(i)   | 141,694,010   | 38.7           |
| Beronia Investments Pty Limited/Beronia FS Pty Limited | 41,305,904    | 11.3           |
| L Macri  | 40,505,904    | 11.1           |
| Arci Pty Limited                                       | 37,258,904    | 10.2           |
| J Masterman  | 12,266,302    | 3.3            |
| K Ambrecht   | 12,076,302    | 3.3            |
| M Garland  | 10,800,000    | 2.9            |

(i) Includes Michael Masterman`s Related Party interest

#### **CORPORATE GOVERNANCE**

The Company is continually developing appropriate corporate governance procedures relevant to the size and stage of development of the Company. The following description of corporate governance procedures reflects the Company's present policies in this area.

#### **CODE OF PRACTICE**

The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of good governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the Combined Code, the Company's corporate governance procedures take due regard of the principles of good governance set out in the Combined Code in relation to the size and the stage of development of the Company.

#### **THE BOARD OF DIRECTORS**

The Board of Directors is currently composed of three members; one Executive Director and two Non-Executive Directors including the Chairman, Michael Masterman (Executive Director), has a wealth of minerals exploration and development experience; the Non-Executive Directors similarly have a wealth of experience either in the minerals industry or in finance and corporate development.

The structure of the Board ensures that no one individual or group dominates the decision-making process.

#### **BOARD MEETINGS**

The Board ordinarily meets on a monthly basis, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Company's forecast and budget, major capital expenditure, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to Board meetings. The Board delegates certain of its responsibilities to the Board committees which have clearly defined terms of reference, which is listed below.

All Directors have access to the advice and services of the Company's solicitors and the Company Secretary who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of his duties.

#### **RETIREMENT BY ROTATION**

One third of the board of directors retires at every AGM of the Company and is automatically put forward for re-election, unless otherwise voted upon by shareholders.

#### **THE AUDIT COMMITTEE**

The Audit Committee, which intends to meet no less than twice a year and considers the Group's financial reporting (including accounting policies) and internal financial controls, is chaired by Michael Garland, Non-Executive Director. The Audit Committee will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on. The Committee intends to receive reports from management and the external auditors as required.

## **CASPIAN HOLDINGS PLC**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 31ST DECEMBER 2009**

#### **THE REMUNERATION COMMITTEE**

The Remuneration Committee, comprising the non-executive directors and chaired by Byron Pirola, Non-Executive Director, meets at least once a year and is responsible for making recommendations to the Board of Directors, on senior executives remuneration. Non-executive Directors' remuneration and conditions of engagement are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to prevailing market conditions and performance of each executive director.

#### **INTERNAL CONTROLS**

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for external publication. Since the Company was formed, the Directors are satisfied that, given the current size and activities of the Company, adequate internal controls have been established. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

#### **ENVIRONMENTAL RESPONSIBILITY**

The Company recognises its role as a mining and exploration company and is aware of the potential impact that its subsidiary company may have on the environment. The Company ensures that its subsidiary company complies with the local regulatory requirements with regard to the environment.

#### **RELATIONS WITH SHAREHOLDERS**

The Board attaches great importance to maintaining good relationships with its shareholders. Extensive information about the Company's activities is included in the Annual Report and accounts and the Interim report and future interim reports which will be sent to all shareholders. Market sensitive information is regularly released to all shareholders concurrently in accordance with stock exchange rules. The AGM will provide an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Company maintains a corporate website [www.caspianoil.co.uk](http://www.caspianoil.co.uk) where information on the Company is regularly updated and all announcements are posted. The Company welcomes communication from both its private and institutional shareholders.

#### **SUPPLIER PAYMENT POLICY**

It is the Company's policy to settle the terms of payment with suppliers when agreeing terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

The Notice of the Company's AGM will be distributed to shareholders together with the Annual Report. Full details of the Resolutions proposed at that meeting can be found in the Notice.

#### **EVENTS SINCE THE BALANCE SHEET DATE**

The Supervisory Board in the Civil and Administrative Cases of Kazakhstan's Supreme Court has confirmed the judgment of the Appeal Court to revoke the Zhengeldy sub-soil use contract held by Taraz LLP, a 100% subsidiary of the Company in March 2010. Caspian will seek additional routes to reinstate its investors' rights in accordance with Kazakhstan.

The Company continues to progress its Kentucky oil field assets in the US with regard to the economics of the current energy markets and after the significant progress with the workover works and despite the difficult weather conditions started the first oil shipments in the first quarter of 2010.

## CASPIAN HOLDINGS PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2009

#### **FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES**

The Group uses various financial instruments. These include cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

#### **Price Risk**

The Directors, consider that the price of oil is an area of potential risk. This is reviewed on a constant basis by the Board and Senior Management.

#### **Liquidity Risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

#### **Credit Risk**

The Group's principal financial assets are cash and trade debtors; the principal risk arises therefore from its trade debtors. The impact associated with the trade debtor risk is reduced through a significant management focus on aged debt.

In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit control department on a regular basis in conjunction with debt ageing and collection history.

#### **Currency Risk**

The Group principally operates in Euros and US Dollars. It does not currently consider the risk of exposure to be material. As such the directors do not currently consider it necessary to enter into forward exchange contracts. This situation is monitored on a regular basis.

#### **GOING CONCERN**

As a result of the debt and equity swap in 2009, the Company was able to remove the major liabilities from its balance sheet.

Based on the Directors expectation that shareholders will support the Company and having received initial commitments for an intended capital placement, the Directors are satisfied that the Group has sufficient resources to continue its operation and to meet its commitments in the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

In the event the Company does not complete the capital raising, the Company will not be able to meet its debt obligations when they fall due and will cease to trade.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**CASPIAN HOLDINGS PLC**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, Cook and Partners Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....

M G Masterman - Director

Date: Approved by the Board on 21 of May 2010

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
CASPIAN HOLDINGS PLC**

We have audited the financial statements of Caspian Holdings PLC for the year ended 31st December 2009 on pages eleven to twenty four. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on pages seven and eight, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

In forming our opinion on the financial statements which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the company's, ability to continue as a going concern. The Group incurred a net loss of £74,154 during the year ended 31st December 2009, and at that date the Group's current liabilities exceeded its current assets by £86,718. These conditions, along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's, ability to continue as a going concern. The financial statements do not include the adjustment that would result if the Company was unable to continue as a going concern.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**CASPIAN HOLDINGS PLC**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



M Jones (Senior Statutory Auditor)  
for and on behalf of Cook and Partners Limited  
Statutory Auditors  
Manufactory House  
Bell Lane  
Hertford  
Herts  
SG14 1BP

Date: 21<sup>st</sup> May 2010

**CASPIAN HOLDINGS PLC**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

|   | Notes | 2009<br>£       | 2008<br>£          |
|---|-------|-----------------|--------------------|
| <b>CONTINUING OPERATIONS</b>                        |       |                 |                    |
| Revenue   |       | -               | 48,870             |
| Cost of sales                                       |       | <u>-</u>        | <u>(110,093)</u>   |
| <b>GROSS LOSS</b>                                   |       | -               | (61,223)           |
| Administrative expenses                             |       | <u>(74,154)</u> | <u>(4,335,923)</u> |
| <b>OPERATING LOSS</b>                               |       | <u>(74,154)</u> | <u>(4,397,146)</u> |
| <b>LOSS BEFORE INCOME TAX</b>                       | 3     | (74,154)        | (4,397,146)        |
| Income tax  | 4     | <u>-</u>        | <u>-</u>           |
| <b>LOSS FOR THE YEAR</b>                            |       | <u>(74,154)</u> | <u>(4,397,146)</u> |
| Loss attributable to:<br>Owners of the parent       |       | <u>(74,154)</u> | <u>(4,397,146)</u> |
| Earnings per share expressed<br>in pence per share: |       |                 |                    |
| Basic   | 6     | -0.03           | -3.96              |
| Diluted   |       | <u>-0.03</u>    | <u>-3.96</u>       |

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

|   | 2009<br>£      | 2008<br>£   |
|---|----------------|-------------|
| <b>LOSS FOR THE YEAR</b>  | (74,154)       | (4,397,146) |
| <b>OTHER COMPREHENSIVE INCOME</b>                                     |                |             |
| Cash share issue  | 960,524        | -           |
| Income tax relating to other comprehensive income                     | <u>-</u>       | <u>-</u>    |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR,<br/>NET OF INCOME TAX</b> | <u>960,524</u> | <u>-</u>    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                        | <u>886,370</u> | (4,397,146) |
| Total comprehensive income attributable to:                           |                |             |
| Owners of the parent  | 886,370        | -           |
| Non-controlling interests   | <u>-</u>       | (4,397,146) |

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31ST DECEMBER 2009**

|                                       | Notes | 2009<br>£             | 2008<br>£             |
|---------------------------------------|-------|-----------------------|-----------------------|
| <b>ASSETS</b>                         |       |                       |                       |
| <b>NON-CURRENT ASSETS</b>             |       |                       |                       |
| Investments                           | 7     | <u>247,709</u>        | <u>278,242</u>        |
| <b>CURRENT ASSETS</b>                 |       |                       |                       |
| Trade and other receivables           | 8     | 13,954                | 23,598                |
| Cash and cash equivalents             | 9     | <u>1,116</u>          | <u>36,918</u>         |
|                                       |       | <u>15,070</u>         | <u>60,516</u>         |
| <b>TOTAL ASSETS</b>                   |       | <u><u>262,779</u></u> | <u><u>338,758</u></u> |
| <b>EQUITY</b>                         |       |                       |                       |
| <b>SHAREHOLDERS' EQUITY</b>           |       |                       |                       |
| Called up share capital               | 10    | 366,066               | 124,648               |
| Share premium                         | 11    | 10,944,419            | 9,983,895             |
| Retained earnings                     | 11    | <u>(11,149,494)</u>   | <u>(11,102,516)</u>   |
| <b>TOTAL EQUITY</b>                   |       | <u>160,991</u>        | <u>(993,973)</u>      |
| <b>LIABILITIES</b>                    |       |                       |                       |
| <b>CURRENT LIABILITIES</b>            |       |                       |                       |
| Trade and other payables              | 12    | 101,788               | 532,762               |
| Financial liabilities - borrowings    |       |                       |                       |
| Interest bearing loans and borrowings | 13    | <u>-</u>              | <u>799,969</u>        |
|                                       |       | <u>101,788</u>        | <u>1,332,731</u>      |
| <b>TOTAL LIABILITIES</b>              |       | <u>101,788</u>        | <u>1,332,731</u>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |       | <u><u>262,779</u></u> | <u><u>338,758</u></u> |

The financial statements were approved by the Board of Directors on 21 of May 2010 and were signed on its behalf by:



M G Masterman - Director

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**31ST DECEMBER 2009**

|                                       | Notes | 2009<br>£           | 2008<br>£           |
|---------------------------------------|-------|---------------------|---------------------|
| <b>ASSETS</b>                         |       |                     |                     |
| <b>CURRENT ASSETS</b>                 |       |                     |                     |
| Trade and other receivables           | 8     | 261,663             | 301,840             |
| Cash and cash equivalents             | 9     | <u>1,116</u>        | <u>36,918</u>       |
|                                       |       | <u>262,779</u>      | <u>338,758</u>      |
| <b>TOTAL ASSETS</b>                   |       | <u>262,779</u>      | <u>338,758</u>      |
| <b>EQUITY</b>                         |       |                     |                     |
| <b>SHAREHOLDERS' EQUITY</b>           |       |                     |                     |
| Called up share capital               | 10    | 366,066             | 124,648             |
| Share premium                         | 11    | 10,944,419          | 9,983,895           |
| Retained earnings                     | 11    | <u>(11,149,494)</u> | <u>(11,102,516)</u> |
| <b>TOTAL EQUITY</b>                   |       | <u>160,991</u>      | <u>(993,973)</u>    |
| <b>LIABILITIES</b>                    |       |                     |                     |
| <b>CURRENT LIABILITIES</b>            |       |                     |                     |
| Trade and other payables              | 12    | 101,788             | 532,762             |
| Financial liabilities - borrowings    |       |                     |                     |
| Interest bearing loans and borrowings | 13    | <u>-</u>            | <u>799,969</u>      |
|                                       |       | <u>101,788</u>      | <u>1,332,731</u>    |
| <b>TOTAL LIABILITIES</b>              |       | <u>101,788</u>      | <u>1,332,731</u>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |       | <u>262,779</u>      | <u>338,758</u>      |

The financial statements were approved by the Board of Directors on 21 of May 2010 and were signed on its behalf by:

*Michael Masterman*

.....  
M G Masterman - Director

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

|                                      | <b>Called up<br/>share<br/>capital<br/>£</b> | <b>Profit<br/>and loss<br/>account<br/>£</b> | <b>Share<br/>premium<br/>£</b> |
|--------------------------------------|--|--|--------------------------------|
| <b>Balance at 1st January 2008</b>   | 98,698                                       | (6,705,370)                                  | 9,474,645                      |
| <b>Changes in equity</b>             |  |  |                                |
| Issue of share capital               | 25,950                                       | -  | 509,250                        |
| Total comprehensive income           | <u>-</u>                                     | <u>(4,397,146)</u>                           | <u>-</u>                       |
| <b>Balance at 31st December 2008</b> | <u>124,648</u>                               | <u>(11,102,516)</u>                          | <u>9,983,895</u>               |
| <b>Changes in equity</b>             |  |  |                                |
| Issue of share capital               | 241,418                                      | -  | 960,524                        |
| Total comprehensive income           | <u>-</u>                                     | <u>(46,978)</u>                              | <u>-</u>                       |
| <b>Balance at 31st December 2009</b> | <u><u>366,066</u></u>                        | <u><u>(11,149,494)</u></u>                   | <u><u>10,944,419</u></u>       |
|                                      | <b>Revaluation<br/>reserve<br/>£</b>         | <b>Other<br/>reserves<br/>£</b>              | <b>Total<br/>equity<br/>£</b>  |
| <b>Balance at 1st January 2008</b>   | 26,334                                       | 29,700                                       | 2,924,007                      |
| <b>Changes in equity</b>             |  |  |                                |
| Issue of share capital               | -  | -  | 535,200                        |
| Total comprehensive income           | <u>(26,334)</u>                              | <u>(29,700)</u>                              | <u>(4,453,180)</u>             |
| <b>Balance at 31st December 2008</b> | <u>-</u>                                     | <u>-</u>                                     | <u>(993,973)</u>               |
| <b>Changes in equity</b>             |  |  |                                |
| Issue of share capital               | -  | -  | 1,201,942                      |
| Total comprehensive income           | <u>-</u>                                     | <u>-</u>                                     | <u>(46,978)</u>                |
| <b>Balance at 31st December 2009</b> | <u><u>-</u></u>                              | <u><u>-</u></u>                              | <u><u>160,991</u></u>          |

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

|                                      | <b>Called up<br/>share<br/>capital<br/>£</b> | <b>Profit<br/>and loss<br/>account<br/>£</b> | <b>Share<br/>premium<br/>£</b> | <b>Total<br/>equity<br/>£</b> |
|--------------------------------------|--|--|--------------------------------|-------------------------------|
| <b>Balance at 1st January 2008</b>   | 98,698                                       | (5,246,307)                                  | 9,474,645                      | 4,327,036                     |
| <b>Changes in equity</b>             |  |  |                                |                               |
| Issue of share capital               | 25,950                                       | -  | 509,250                        | 535,200                       |
| Total comprehensive income           | <u>-</u>                                     | <u>(5,856,209)</u>                           | <u>-</u>                       | <u>(5,856,209)</u>            |
| <b>Balance at 31st December 2008</b> | <u>124,648</u>                               | <u>(11,102,516)</u>                          | <u>9,983,895</u>               | <u>(993,973)</u>              |
| <b>Changes in equity</b>             |  |  |                                |                               |
| Issue of share capital               | 241,418                                      | -  | 960,524                        | 1,201,942                     |
| Total comprehensive income           | <u>-</u>                                     | <u>(46,978)</u>                              | <u>-</u>                       | <u>(46,978)</u>               |
| <b>Balance at 31st December 2009</b> | <u><u>366,066</u></u>                        | <u><u>(11,149,494)</u></u>                   | <u><u>10,944,419</u></u>       | <u><u>(160,991)</u></u>       |

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

|   | Notes | 2009<br>£        | 2008<br>£        |
|---|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>           |       |                  |                  |
| Cash generated from operations                        | 1     | <u>(505,475)</u> | <u>(326,304)</u> |
| Net cash from operating activities                    |       | <u>(505,475)</u> | <u>(326,304)</u> |
| <b>Cash flows from investing activities</b>           |       |                  |                  |
| Impairment of associates and subsidiary               |       | <u>30,533</u>    | <u>(278,242)</u> |
| Net cash from investing activities                    |       | <u>30,533</u>    | <u>(278,242)</u> |
| <b>Cash flows from financing activities</b>           |       |                  |                  |
| Net loans   |       | (799,969)        | 23,010           |
| Amount introduced by directors                        |       | 9,991            | -                |
| Share issue   |       | 241,418          | 535,200          |
| Share premium   |       | <u>987,700</u>   | <u>-</u>         |
| Net cash from financing activities                    |       | <u>439,140</u>   | <u>558,210</u>   |
| <b>Decrease in cash and cash equivalents</b>          |       | <u>(35,802)</u>  | <u>(46,336)</u>  |
| <b>Cash and cash equivalents at beginning of year</b> | 2     | <u>36,918</u>    | <u>83,254</u>    |
| <b>Cash and cash equivalents at end of year</b>       | 2     | <u>1,116</u>     | <u>36,918</u>    |

The notes form part of these financial statements

**CASPIAN HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

1. **RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

|   | 2009                    | 2008                    |
|---|-------------------------|-------------------------|
|   | £                       | £                       |
| Loss before income tax                  | (74,154)                | (4,397,146)             |
| Impairment losses                       | -                       | 3,404,230               |
| Decrease in other provisions            | -                       | (61,439)                |
| Reserves and minority interest          | -                       | (2,892)                 |
|   | <u>(74,154)</u>         | <u>(1,057,247)</u>      |
| Decrease in inventories                 | -                       | 197,021                 |
| Decrease in trade and other receivables | 9,644                   | 536,667                 |
| Decrease in trade and other payables    | <u>(440,965)</u>        | <u>(2,745)</u>          |
| <b>Cash generated from operations</b>   | <b><u>(505,475)</u></b> | <b><u>(326,304)</u></b> |

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

**Year ended 31st December 2009**

|                           | 31.12.09     | 1.1.09        |
|---------------------------|--------------|---------------|
|                           | £            | £             |
| Cash and cash equivalents | <u>1,116</u> | <u>36,918</u> |

**Year ended 31st December 2008**

|                           | 31.12.08      | 1.1.08        |
|---------------------------|---------------|---------------|
|                           | £             | £             |
| Cash and cash equivalents | <u>36,918</u> | <u>83,254</u> |

## CASPIAN HOLDINGS PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2009

#### 1. ACCOUNTING POLICIES

##### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

##### **Basis of consolidation**

The consolidated financial statements include the results of Caspian USA Inc, although that company did not trade during the year under review.

##### **Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

##### **Going Concern**

As a result of the debt and equity swap in 2009, the Company was able to remove the major liabilities from its balance sheet.

Based on the Directors expectation that shareholders will support the Company and having received initial commitments for an intended capital placement, the Directors are satisfied that the Group has sufficient resources to continue its operation and to meet its commitments in the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

In the event the Company does not complete the capital raising, the Company will not be able to meet its debt obligations when they fall due and will cease to trade.

##### **Exploration and evaluation costs**

The Group has adopted IFRS 6 "Exploration for and evaluation of mineral resources".

The Group follows the successful efforts method of accounting for exploration and evaluation costs. All licence, acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by field pending determination of the commerciality of the relevant field. Directly attributable costs not specific to any particular licence or prospect are expensed as incurred.

An exploration and evaluation asset is assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such triggering events are defined in IFRS 6 and include the point at which a determination is made as to whether commercial reserves exist.

If prospects are deemed to be impaired ("unsuccessful") on completion of evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in single field cost centres. These costs are then depreciated on a unit of production basis.

#### 2. EMPLOYEES AND DIRECTORS

|                    | 2009          | 2008           |
|--------------------|---------------|----------------|
|                    | £             | £              |
| Wages and salaries | <u>15,301</u> | <u>358,802</u> |

**CASPIAN HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

**2. EMPLOYEES AND DIRECTORS - continued**

The average monthly number of employees during the year was as follows:

|                             | 2009     | 2008     |
|-----------------------------|----------|----------|
| Management & administration | <u>4</u> | <u>4</u> |

|                         | 2009<br>£ | 2008<br>£      |
|-------------------------|-----------|----------------|
| Directors' remuneration | <u>-</u>  | <u>166,622</u> |

**3. LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging/(crediting):

|   | 2009<br>£     | 2008<br>£          |
|---|---------------|--------------------|
| Cost of inventories recognised as expense | -             | 110,093            |
| Foreign exchange differences              | <u>66,041</u> | <u>(2,398,612)</u> |

**4. INCOME TAX**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2009 nor for the year ended 31st December 2008.

**Tax effects relating to effects of other comprehensive income**

|                  | Gross          | 2009<br>Tax | Net            |
|------------------|----------------|-------------|----------------|
| Cash share issue | <u>960,524</u> | -           | <u>960,524</u> |
|                  | <u>960,524</u> | <u>-</u>    | <u>960,524</u> |

**5. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(74,154) (2008 - £(5,856,209)).

**CASPIAN HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

**6. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

|  | Earnings<br>£   | 2009<br>Weighted<br>average<br>number<br>of<br>shares | Per-share<br>amount<br>pence |
|--|-----------------|---|------------------------------|
| <b>Basic EPS</b>                               |                 |   |                              |
| Earnings attributable to ordinary shareholders | (74,154)        | 247,721,530   | -0.03                        |
| Effect of dilutive securities                  | -               | -   | -                            |
|  | <u>-</u>        | <u>-</u>  | <u>-</u>                     |
| <b>Diluted EPS</b>                             |                 |   |                              |
| Adjusted earnings                              | <u>(74,154)</u> | <u>247,721,530</u>                                    | <u>-0.03</u>                 |

|  | Earnings<br>£      | 2008<br>Weighted<br>average<br>number<br>of<br>shares | Per-share<br>amount<br>pence |
|--|--------------------|---|------------------------------|
| <b>Basic EPS</b>                               |                    |   |                              |
| Earnings attributable to ordinary shareholders | (4,397,146)        | 110,919,830   | -3.96                        |
| Effect of dilutive securities                  | -                  | -   | -                            |
|  | <u>-</u>           | <u>-</u>  | <u>-</u>                     |
| <b>Diluted EPS</b>                             |                    |   |                              |
| Adjusted earnings                              | <u>(4,397,146)</u> | <u>110,919,830</u>                                    | <u>-3.96</u>                 |

**7. INVESTMENTS**

**Group**

|                       | Unlisted<br>investments<br>£ |
|-----------------------|------------------------------|
| <b>COST</b>           |                              |
| At 1st January 2009   | 278,242                      |
| Impairments           | <u>(30,533)</u>              |
| At 31st December 2009 | <u>247,709</u>               |
| <b>NET BOOK VALUE</b> |                              |
| At 31st December 2009 | <u>247,709</u>               |
| At 31st December 2008 | <u>278,242</u>               |

**CASPIAN HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

7. **INVESTMENTS - continued**

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

**Subsidiaries**

**Caspian USA Inc**

Country of incorporation: United States of America

Nature of business: Oil Exploration

|                                | %       |                |                |
|--------------------------------|---------|----------------|----------------|
| Class of shares:               | holding | 2009           | 2008           |
| Ordinary                       | 100.00  | £              | £              |
| Aggregate capital and reserves |         | <u>247,709</u> | <u>278,242</u> |

**Black Gold of Kentucky Inc**

Country of incorporation: United States of America

Nature of business: Oil Exploration

|                                | %       |                |                |
|--------------------------------|---------|----------------|----------------|
| Class of shares:               | holding | 2009           | 2008           |
| Ordinary                       | 50.00   | £              | £              |
| Aggregate capital and reserves |         | <u>247,709</u> | <u>278,242</u> |

Black Gold of Kentucky Inc is deemed to be an associated undertaking of Caspian USA Inc.

The Group's investment in its associate is represented by:

**Share of net assets**

|                         |                |
|-------------------------|----------------|
| Share of fixed assets   | £              |
| Share of current assets | 123,855        |
|                         | <u>123,854</u> |
|                         | <u>247,709</u> |

8. **TRADE AND OTHER RECEIVABLES**

|                                    | Group         |               | Company        |                |
|------------------------------------|---------------|---------------|----------------|----------------|
|                                    | 2009          | 2008          | 2009           | 2008           |
|                                    | £             | £             | £              | £              |
| Current:                           |               |               |                |                |
| Amounts owed by group undertakings | -             | -             | 247,709        | 278,242        |
| VAT                                | 1,848         | 3,858         | 1,848          | 3,858          |
| Prepayments                        | <u>12,106</u> | <u>19,740</u> | <u>12,106</u>  | <u>19,740</u>  |
|                                    | <u>13,954</u> | <u>23,598</u> | <u>261,663</u> | <u>301,840</u> |

**CASPIAN HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

9. **CASH AND CASH EQUIVALENTS**

|               | <b>Group</b> |               | <b>Company</b> |               |
|---------------|--------------|---------------|----------------|---------------|
|               | 2009         | 2008          | 2009           | 2008          |
|               | £            | £             | £              | £             |
| Cash in hand  | -            | 1,000         | -              | 1,000         |
| Bank accounts | <u>1,116</u> | <u>35,918</u> | <u>1,116</u>   | <u>35,918</u> |
|               | <u>1,116</u> | <u>36,918</u> | <u>1,116</u>   | <u>36,918</u> |

10. **CALLED UP SHARE CAPITAL**

| Allotted and issued: |          |                | 2009           | 2008           |
|----------------------|----------|----------------|----------------|----------------|
| Number:              | Class:   | Nominal value: | £              | £              |
| 366,065,131          | Ordinary | 0.1p           | <u>366,066</u> | <u>124,648</u> |

241,416,446 Ordinary shares of 0.1p were issued during the year for cash of £241416.

11. **RESERVES**

| <b>Group</b>          |                     |                   |                  |
|-----------------------|---------------------|-------------------|------------------|
|                       | Retained earnings   | Share premium     | Totals           |
|                       | £                   | £                 | £                |
| At 1st January 2009   | (11,102,516)        | 9,983,895         | (1,118,621)      |
| Deficit for the year  | (74,154)            |                   | (74,154)         |
| Cash share issue      | <u>27,176</u>       | <u>960,524</u>    | <u>987,700</u>   |
| At 31st December 2009 | <u>(11,149,494)</u> | <u>10,944,419</u> | <u>(205,075)</u> |
| <b>Company</b>        |                     |                   |                  |
|                       | Retained earnings   | Share premium     | Totals           |
|                       | £                   | £                 | £                |
| At 1st January 2009   | (11,102,516)        | 9,983,895         | (1,118,621)      |
| Deficit for the year  | (74,154)            |                   | (74,154)         |
| Cash share issue      | <u>27,176</u>       | <u>960,524</u>    | <u>987,700</u>   |
| At 31st December 2009 | <u>(11,149,494)</u> | <u>10,944,419</u> | <u>(205,075)</u> |

**CASPIAN HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2009**

12. **TRADE AND OTHER PAYABLES**

|                              | <b>Group</b>   |                | <b>Company</b> |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2009<br>£      | 2008<br>£      | 2009<br>£      | 2008<br>£      |
| Current:                     |                |                |                |                |
| Trade creditors              | 75,029         | 225,882        | 75,029         | 225,882        |
| Accruals and deferred income | 16,768         | 306,880        | 16,768         | 306,880        |
| Directors' loan accounts     | <u>9,991</u>   | <u>-</u>       | <u>9,991</u>   | <u>-</u>       |
|                              | <u>101,788</u> | <u>532,762</u> | <u>101,788</u> | <u>532,762</u> |

13. **FINANCIAL LIABILITIES - BORROWINGS**

|             | <b>Group</b> |                | <b>Company</b> |                |
|-------------|--------------|----------------|----------------|----------------|
|             | 2009<br>£    | 2008<br>£      | 2009<br>£      | 2008<br>£      |
| Current:    |              |                |                |                |
| Other loans | <u>-</u>     | <u>799,969</u> | <u>-</u>       | <u>799,969</u> |

14. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| <b>Group</b>   | 2009<br>£        | 2008<br>£        |
|--|------------------|------------------|
| Loss for the financial year                            | (74,154)         | (4,397,146)      |
| Capital subscriptions                                  | <u>1,229,118</u> | <u>535,200</u>   |
| <b>Net addition/(reduction) to shareholders' funds</b> | 1,154,964        | (3,861,946)      |
| Opening shareholders' funds                            | <u>(993,973)</u> | <u>2,867,973</u> |
| <b>Closing shareholders' funds</b>                     | <u>160,991</u>   | <u>(993,973)</u> |
| <br><b>Company</b>                                     |                  |                  |
|  | 2009<br>£        | 2008<br>£        |
| Loss for the financial year                            | (74,154)         | (5,856,209)      |
| Capital subscriptions                                  | <u>1,229,118</u> | <u>535,200</u>   |
| <b>Net addition/(reduction) to shareholders' funds</b> | 1,154,964        | (5,321,009)      |
| Opening shareholders' funds                            | <u>(993,973)</u> | <u>4,327,036</u> |
| <b>Closing shareholders' funds</b>                     | <u>160,991</u>   | <u>(993,973)</u> |



## **Caspian Holdings Plc**

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