



Annual Report 2010

CASPIAN HOLDINGS PLC

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Page
Company Information	1
Chairman's Statement	2
Report of the Directors	3
Report of the Independent Auditors	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Company Statement of Cash Flows	16
Note to the Cash Flow Statements	17
Notes to the Consolidated Financial Statements	18

CASPIAN HOLDINGS PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010

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

CASPIAN HOLDINGS PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

2010 was an intensive year for Caspian Holdings Plc (the "Company"). On the corporate side the Company made a capital placement of £200,000. The net proceeds from the placing were used to finance the USA oil operations (held via a 50% interest in Black Gold of Kentucky Inc.), the activities on the expansion of USA operations and the current working capital requirements of the Company. The Group continues to monitor different opportunities to increase its portfolio in the USA. Several new initiatives have been undertaken such as expansion of the Company's strategy at the 2010 AGM to include basic materials (including mining). In the last six months of 2010 the Company pursued different opportunities and identified various prospects which are currently under evaluation.

Limited oil production continues at the Barnett Lease in Southern Kentucky, USA (owned through Caspian's 50 per cent. share of Black Gold of Kentucky Inc.). Heavy snow and subsequent heavy rain limited initial production during the first half of 2010. For the rest of the year the production was marginal.

The Company continued to manage costs effective activity during 2010. For 2010 the financial statements show a loss after taxation of £195,796 compared to £74,154 in the previous year.

We would like to thank all directors and employees, in particular Mariyam Musrepova, 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 31 DECEMBER 2010

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding company, and through its subsidiary held a 50% share in an associated company which is engaged in 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.

A detailed review 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 £195,796.

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 48, 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 a Non Executive Director and a major shareholder. Michael is a joint founder of the Company.

Michael Garland aged 50, 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 50, 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 2010 in the issued share capital of the Company were as follows:

	<u>Ordinary 0.1p Shares</u> <u>31.12.10</u>	<u>Ordinary 0.1p Shares</u> <u>01.01.10</u>
M G Masterman	161,694,010	141,694,010
M V Garland	10,800,000	10,800,000
Dr B Pirola	41,305,904	41,305,904

CASPIAN HOLDINGS PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010 (Continued)

Director's Remuneration

The directors decided not to take remuneration for 2010.

Directors Service Contracts

All Directors' contracts run 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 month period.

Directors Interests

The Directors who held office at the end of the financial year to 31 December 2010, had the following interest in the ordinary shares of the Company according to the register of Director's interests.

<u>Director</u>	<u>Shares held at 31 December 2010</u>
M G Masterman	161,694,010
M V Garland	10,800,000
Dr B Pirola	41,305,904

The Directors have interests in the following stock options.

<u>Stock Options Held</u>	<u>Option Exercise Price</u>	<u>Expiry Date</u>
<u>M. Masterman</u>		
5,000,000	£0.04	31 December 2010
1,250,000	£0.03	31 December 2010
<u>B. Pirola</u>		
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 31 DECEMBER 2010 (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 12 April 2011 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	161,694,010	36
K.B.C. Peel Hunt	41,697,131	9
Dr B Pirola	41,305,904	9
Acri Pty Ltd	37,258,904	8
L. Macri	16,505,904	4

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), who 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 meets on a regular 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 31 DECEMBER 2010**

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 have been 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 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

There were no events between the end of the financial year and the date of this report that, in the opinion of the Directors, significantly affect the operations of the company.

CASPIAN HOLDINGS PLC

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2010**

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.

Currency Risk

The Group principally operates in £ 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

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.

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 31 DECEMBER 2010

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, Chapman Davis, who were appointed during the year to fill the vacancy created on the resignation of Cook and Partners, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
M G Masterman - Director

Date: 8 June 2011

**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 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 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 an auditor's report 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 included in the Directors' Report, 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

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 31 December 2010 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Director's Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Rowan J. Palmer (Senior statutory auditor)

For and on behalf of Chapman Davis LLP, Statutory Auditor

*Chartered Accountants
Chapman Davis LLP
2 Chapel Court
London SE1 1HH*

8 June 2011

CASPIAN HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
CONTINUING OPERATIONS			
Revenue		-	-
Cost of sales		<u>-</u>	<u>-</u>
GROSS LOSS			
Administrative expenses		<u>(79,986)</u>	<u>(74,154)</u>
OPERATING LOSS			
Share of loss of Associate	7	<u>(115,810)</u>	<u>-</u>
LOSS BEFORE INCOME TAX			
Income tax	4	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR			
		<u><u>(195,796)</u></u>	<u><u>(74,154)</u></u>
Loss attributable to:			
Owners of the parent		<u><u>(195,796)</u></u>	<u><u>(74,154)</u></u>
Earnings per share expressed in pence per share:			
Basic	6	(-0.05)	(-0.03)
Diluted		<u><u>(-0.05)</u></u>	<u><u>(-0.03)</u></u>
		2010 £	2009 £
LOSS FOR THE YEAR			
		(195,796)	(74,154)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u><u>(195,796)</u></u>	<u><u>(74,154)</u></u>
Total comprehensive income attributable to:			
Owners of the parent		(195,796)	(74,154)
Non-controlling interests		<u>-</u>	<u>-</u>

CASPIAN HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
NON-CURRENT ASSETS			
Investment in Associate	7	<u>198,998</u>	<u>247,709</u>
CURRENT ASSETS			
Trade and other receivables	8	4,275	13,954
Cash and cash equivalents	9	<u>14,476</u>	<u>1,116</u>
		<u>18,751</u>	<u>15,070</u>
TOTAL ASSETS		<u><u>217,749</u></u>	<u><u>262,779</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	10	446,067	366,066
Share premium	11	11,064,419	10,944,419
Retained earnings	11	<u>(11,345,290)</u>	<u>(11,149,494)</u>
TOTAL EQUITY		<u>165,196</u>	<u>160,991</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	52,553	101,788
Financial liabilities - borrowings			
Interest bearing loans and borrowings	13	<u>-</u>	<u>-</u>
		<u>52,553</u>	<u>101,788</u>
TOTAL LIABILITIES		<u>52,553</u>	<u>101,788</u>
TOTAL EQUITY AND LIABILITIES		<u><u>217,749</u></u>	<u><u>262,779</u></u>

The financial statements were approved by the Board of Directors on 8 June 2011 and were signed on its behalf by:



.....
M G Masterman - Director

CASPIAN HOLDINGS PLC

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
CURRENT ASSETS			
Trade and other receivables	8	203,273	261,663
Cash and cash equivalents	9	<u>14,476</u>	<u>1,116</u>
		<u>217,749</u>	<u>262,779</u>
TOTAL ASSETS		<u><u>217,749</u></u>	<u><u>262,779</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	10	446,067	366,066
Share premium	11	11,064,419	10,944,419
Retained earnings	11	<u>(11,345,290)</u>	<u>(11,149,494)</u>
TOTAL EQUITY		<u>165,196</u>	<u>160,991</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	52,553	101,788
Financial liabilities - borrowings			
Interest bearing loans and borrowings	13	<u>-</u>	<u>-</u>
		<u>52,553</u>	<u>101,788</u>
TOTAL LIABILITIES		<u>52,553</u>	<u>101,788</u>
TOTAL EQUITY AND LIABILITIES		<u><u>217,749</u></u>	<u><u>262,779</u></u>

The financial statements were approved by the Board of Directors on 8 June 2011 and were signed on its behalf by:

Michael Masterman

.....
M G Masterman - Director

CASPIAN HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Called up share capital £	Profit and loss account £	Share premium £	Total Equity £
Balance at 1st January 2009	124,648	(11,075,340)	9,983,895	(966,797)
Changes in equity				
Issue of share capital	241,418	-	960,524	1,201,942
Total comprehensive income	<u>-</u>	<u>(74,154)</u>	<u>-</u>	<u>(74,154)</u>
Balance at 31 December 2009	<u>366,066</u>	<u>(11,149,494)</u>	<u>10,944,419</u>	<u>160,991</u>
Changes in equity				
Issue of share capital	80,001	-	120,000	200,001
Total comprehensive income	<u>-</u>	<u>(195,796)</u>	<u>-</u>	<u>(195,796)</u>
Balance at 31 December 2010	<u>446,067</u>	<u>(11,345,290)</u>	<u>11,064,419</u>	<u>165,196</u>

CASPIAN HOLDINGS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Called up share capital £	Profit and loss account £	Share premium £	Total equity £
Balance at 1st January 2009	124,648	(11,075,340)	9,983,895	(966,797)
Changes in equity				
Issue of share capital	241,418	-	960,524	1,201,942
Total comprehensive income	<u>-</u>	<u>(74,154)</u>	<u>-</u>	<u>(74,154)</u>
Balance at 31 December 2009	<u>366,066</u>	<u>(11,149,494)</u>	<u>10,944,419</u>	<u>160,991</u>
Changes in equity				
Issue of share capital	80,001	-	120,000	200,001
Total comprehensive income	<u>-</u>	<u>(195,796)</u>	<u>-</u>	<u>(195,796)</u>
Balance at 31 December 2010	<u>446,067</u>	<u>(11,345,290)</u>	<u>11,064,419</u>	<u>165,196</u>

CASPIAN HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Cash absorbed by operations	1	<u>(119,542)</u>	<u>(505,475)</u>
Cash flows from investing activities			
Impairment of associates and subsidiary		-	30,533
Investment in associates and subsidiary		<u>(67,099)</u>	<u>-</u>
Net cash from investing activities		<u>(67,099)</u>	<u>30,533</u>
Cash flows from financing activities			
Net loans		-	(799,969)
Amount introduced by directors		-	9,991
Share issue		80,001	241,418
Share premium		<u>120,000</u>	<u>987,700</u>
Net cash from financing activities		<u>200,001</u>	<u>439,140</u>
Increase/(decrease) in cash and cash equivalents		13,360	(35,802)
Cash and cash equivalents at beginning of year		<u>1,116</u>	<u>36,918</u>
Cash and cash equivalents at end of year		<u>14,476</u>	<u>1,116</u>

CASPIAN HOLDINGS PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Cash absorbed by operations	1	<u>(119,542)</u>	<u>(505,475)</u>
Cash flows from investing activities			
Impairment of associates and subsidiary		-	30,533
Investment in associates and subsidiary		<u>(67,099)</u>	<u>-</u>
Net cash from investing activities		<u>(67,099)</u>	<u>30,533</u>
Cash flows from financing activities			
Net loans		-	(799,969)
Amount introduced by directors		-	9,991
Share issue		80,001	241,418
Share premium		<u>120,000</u>	<u>987,700</u>
Net cash from financing activities		<u>200,001</u>	<u>439,140</u>
Increase/(decrease) in cash and cash equivalents		13,360	(35,802)
Cash and cash equivalents at beginning of year		<u>1,116</u>	<u>36,918</u>
Cash and cash equivalents at end of year		<u>14,476</u>	<u>1,116</u>

CASPIAN HOLDINGS PLC

NOTE TO THE CASH FLOW
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

	2010	2009
	£	£
Loss before income tax	(195,796)	(74,154)
Share of loss of Associates	115,810	-
	<hr/>	<hr/>
Decrease in inventories	(79,986)	(74,154)
Decrease in trade and other receivables	-	-
Decrease in trade and other receivables	9,679	9,644
Decrease in trade and other payables	<u>(49,235)</u>	<u>(440,965)</u>
Cash absorbed by operations	<u><u>(119,542)</u></u>	<u><u>(505,475)</u></u>

CASPIAN HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Accounting judgements and estimation uncertainty

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are described within the relevant accounting policies.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and Caspian USA Inc (its subsidiary) although that company did not trade during the year under review. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so to obtain benefits from its activities. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint operations are activities where the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the entities' assets, liabilities, revenue and expenses with items of similar nature on a line by line basis, from the date that joint control commences until joint control ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Group share of the losses of any associated companies are included in the loss for the year.

Presentation of financial statements

The Group applies revised IAS 1, "Presentation of Financial Statements" which became effective as of 1 January 2009. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Entities are permitted to choose whether to present one performance statement (the statement of comprehensive income) or two statements (the incoming statement and the statement of comprehensive income). The Group has elected to present one statement.

Caspian Holdings plc (the "Company") is a company domiciled in the United Kingdom and incorporated in England. The financial information of the Company and of the Company and its subsidiary (together referred to as the "Group") for the year ended 31 December 2010 are presented in the functional currency, Sterling "£".

The Group financial statements consolidate those of the Company and its subsidiary. The parent company financial statements present, in addition, information about the Company as a separate entity in publishing the parent company financial statements together with the Group financial statements, the Company has taken advantage of the exemption in Section 408(4) of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements were authorised for issue by the Directors on 8 June 2011.

Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with international Financial Reporting Standards and their interpretation as adopted by the EU ("adopted IFRS").

Basis of preparation

The financial statements are prepared on the historical cost basis with the exception of other financial assets which are stated at their fair value at the period end.

CASPIAN HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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.

New Standards and interpretations not yet adopted

The adoption of new standards, where relevant, has had no impact on the reported results nor the financial position of the Group. Those which may have a significant effect on the financial statements are:

- IFRS 9 (applicable January 2013)
- Revised IAS 24 (applicable from January 2011)
- Improvements to IFRS 2010 (mostly effective January 2011)

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 Oil and Gas Properties in single field cost centres. These costs are then amortised on a unit of production basis.

2. **EMPLOYEES AND DIRECTORS**

	2010	2009
	£	£
Wages and salaries	<u>6,974</u>	<u>15,301</u>

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

	2010	2009
Management & administration	<u>4</u>	<u>4</u>

	2010	2009
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

CASPIAN HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

3. **LOSS BEFORE INCOME TAX**

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

	2010	2009
	£	£
Auditors Remuneration	<u>4,500</u>	<u>4,500</u>

4. **INCOME TAX**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009.

The difference between the effective provision for tax and statutory tax provision at the statutory rate is reconciled as follows:-

	2010	2009
	£	£
Loss on Ordinary Activities before Tax	<u>(195,796)</u>	<u>(74,154)</u>
Corporation Tax @ 28%	(54,823)	(20,763)
Effect of Benefit of tax losses carried forward	<u>54,823</u>	<u>20,763</u>
Income Tax Expense	=	=

A deferred tax asset has not been created. Tax losses of approximately £2,973,000 (2009:£2,918,000) are available for future relief

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 £195,796 (2009 £(74,154)).

6. **(LOSS) 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.

	2010	
	Earnings	Per-share
	£	amount
		pence
Basic Loss per share		
Earnings attributable to ordinary shareholders	(195,796)	406,065,131
Effect of dilutive securities	_____	_____
Diluted Loss per share		
Adjusted earnings	<u>(195,796)</u>	<u>406,065,131</u>
	_____	_____
	<u>(-0.05)</u>	<u>(-0.05)</u>

CASPIAN HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

6. **(LOSS) PER SHARE CONTINUED**

	Earnings £	2009 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(74,515)	247,721,530	(-0.03)
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	<u>(74,515)</u>	<u>247,721,530</u>	<u>(-0.03)</u>

7. **INVESTMENT IN ASSOCIATE**

Group

	£
COST	
At 1st January 2010	247,709
Impairments	(115,810)
Additions	<u>67,099</u>
At 31 December 2010	<u>198,998</u>
NET BOOK VALUE	
At 31 December 2010	<u>198,998</u>
At 31 December 2009	<u>247,709</u>

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

Subsidiary

Caspian USA Inc

Country of incorporation: United States of America

Nature of business: Oil Exploration

	%		
Class of shares:	holding		
Ordinary	100.00		
		2010	2009
		£	£
Aggregate capital and reserves		<u>198,998</u>	<u>247,709</u>

CASPIAN HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

7. **INVESTMENT - continued**

Associate

Black Gold of Kentucky Inc

Country of incorporation: United States of America

Nature of business: Oil Exploration

	%		
Class of shares:	holding		
Ordinary	50.00		
		2010	2009
		£	£
Aggregate capital and reserves		<u>198,998</u>	<u>247,709</u>

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

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

Share of net assets

	2010	2009
	£	£
Share of Capitalised Oil Lease Development	210,695	309,762
Share of Current assets	215	59
Share of Current Liabilities	<u>(11,912)</u>	<u>(62,112)</u>
	<u>198,998</u>	<u>247,709</u>

8. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Current:				
Amounts owed by group undertakings	-	-	198,998	247,709
VAT	-	1,848	-	1,848
Prepayments	<u>4,275</u>	<u>12,106</u>	<u>4,275</u>	<u>12,106</u>
	<u>4,275</u>	<u>13,954</u>	<u>203,273</u>	<u>261,663</u>

9. **CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents consist of Balances held in the Company bank accounts.

10. **CALLED UP SHARE CAPITAL**

Allotted and issued:

Number:	Class:	Nominal value:	2010	2009
			£	£
446,065,131	Ordinary	0.1p	<u>446,067</u>	<u>366,066</u>

80,000,000 Ordinary shares of 0.1p were issued during the year for cash of £200,000.

CASPIAN HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

12. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Current:				
Trade creditors	36,719	75,029	36,719	75,029
Accruals and deferred income	4,780	16,768	4,780	16,768
VAT	1,063	-	1,063	-
Directors' loan accounts	<u>9,991</u>	<u>9,991</u>	<u>9,991</u>	<u>9,991</u>
	<u>52,553</u>	<u>101,788</u>	<u>52,553</u>	<u>101,788</u>

13. **RELATED PARTIES**

There were no transactions with related parties during the year under review. At the beginning and end of the financial year, the company owed £9,991 to M. Masterman. There were no movements in the balance during the year.