Seven Arts Pictures PLC
Form F-1/A
April 24, 2009

As filed with the Securities and Exchange Commission on April 24, 2009

File No. 333-158669

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to

FORM F-1/A

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SEVEN ARTS PICTURES PLC

(Exact Name of Registrant as Specified in Its Charter)

England (State or other jurisdiction of incorporation or organization)	7812 Primary Standard Industrial Classification Code Number	[Not Applicable] (I.R.S. Employer Identification No.)

38 Hertford Street
London, UK W1J7SG
44 (203) 006-8222

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Ordinary Shares	2,875,000 (2)	U.S.$6.50	U.S.$18,687,500	U.S.$1,044
Underwriters Warrants	125,000			
Ordinary Shares Underlying the Underwriters Warrants	125,000	U.S.$8.13	U.S. $1,016,250	U.S.$57
Total	3,000,000		U.S.$19,703,750	U.S.$1,101

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act.

(2) Includes 2,500,000 ordinary shares offered hereby and 375,000 ordinary shares related to the over-allotment option granted to the underwriters representative. Pursuant to Rule 416, there are also being registered such indeterminable number of additional ordinary shares as may be issued under the warrants to the underwriters representative to prevent dilution resulting from stock splits, stock dividends or similar transactions.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to completion, dated ___________.

SEVEN ARTS PICTURES PLC

This is a firm commitment public offering of 2,500,000 ordinary shares. One of our shareholders has granted Rodman & Renshaw, LLC, the underwriters representative, an option to purchase up to 375,000 additional ordinary shares to cover over-allotments. We have also granted the underwriters representative warrants to purchase up to 125,000 of our ordinary shares.

Our ordinary shares are quoted on the NASDAQ Capital Market under the symbol SAPX. On April 17, 2009, the last reported market price of our ordinary shares was $6.50 per share.

	Public Offering Price	Underwriting Discount and Commissions(1)	Proceeds to Us, Before Expenses(2)
Per Share	$	$	$
Total	$	$	$

(1) Does not include a non-accountable expense allowance equal to 1% of the gross proceeds of this offering payable to Rodman & Renshaw, LLC, the underwriters representative.
(2) We estimate that the total expenses of this offering, excluding the underwriters discount and non-accountable expense allowance, will be approximately $________.

The shares issuable upon exercise of the underwriter over-allotment option and the warrants are identical to those offered to the public by this prospectus, and have been registered under the registration statement of which this prospectus forms a part.

Investing in our securities involves certain risks. See Risk Factors beginning on page 7 of this prospectus for a discussion of information that should be considered in connection with an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver our shares to purchasers in the offering on or about ______, 2009.

Rodman & Renshaw, LLC

The date of this prospectus is [ ], 2009

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You should rely only on the information contained or incorporated by reference to this prospectus in deciding whether to purchase our shares. We have not authorized anyone to provide you with information different from that contained or incorporated by reference to this prospectus. Under no circumstances should the delivery to you of this prospectus or any sale made pursuant to this prospectus create any implication that the information contained in this prospectus is correct as of any time after the date of this prospectus. To the extent that any facts or events arising after the date of this prospectus, individually or in the aggregate, represent a fundamental change in the information presented in this prospectus, this prospectus will be updated to the extent required by law.

We obtained statistical data, market data and other industry data and forecasts used throughout this prospectus from market research, publicly available information and industry publications. Industry publications generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy and completeness of the information. Nevertheless, we are responsible for the accuracy and completeness of the historical information presented in this prospectus, as of the date of the prospectus.

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus but may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire prospectus. In this prospectus, the words Seven Arts , Company , we , our , ours and us refer to Seven Arts Pictures PLC and its subsidiaries, unless otherwise stated or the context requires. All references in this prospectus to the number of ordinary shares to be issued by us in the offering exclude any ordinary shares acquired by underwriters pursuant to their over-allotment option or underwriters warrants included elsewhere in this prospectus.

Our Company

We are an independent motion picture production company engaged in developing, financing, producing and licensing theatrical motion pictures with budgets in the range of $5 million to $15 million for exhibition in domestic (i.e. the United States and Canada) and foreign theatrical markets and for subsequent post theatrical worldwide release in other forms of media, including DVD, home video, pay-per-view, and free television. We endeavor to release many of our motion pictures into wide-theatrical exhibition initially, however, a portion of our pictures will either receive only a limited theatrical release, or may even be released directly to post theatrical markets, primarily DVD. Our pictures that receive limited theatrical release or post theatrical release typically benefit from lower prints and advertising (P & A) costs and, in turn, improved gross profit margins.

Our recent domestic theatrical releases include Deal (April 2008), Noise (April 2008) and Autopsy (January 2009), all three of which received limited US theatrical releases. We have completed the production of, and expect to release for domestic theatrical exhibition three additional motion pictures by fiscal year 2009, notably The Pool Boys, Nine Miles Down and Night of the Demons. We currently have five motion pictures in development that we anticipate will be released within the next two to three years Catwalk, Neuromancer, Mortal Armor: The Legend of Galahad, Romeo Spy, and The Winter Queen. Catwalk is expected to commence production later this Spring, and we have secured a SAG waiver to assure us that production can continue without interruption even if a SAG strike were to occur. We may supplement these motion pictures releases with certain lower cost pictures not yet fully developed, as well as with selected third party acquisitions.

Since 1996, we and our predecessors have produced 13 motion pictures and have acquired rights to an additional 18 motion pictures. As a result, we currently have a library of 31 completed motion pictures. A substantial portion of our library revenues are derived from only a few of our library titles. Through a combination of new productions and selected acquisitions, we plan to increase our film library to 75 or 100 pictures over the next five years, depending on the costs of such productions and acquisitions and our ability to assemble the elements to produce such films and finance such activities.

Our recent business model has focused on distribution in the post-theatrical markets for lower-cost, genre motion pictures. These pictures have enjoyed only a very limited theatrical release. However, as a result of both licensing of distribution rights prior to completion as well as the use of tax-preferred financing, they have generated substantial gross profit margins from post-theatrical markets (i.e. video and television distribution). While we will continue to make such pictures in the future, our goal is to obtain a wider theatrical release for the majority of the pictures we intend to release over the next two to three years.

We recorded gross revenues of $17,748,000 and net income of $4,014,000 in the fiscal period ended June 30, 2008, (15 months audited) and gross revenues of $11,758,000 and net income of $1,934,000 in our fiscal year ended March 31, 2007 (audited). For the most recent six month period ended December 31, 2008, we earned net income of $1,501,000 on revenues of $5,846,000 (unaudited).

Our Business Strategy

Our current business strategy is:

To finance, produce and distribute two to four motion pictures in-house per year with budgets of between $5 million and $15 million each. As previously stated, certain of these pictures will receive only a limited theatrical release while others will be released more widely.

To supplement our core strategy by producing an occasional higher cost motion picture (production budgets of $30 $50 million). We will seek to co-produce such projects with a major studio to guarantee a studio-wide release and obtain a commitment to cover a portion or all of prints and advertising (P&A) costs.

To opportunistically acquire distribution rights to an additional two to five motion pictures produced by others, each year, for distribution in theatrical, video and television markets, as an agent, for a 15% 20% fee.

To maximize our current use of tax preferred financing structures around the world to fund our motion picture productions.

To continue to reduce our financial risk on motion pictures we produce in-house by pre-selling certain rights to distributors prior to and during production, although we recognize that, particularly in the last year, the pre-sale market has become more difficult to access as a film financing tool.

To increase our share of distribution revenues by entering into partnerships with theatrical and video distributors, to gain more control over the distribution of our motion pictures and to obtain a greater share of the revenues from distribution of our motion pictures.

To scale our business over time by modestly increasing the number of pictures we develop and produce in-house as well as by more aggressively seeking to acquire for distribution motion pictures produced by third parties.

We believe that this is a particularly opportune time to be producing and distributing moderately priced motion pictures as, according to their public announcements, the major studios plan on reducing the number of pictures that they finance and distribute, preferring instead to concentrate resources on a limited number of high-priced, franchise productions. In addition, we believe that certain of the most successful independent motion picture companies have either been acquired or are focusing on higher budget films. We believe that these factors will attract exceptional levels of both talent and projects for lower budget motion pictures and independent film companies such as Seven Arts.

Our Competitive Strength

We believe our competitive strengths are:

The experience of our management and our relationships with independent motion picture distributors. Our management has participated in the production and/or distribution of more than one hundred motion pictures since 1986.

Our relationships with key talent and with independent motion picture distributors around the world.

Our attractive profit margins which result from adherence to cost efficient budgets, a low overhead structure, the use of pre-sales to license our motion pictures for a fee to third-party distributors prior to completion of production, and of tax preferred financing.

Our expertise in structuring non-overlapping tax preferred financings in jurisdictions where such are made available.

Corporate Information

Seven Arts is a corporation organized under the laws of England and Wales. Our principal executive offices are located at 38 Hertford Street, London, UK W1J 7SG. Our telephone number is 44 (203) 006 8222. The US offices of our affiliate are located at 6121 Sunset Blvd., Los Angeles, CA 90028. Our US telephone number is (323) 634 0990.

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Corporate Organization

The organization of the Company and its affiliates is set forth below:

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THE OFFERING

Securities Offered
2,500,000 ordinary shares (or 2,875,000 if the underwriters representative exercises its over-allotment option in full)

Ordinary Shares

Number of ordinary shares outstanding before this offering
6,893,300 ordinary shares

Number of ordinary shares outstanding after this offering[(1)]
7,693,300 ordinary shares (or 7,818,300 ordinary shares if the underwriters representative exercises its warrants in full)

Use of Proceeds
We intend to use the net proceeds of this offering to repay indebtedness of approximately $11,150,000. The remaining net proceeds will be used for working capital and general corporate purposes.

NASDAQ Capital Market
SAPX

Lock-Up Agreements
All of our officers and directors have agreed that, for a period of six months following completion of this offering, they will be subject to a lock-up agreement prohibiting any sales or hedging transactions of our securities owned by them. See Lock-Up on page 60.

Risk Factors
The securities offered by this prospectus are speculative and involve a high degree of risk, and investors purchasing securities should not purchase the securities unless they can afford the loss of their entire investment. See Risk Factors beginning on page 7.

(1) Excludes a total of 1,700,000 ordinary shares comprised of (i) 1,000,000 ordinary shares to be returned to us in connection with an advance to the Seven Arts Employee Benefit Trust and (ii) 700,000 shares to be returned to us in connection with the repayment of a loan. See Use of Proceeds.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following sets forth a summary of consolidated profit and loss statement for the fiscal period ended June 30, 2008 (15 months) and each of the fiscal years ended March 31, 2007, and March 31, 2006 and March 31, 2005, all of which have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The summary of profit and loss statements for the six-month periods ended December 31, 2008 and September 30, 2007 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated historical financial and operating information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto and the other financial information included elsewhere in this prospectus.

The historical results included below and elsewhere in this prospectus are not indicative of our future performance.

Summary Financial Data (in $000 s, except per share data)

Summary Profit and Loss Statements[1]	Six Months Ended Dec 31, 2008 (Unaudited)	Six Months Ended Sept 30, 2007 (Unaudited)	Fifteen Month Period Ended June 30, 2008	Fiscal Year Ended March 31, 2007	Fiscal Year Ended March 31, 2006 (Restated)	Fiscal Year Ended March 31, 2005 (Restated)
Under UK GAAP						
Revenues	$6,610	$1,889	$17,767	$11,208 [2]	$13,168	$4,297
Income/(Loss) from Operations	$2,568	$1,101	$2,035	$3,616 [2][3]	$942	($9,501)
Net Income/(Loss)	$1,691	$366	$4,009	$1,842 [3]	$181 [3]	($14,145)
Weighted Average Primary Shares Outstanding[4]	5,204.2	4,480.7	4,715.1	2,694.9	2,636.8	1,793.0
Weighted Average Fully Diluted Shares Outstanding[4]	9,097.6	8,320.7	8,632.9	7,454.1	7,436.8	4,239.0
Net Income/(Loss) Per Share[c][4]	32	8	85	68	7	(789)
Net Income/(Loss) Per Fully Diluted Share[c][4]	19	4	46	25	2	(789)
Under US GAAP						
Revenues	$6,610	$1,889	$17,767	$9,585	$13,168	$4,297
Income/(Loss) from Operations	$2,569	$1,100	$2,036	$2,228	$1,255 [3]	($9,501)
Net Income/(Loss)	$1,691	$366	$4,009	$2,077	$495 [3]	($12,274)
Earnings Per Share[c][4]	32	8	85	77	19	(685)
Fully Diluted Earnings Per Share[c][4]	19	4	46	28	7	(685)
Summary Balance Sheet						
Under UK GAAP						
Short-Term Debt	$187,863 [7]	$7,069	$253,095 [7]	$7,826	$3,628	$7,822
Long-Term Debt	$1,000	$23,732	$6,752	$12,373	$12,624	$4,250
Total Assets	$390,605 [7]	$49,423	$424,971 [7]	$37,612	$28,441	$18,034
Shareholders Funds[5]	$8,342	$10,353	$13,795	$8,936	$4,927	$5,081

Under US GAAP						
Short-Term Debt	$187,863[7]	$7,069	$253,095[7]	$7,826	$3,628	$7,822
Long-Term Debt[5]	$3,516	$27,307	$10,252	$15,805	$17,828	$9,919
Convertible Redeemable Preference Shares[6]	$945	$5,669	$5,669	$5,669	$5,669	$5,669
Total Assets	$390,605[7]	$49,423	$424,972[7]	$37,847	$28,755	$18,034
Shareholders Equity[5],[6]	$4,881	$1,109	$4,626	$70	($5,632)	($6,257)

(1) We changed our fiscal year end from March 31 to June 30 for the fiscal period ending June 30, 2008. The unaudited six-month results compare the first six months of the fiscal year ending June 30, 2009 with the first six months of the fiscal period ended June 30, 2008.

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(2) UK GAAP records the $1,623,000 attributable in fiscal year 2007 from the settlement of debt as revenue whereas under US GAAP it is a below the line item. Other differences between revenue recognition under UK GAAP and US GAAP arise from differing treatments of film amortization.

(3) Differences in net income reflect certain adjustments in the treatment of film amortization under UK GAAP and US GAAP for fiscal 2006 and 2007. These differences are not recurring. (See Financial Statements Appendix A Reconciliation to US GAAP).

(4) The attached financial statements, prepared under UK GAAP, show income per share figures calculated using the weighted average number of shares outstanding in each period. As a 5 for 1 reverse stock split occurred on the last day of the December 31, 2008 financial period, the income per share figures for the periods to March 31, 2005, 2006 and 2007 and the period to June 30, 2008 do not reflect the 5 for 1 reverse stock split in those statements. The income per share figures in the table above have been adjusted from the figures shown in the financial statements to show the effect of the 5 for 1 reverse stock split as if it had occurred on the first day of the earliest period shown, being the period ended March 31, 2005.

(5) Convertible subordinated debentures owed to Langley Park Investment Trust PLC are treated as Long-Term Debt under US GAAP and as Shareholders Funds under UK GAAP. As of December 31, 2008, the value of such debentures outstanding was approximately $2,516,000 (September 30, 2007: approximately $3,575,000, March 31, 2008: approximately $3,500,000, March 31, 2007: approximately $3,432,000, March 31, 2006: approximately $5,204,000, March 31, 2005: approximately $5,669,000).

(6) Shareholders equity under US GAAP does not include either the Langley Park Investment Trust PLC (note (5)), or the Armadillo Investments PLC redeemable preference shares (approximately $5,669,000 in all periods, except for the six months ended December, 31 2008, when such amount was approximately $945,000).

(7) In May 2008, we completed a transaction with Zeus Partners LLP that raised capital for investment into the production and distribution costs of our existing and future motion picture productions and acquisitions. The total investment raised was approximately $268,000,000. Substantially all of the net proceeds from that transaction received by us, which totaled approximately $17,000,000, were accounted for as a reduction in the carrying value of our film costs on the balance sheet.

Summary Financial Data (in $000 s, except per share data) 10

Accounting for the Zeus investments has resulted in the recognition of substantial assets and liabilities arising from the related financing arrangements. These assets and liabilities are essentially offsetting. The impact of the Zeus investments as of June 30, 2008 was to increase cash by approximately $113,000,000, to increase current receivables by approximately $226,000,000, to increase deferred income by approximately $113,000,000 and to increase short term debt by approximately $226,000,000. The impact of the Zeus investments as of December 31, 2008 was to increase cash by approximately $163,000,000, to increase current receivables by approximately $170,000,000 and to increase short term debt by approximately $226,000,000. The impact of the Zeus investments as of December 31, 2008 was to increase current receivables by approximately $170,000,000, to increase deferred income by approximately $170,000,000 and to increase short tem debt by approximately $163,000,000. The short term debt was entirely paid down with the cash on March 19, 2009. The remaining amounts relating to the Zeus investment will be entirely eliminated from our balance sheet on or before May 31, 2009.

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RISK FACTORS

You should carefully consider the risks described below together with all of the other information included in this report before making an investment decision with regard to our securities. The statements contained in or incorporated into this offering that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, the trading price of our ordinary shares could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Our success depends on certain key employees.

Our success depends to a significant extent on the performance of a number of senior management and other key employees, including production and creative personnel. We particularly depend upon our Chief Executive Officer, Peter Hoffman, whose employment agreement grants him the right, as long as he is employed by us, to approve or control all artistic and business decisions regarding motion pictures that we acquire, produce or distribute. As a result, our success depends to a significant extent on Mr. Hoffman s creative and business decisions regarding the motion pictures we acquire, produce and distribute.

We do not have any key person life insurance for any of our officers or directors. We have entered into employment agreements with our top executive officers. These agreements entitle us to possible injunctive relief for breach of the agreements but do not include any non-compete covenants. These agreements cannot assure us of the continued services of such employees. In addition, competition for the limited number of business, production and creative personnel necessary to create and distribute our entertainment content is intense and may grow in the future. Our inability to retain or successfully replace where necessary members of our senior management and other key employees could have a material adverse effect on our business, results of operations and financial condition.

Our interests may conflict with those of our Chief Executive Officer.

We have entered into a series of agreements with Mr. Hoffman and his affiliated companies which may result in our interests differing from theirs (see Certain Related Transactions). One of these agreements concerns a financing arrangement that Seven Arts Pictures, Inc. (SAP), a company controlled by Mr. Hoffman, entered into with Cheyne Specialty Finance Fund L.P. (Cheyne) for the production of our movies which has been secured with (i) the motion picture assets on six of our motion pictures and (ii) 1,607,000 of our ordinary shares beneficially owned by Mr. Hoffman. We intend to use approximately $1,000,000 from the proceeds of this offering to satisfy the obligations under this financing arrangement, and as a result, we would retain our rights to the motion picture assets that were used to secure the financing and SAP would maintain its control position in our company. Satisfying the obligations under this financing arrangement may provide divergent benefits to us and to Mr. Hoffman. Other agreements that we have entered into with Mr. Hoffman and his affiliates that may result in conflicts of interest include his employment agreement which grants him rights to produce certain remakes and sequels to our motion pictures and an

Intercompany Agreement which provides that SAP will own limited liability companies in the United States, with all distribution rights and profits thereof for our account and provide other services for our account and by which has SAP assigned to us any results and proceeds arising from services performed by SAP on our behalf. See Certain Related Transactions.

Our failure to repay obligations under the Arrowhead Loan and Cheyne Loan could result in the loss of assets that we pledged and the loss of our Chief Executive Officer s beneficial interest in our ordinary shares.

Seven Arts Future Flow I (SFF), a limited liability company owned by SAP, one of our controlling shareholders and a company controlled by Mr. Hoffman, obtained financing from the Arrowhead Target Fund, Ltd. (Arrowhead) of approximately $8,300,000 (the Arrowhead Loan). We secured the Arrowhead Loan with liens on twelve motion pictures that generated revenues of over $3,700,000 in the fifteen month fiscal period ended June 30, 2008. The Arrowhead Loan is recorded in our audited financial statements as a $8,300,000 liability as of December 31, 2008. Our only liability is to repay the Arrowhead Loan from the

proceeds of the film assets pledged against the Arrowhead Loan. We are not required to repay the Arrowhead Loan from any of our other assets or revenues.

SFF is currently in payment default on the Arrowhead Loan. Since the Arrowhead Loan is now due, Arrowhead may foreclose on the pledged film assets. Arrowhead sent SFF a notice of default in February 2009 but has not yet sought to recover any of the pledged film assets which we continue to distribute. Failure to repay or refinance the Arrowhead Loan could result in a material disposition of assets through the loss of our rights to twelve motion pictures and related loss of revenues in amounts that are difficult to predict.

We also obtained financing of an aggregate of approximately $7,500,000 from Arrowhead Consulting Group LLC (ACG) for $1,000,000 and Cheyne for $6,500,000 (Cheyne Loan) at a rate of interest of 19% and 18% per annum, respectively. SAP, one of our controlling shareholders and a company controlled by Mr. Hoffman, our Chief Executive Officer, secured the ACG Loan and the Cheyne Loan with 1,607,000 of our ordinary shares beneficially owned by Mr. Hoffman (representing approximately 23% of our outstanding shares), and we secured ACG Loan and the Cheyne Loan with liens on six motion pictures that generated revenues of approximately $2,982,000 in the fifteen month fiscal period ended June 30, 2008, plus a second position security interest in the motion pictures pledged under the Arrowhead Loan. The Cheyne Loan matured on September 30, 2007. We repaid all sums then due to Cheyne, a sum of approximately $6,500,000, on or about April 2008, and received an assignment from Cheyne of their senior secured position on the film assets, including Cheyne s subordination agreement with ACG.

ACG has demanded payment of the ACG Loan. Failure to repay or refinance the ACG Loan could result in the loss of our rights to six motion pictures and our Chief Executive Officer, through his interest in SAP, could lose his equity position in our company.

We face substantial capital requirements and financial risks.

Our business requires a substantial investment of capital. The production, acquisition and distribution of motion pictures require a significant amount of capital. A significant amount of time may elapse between our expenditure of funds and the receipt of commercial revenues or tax credits derived from the production of our motion pictures. This time lapse requires us to fund a significant portion of our capital requirements from various financing sources. We cannot be certain that we can continue to successfully implement these financing arrangements or that we will not be subject to substantial financial risks relating to the production, acquisition, completion and release of future motion pictures. We currently employ a variety of structuring techniques, including debt or equity financing, in an effort to achieve our investment objectives. We cannot be certain that we will be able to negotiate structures which accomplish our objectives. We intend to increase (through internal growth or acquisition) our production slate or our production budgets, and if we do, we will be required to increase overhead and/or make larger up-front payments to talent and, consequently, bear greater financial risks. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

The costs of producing and marketing feature films have steadily increased and may further increase in the future, which may make it more difficult for a film to generate a profit or compete against other films. The costs of producing and marketing feature films have generally increased in recent years. These costs may continue to increase in the future, which may make it more difficult for our films to generate a profit or compete against other films. Historically, production costs and marketing costs have risen at a higher rate than increases in either the number of domestic admissions to movie theaters or admission ticket prices. A continuation of this trend would leave us more dependent on other media, such as home video, television, international markets and new media for revenue, and the revenues from such sources may not be sufficient to offset an increase in the cost of motion picture production. If we cannot successfully exploit these other media, it could have a material adverse effect on our business, results of operations and financial condition.

Budget overruns may adversely affect our business. Our business model requires that we be efficient in the production of our motion pictures. Actual motion picture production costs often exceed their budgets, sometimes significantly. The production, completion and distribution of motion pictures are subject to a number of uncertainties, including delays and increased expenditures due to creative differences among key cast members and other key creative personnel or other disruptions or events beyond our control. Risks such as

death or disability of star performers, technical complications with special effects or other aspects of production, shortages of necessary equipment, damage to film negatives, master tapes and recordings or adverse weather conditions may cause cost overruns and delay or frustrate completion of a production. If a motion picture incurs substantial budget overruns, we may have to seek additional financing from outside sources to complete production. We cannot assure you that such financing on terms acceptable to us will be available, and the lack of such financing could have a material adverse effect on our business, results of operations and financial condition.

In addition, if a motion picture production incurs substantial budget overruns, we cannot assure you that we will recoup these costs, which could have a material adverse effect on our business, results of operations and financial condition. Increased costs incurred with respect to a particular film may result in any such film not being ready for release at the intended time and the postponement to a potentially less favorable time, all of which could cause a decline in box office performance, and, thus, the overall financial success of such film. Budget overruns could also prevent a picture from being completed or released. Although none of these events has occurred to us to date, any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

A substantial number of our motion pictures did not generate enough revenue to satisfy financing obligations secured by those motion pictures, and our future motion pictures may not generate enough revenue to satisfy

obligations entered into to finance their production.

We have obtained financing for most of our motion pictures and secured those financings with the assets from those and other motion pictures. If we are unable to generate sufficient revenues to repay those obligations under the terms of the financings, we lose those motion picture assets and any future revenues that we could derive from those assets. As noted, the revenues of the 12 and 6 motion pictures securing the Arrowhead Loan and the ACG Loan, respectively, have not met our estimates, and as a result, we have not been able to repay those loans in the periods set out in those loans. If we are unable to amend the terms of those loans or satisfy them otherwise, we could lose those motion picture assets. We cannot assure you that a failure to repay these obligations will not make the terms of future financings more onerous or prohibitive. We also cannot assure you that our estimates of revenues from motion pictures securing any other current or future financings will be accurate, and that we will be able to satisfy those financings with the revenues from the motion pictures securing those financings. The loss of motion picture assets as a result of any such default would adversely affect our business.

Our revenues and results of operations may fluctuate significantly.

Revenues and results of operations are difficult to predict and depend on a variety of factors. Our revenues and results of operations depend significantly upon the performance of the motion pictures that we license for distribution, which we cannot predict with certainty. Accordingly, our revenues and results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods. Furthermore, largely as a result of these predictive difficulties, we may not be able to achieve analysts projected earnings. Revisions to projected earnings could cause investors to lose confidence in us, which in turn could materially and adversely affect our business, our financial condition and the market value of our securities.

Accounting practices used in our industry may accentuate fluctuations in operating results. In addition to the cyclical nature of the entertainment industry, our accounting practices (which are standard for the industry) may accentuate fluctuations in our operating results. While such fluctuations have not occurred to date, we may in the future experience such fluctuations due to industry-wide accounting practices. In accordance with U.K. and U.S. generally accepted accounting principles and industry practice, we amortize film and television programming costs using the individual-film-forecast method. Under this accounting method, we amortize film and television programming costs for each film or television program based on the following ratio:

$$\frac{\text{Revenue earned by title in the current period}}{\text{Estimated total revenues by title}}$$

and compare to amortization recorded to date. If the current calculation provides a higher number than the amortization that we have recorded to date, we charge the difference to the profit and loss account and vice

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versa if the calculation provides a lower number. We review, and revise when necessary, our total revenue estimates on a title-by-title basis at least every six months. This review may result in a change in the rate of amortization and/or a write-down of the film asset to its estimated fair value. Results of operations in future years depend upon our amortization of our film costs. Periodic adjustments in amortization rates may significantly affect these results. In addition, we are required to expense film advertising costs as incurred, but are also required to recognize the revenue from any motion picture over the entire revenue stream expected to be generated by the individual picture.

We depend on a limited number of projects, and the loss or failure of a major project could have a material adverse effect on our business. Our revenue is generated from a limited number of films. Films that we develop, finance, or license for distribution vary due to the opportunities available to us and to targeted audience response, both of which are unpredictable and subject to change. The loss or failure of a major project could have a material adverse effect on our results of operations and financial condition as well as on the market price of our securities. We cannot assure you that any project we undertake or participate in will be successful.

We rely upon pre-sales, advances and guarantees.

We attempt to minimize some of the financial risks normally associated with motion picture production by obtaining, at various stages prior to release of our motion pictures, advances and guarantees from distributors in exchange for distribution rights to such pictures in particular territories. Advances and guarantees paid by a distributor for distribution rights to a film generally represent a minimum purchase price for such rights. While guarantees from distributors reduce some of the financial risk of our motion pictures by guaranteeing the receipt of certain revenues upon delivery of these motion pictures for distribution, such advances and guarantees do not assure the profitability of our motion pictures or our Company's operations. While the licensing of distribution rights in exchange for advances and guarantees reduces our risk with respect to unsuccessful films, it may also result in our receiving lower revenues with respect to highly successful films than if such licensing of distribution rights were made upon different terms that, for example, might have provided lower or no advances and guarantees to us but also a lower distribution fee (i.e. a lower percentage of gross revenues) to the distributor. We believe the international pre-sale market has become increasingly difficult to navigate resulting in fewer pre-sales with lower minimum guarantees, and this situation may continue for the indefinite future. As the international marketplace for motion pictures demands increasingly costly motion pictures, we cannot be certain that the amount of advances and guarantees which we anticipate generating on a given film project will be greater than or equal to our cost of producing such motion picture.

In today's rapidly changing and competitive marketplace for motion pictures, it is possible that the amount of such advances and guarantees alone, after payment of our operating expenses, even if greater than our direct cost of producing a specific film, will not be sufficient to provide us with a significant return on our invested capital. Should we incur higher than expected overhead or production expenses, that amount may not be sufficient to provide a return of all or substantially all of our invested capital. To the extent that we do not produce one or more films that generate overages for us, there may be a material adverse effect upon our Company and the potential for returns on, and even the return of, our capital.

Our executive officers, directors and principal shareholders will continue to control our company after the offering.

After this offering, our directors, executive officers, entities affiliated with our directors and our executive officers and our principal shareholders will beneficially own in the aggregate approximately 52.3% of our outstanding ordinary shares. Accordingly, these persons, acting together, will have the ability to substantially influence all matters submitted to our shareholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets. These persons will also have the ability to control our management and affairs. Accordingly, the concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination involving us or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our business, even if that transaction would be beneficial to other shareholders.

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Additionally, we have entered into an Intercompany Agreement with SAP, a company controlled by our Chief Executive Officer, Peter Hoffman. Pursuant to the Intercompany Agreement, we granted SAP the power and authority to enter into agreements on our behalf. Although under the terms of the agreement, SAP is not to take any actions on our behalf without our approval, in practice we have not required SAP to receive our prior approval. If our board of directors continues to allow SAP to take actions under this agreement without board approval, SAP and, indirectly, Peter Hoffman will have a level of control over our operations that exists outside of our management structure.

We have a limited operating history.

Our predecessor was formed in 1992, and later transferred all its motion picture assets to SAP, one of our controlling shareholders and a company controlled by Peter Hoffman, our Chief Executive Officer, in October, 2002. SAP acquired control of our company in September 2004 by a transfer of all its motion picture rights to Seven Arts Filmed Entertainment Limited, our wholly owned subsidiary. Although our predecessors have a more extensive operating history, our company began operations in its current form and business strategy in September, 2004. As a result, investors will have only a limited period of motion picture operations to evaluate our performance.

We currently lack a credit facility.

We do not have any credit facility with respect to financing production of our motion pictures. We have primarily depended upon financing arrangements tied to specific motion pictures for the funding of our productions. Given the tightening of credit markets, we are seeking to establish a credit facility to provide us with more flexibility in the funding of our productions or operations. We cannot assure you that we can secure a credit facility or that, if we secure a credit facility, the terms will be favorable to us.

We face risks from doing business internationally.

We distribute motion pictures outside the United States through third-party licensees and derive revenues from these sources. As a result, our business is subject to certain risks inherent in international business, many of which are beyond our control. These risks include:

laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws,

changes in local regulatory requirements, including restrictions on content,

differing cultural tastes and attitudes,

differing degrees of protection for intellectual property,

financial instability and increased market concentration of buyers in foreign television markets, including in European pay television markets,

the instability of foreign economies and governments and

war and acts of terrorism.

Events or developments related to these and other risks associated with international trade could adversely affect our revenues from non-U.S. sources, which could have a material adverse effect on our business, financial condition and results of operations.

Amendments to current laws and regulations governing our operations could have a material adverse impact on our business.

Our operations are subject to substantial government regulation, particularly regulations governing the use of tax credits granted during film production in Louisiana, the United Kingdom, Canada and Hungary. We receive a substantial portion of the financing for our motion picture production from tax credits and other tax preferred

Our executive officers, directors and principal shareholders will continue tocontrol our company after the offering.

financings. Amendments to current laws and regulations governing these tax credits or other aspects of our business, including intellectual property and censorship laws, could increase our costs of operations, reduce our revenues, jeopardize the ownership of certain assets or increase the cost of financing our motion

pictures. Tax regulations, intellectual property laws or other rules and regulations affecting our business may be changed in a manner which may adversely affect us and our ability to operate our business plan.

The production of a larger budget motion picture may adversely affect our operating results.

Historically, we have primarily produced motion pictures with budgets of between $5 million and $15 million. We may occasionally produce a motion picture with a larger budget of between $30 million and $50 million. To produce such a motion picture, we believe that we will need to co-produce such motion pictures with major studios and ensure a studio-wide release and a commitment to cover P&A costs or with one or more other independent production companies. To date, we have not produced or co-produced a motion picture with a budget in that range. We cannot assure you that we can successfully produce and distribute motion pictures in that budgetary range, that we can find a major studio to co-produce such motion pictures or that we can secure a studio-wide release or a commitment from a studio to cover P&A costs.

We may not be able to execute our distribution strategy with CineWorks Media, LLC.

We intend to make an investment from our working capital of up to $3,000,000 of equity in CineWorks Media, LLC, if it completes its current private placement offering, representing less than 10% of CineWork s equity. If CineWorks is formed as was most recently described to us, it will be an independent distributor of rights of motion pictures in the United States and Canada. We intend to have CineWorks Media distribute some or all of our motion pictures in the United States and Canada. CineWorks Media will be managed separately from us. We cannot guarantee you that we will be able to successfully invest in CineWorks Media, that we will be able to enter into a distribution arrangement on acceptable terms with CineWorks Media or that CineWorks will successfully become a distributor of motion picture rights and we will be able to recoup our investment. A failure of any of the above may result in us being unable to execute our proposed change in our distribution strategy in the United States and Canada and losing any investment that we may make in CineWorks.

Risks Relating to Our Industry

Our success depends on external factors in the motion picture industry.

Our success depends on the commercial success of motion pictures, which is unpredictable. Operating in the motion picture industry involves a substantial degree of risk. Each motion picture is an individual artistic work, and inherently unpredictable audience reactions primarily determine commercial success. Generally, the popularity of our motion pictures depends on many factors, including public reception, the format of their initial release, for example, theatrical or direct-to-video, the actors and other key talent, their genre and their specific subject matter. The commercial success of our motion pictures also depends upon the quality and acceptance of motion pictures that our competitors release into the marketplace at or near the same time, critical reviews, the availability of alternative forms of entertainment and leisure activities, general economic conditions and other tangible and intangible factors, many of which we do not control and all of which may change. We cannot predict the future effects of these factors with certainty, any of which factors could have a material adverse effect on our business, results of operations and financial condition.

In addition, because a motion picture s performance in ancillary markets, such as home video and pay and free television, is often directly related to its box office performance or television ratings, poor box office results or poor television ratings may negatively affect future revenue streams. Our success will depend on the experience and judgment of our management to select and develop new investment and production opportunities. We cannot assure you that our motion pictures will obtain favorable reviews or ratings, or that our motion pictures will perform well at the box office or in ancillary markets. The failure to achieve any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Changes in the United States, global or regional economic conditions could adversely affect the profitability of our business. The current severe decrease in economic activity in the United States or in other regions of the world in which we do business could adversely affect demand for our films, thus reducing our revenue and earnings. A decline in economic conditions could reduce performance of our theatrical, television and home entertainment releases. In addition, an increase in consumer costs generally, or consumer costs in a

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particular sector of the entertainment industry, could result in a shift in consumer demand away from the entertainment we offer, which could also adversely affect our revenues and, at the same time, increase our costs.

Distributors failure to promote our programs may adversely affect our business. Licensed distributors decisions regarding the timing of release and promotional support of our motion pictures and related products are important in determining the success of these pictures and products. We do not control the timing and manner in which our licensed distributors distribute our motion pictures. Any decision by those distributors not to distribute or promote one of our motion pictures or related products or to promote our competitors motion pictures or related products to a greater extent than they promote ours could have a material adverse effect on our business, results of operations and financial condition.

We could be adversely affected by strikes, potential strikes or other union job actions. We directly or indirectly depend upon highly specialized union members who are essential to the production of motion pictures. A strike by, or a lockout of, one or more of the unions that provide personnel essential to the production of motion pictures could delay or halt our ongoing production activities. In November 2007, the members of the Writer s Guild of America went on strike, and a new agreement was not approved until February 2008. Additionally, the Directors Guild of America and Screen Actors Guild (SAG) collective bargaining agreements expired in 2008, and while an agreement has been reached with the Directors Guild, negotiations with SAG, which agreement expired on June 30, 2008, are ongoing. A SAG or other union strike or action, depending on the length of time, could cause a delay or interruption in our production and release of new motion pictures, which could have a material adverse effect on our business, results of operations and financial condition.

Even if SAG does not call a strike, the threat of a strike may delay production. Starting in June 2008, SAG provided certain independent production companies with guaranteed completion contracts, or waivers, that would allow those companies to proceed with the production of specified motion pictures in the event of a strike by SAG. In January 2009, SAG announced that it would not provide any more waivers. Almost all financing of the production of motion pictures by independent production companies involves third parties providing film production completion bonds to guarantee the repayment of the financings upon the abandonment of production if certain conditions are met. Such film completion bonds do not provide for the repayment of the financing if a production is abandoned due to a strike. Without such waivers and in view of a potential strike, there may be dramatically less financing of the production of motion pictures by independent production companies as it will be difficult or impossible to obtain a film production completion bond, and it may be too risky to start films where production could be interrupted by a strike.

We face substantial competition in all aspects of our business.

We are smaller and less diversified than many of our competitors. As an independent distributor and producer, we constantly compete with major U.S. and international studios and independent producers and distributors. Most of the major U.S. studios are part of large diversified corporate groups with a variety of other operations, including television networks and cable channels, that can provide both the means of distributing their products and stable sources of earnings that may allow them better to offset fluctuations in the financial performance of their motion picture operations. In addition, the major studios and larger independent producers and distributors have more resources with which to compete for ideas, storylines and scripts created by third parties as well as for actors, directors and other personnel required for production. The resources of the major studios and larger independent producers and distributors may also give them an advantage in acquiring other businesses or assets, including film libraries, that we might also be interested in acquiring. Our inability to compete successfully could have a material adverse effect on our business, results of operations and financial condition.

The motion picture industry is highly competitive and at times may create an oversupply of motion pictures in the market. The number of motion pictures released by our competitors may create an oversupply of product in the market, reduce our share of box office receipts and make it more difficult for our films to succeed commercially. Oversupply may become most pronounced during peak release times, such as school holidays and national holidays, when theater attendance is expected to be highest. For this reason, and because of our more limited production and advertising budgets, generally provided by third party distributors, we

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typically do not release our films during peak release times, which may also reduce our potential revenues for a particular release. Moreover, we cannot guarantee that we can release all of our films when they are otherwise scheduled. In addition to production or other delays that might cause us to alter our release schedule, a change in the schedule of a major studio may force us to alter the release date of a film because we cannot always compete with a major studio s larger promotion campaign. Any such change could adversely impact a film s financial performance. In addition, if we cannot change our schedule after such a change by a major studio because we are too close to the release date, the major studio s release and its typically larger promotion budget may adversely impact the financial performance of our film. The foregoing could have a material adverse effect on our business, results of operations and financial condition.

The limited supply of motion picture screens compounds this product oversupply problem. Currently, a substantial majority of the motion picture screens in the United States typically are committed at any one time to only ten to fifteen films distributed nationally by major studio distributors. In addition, as a result of changes in the theatrical exhibition industry, including reorganizations and consolidations and the fact that major studio releases occupy more screens, the number of screens available to us when we want to release a picture may decrease. If the number of motion picture screens decreases, box office receipts, and the correlating future revenue streams, such as from home video and pay and free television, of our motion pictures may also decrease, which could have a material adverse effect on our business, results of operations and financial condition.

DVD sales have been declining, which may adversely affect our growth prospects and results of operations.

Several factors, including weakening economic conditions, the deteriorating financial condition of major retailers, the maturation of the DVD format, increasing competition for consumer discretionary spending and leisure time, piracy and increased competition for retailer shelf space, are contributing to an industry-wide decline in DVD sales both domestically and internationally. The high definition format war between the HD DVD and Blu-ray formats ended in February 2008 with Toshiba Corporation s announcement of its decision to discontinue its HD DVD businesses; however, reduced consumer discretionary spending in a challenging economic environment, may slow widespread adoption of the Blu-ray format or lead consumers to forego adopting a high definition DVD format altogether, which would adversely affect DVD sales. DVD sales also may be negatively affected as consumers increasingly shift from consuming physical entertainment products to digital forms of entertainment. The motion picture industry faces a challenge in managing the transition from physical to electronic formats in a manner that continues to support the current DVD business and its relationships with large retail customers and yet meets the growing consumer demand for delivery of motion pictures in a variety of electronic formats. We cannot assure you that home video wholesale prices can be maintained at current levels, due to aggressive retail pricing, digital competition and other factors. In addition, in the event of a protracted economic downturn, reduced consumer discretionary spending could lead to further declines in DVD sales. A decline in DVD sales may have a disproportionate affect on us and our results of operations as a number of our releases only have a limited theatrical release or are released direct-to-DVD.

We must successfully respond to rapid technological changes and alternative forms of delivery or storage to remain competitive.

Advances in technologies or alternative methods of product delivery or storage or certain changes in consumer behavior driven by these or other technologies and methods of delivery and storage could have a negative effect on our business. Examples of such advances in technologies include video-on-demand, new video formats and downloading and streaming from the internet. An increase in video-on-demand could decrease home video rentals. Similarly, further increases in the use of portable digital devices that allow users to view content of their own choosing while avoiding traditional commercial advertisements could adversely affect our revenues. Other larger entertainment distribution companies will have larger budgets to exploit these growing trends. We cannot predict how we will financially participate in the exploitation of our motion pictures through these emerging technologies or whether we have the right to do so for certain of our library titles. If we cannot successfully exploit these and other emerging technologies, it could have a material adverse effect on our business, results of operations and financial condition.

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Protecting and defending against intellectual property claims may have a material adverse effect on our business.

Our ability to compete depends, in part, upon successful protection of our intellectual property. We do not have the financial resources to protect our rights to the same extent as major studios. We are not a member of the Motion Picture Association of America (MPAA) as are the major studios and as a result we cannot rely on MPAA resources to prevent piracy and copyright infringements. We attempt to protect proprietary and intellectual property rights to our productions through available copyright and trademark laws and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries. We also distribute our products in other countries in which there is no copyright or trademark protection. As a result, it may be possible for unauthorized third parties to copy and distribute our productions or certain portions or applications of our intended productions, which could have a material adverse effect on our business, results of operations and financial condition.

Litigation may also be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the diversion of resources and could have a material adverse effect on our business, results of operations and financial condition. We cannot assure you that infringement or invalidity claims will not materially adversely affect our business, results of operations and financial condition. Regardless of the validity or the success of the assertion of these claims, we could incur significant costs and diversion of resources in enforcing our intellectual property rights or in defending against such claims, which could have a material adverse effect on our business, results of operations and financial condition.

Others may assert intellectual property infringement claims against us.

One of the risks of the film production business is the possibility that others may claim that our productions and production techniques misappropriate or infringe the intellectual property rights of third parties with respect to their previously developed films, stories, characters, other entertainment or intellectual property. We may receive in the future claims of infringement or misappropriation of other parties proprietary rights, although we have had to date been served with only one such claim which was settled on favorable terms. Any such assertions or claims may materially adversely affect our business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, we could incur significant costs and diversion of resources in defending against them, which could have a material adverse effect on our business, financial condition or results of operations. If any claims or actions are asserted against us, we may seek to settle such claim by obtaining a license from the plaintiff covering the disputed intellectual property rights. We cannot assure you, however, that under such circumstances a license, or any other form of settlement, would be available on reasonable terms or at all.

Our business involves risks of liability claims for media content, which could adversely affect our business, results of operations and financial condition.

As a licensor of media content, we may face potential liability for:

- defamation,
- invasion of privacy,
- negligence,
- copyright or trademark infringement (as discussed above), and
- other claims based on the nature and content of the materials distributed.

These types of claims have been brought, sometimes successfully, against producers and licensors of media content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operations, and financial condition.

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Piracy of motion pictures, including digital and internet piracy, may reduce the gross receipts from the exploitation of our films.

Motion picture piracy is extensive in many parts of the world and is made easier by technological advances and the conversion of motion pictures into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of motion pictures in theatrical release, on videotapes and DVDs, from pay-per-view through set top boxes and other devices and through unlicensed broadcasts on free television and the internet. The proliferation of unauthorized copies of these products has had and will likely continue to have an adverse effect on our business, because these unauthorized pirated copies reduce the revenue we receive from our products. Additionally, to contain this problem, we may have to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and losses of revenue. We cannot assure you that even the highest levels of security and anti-piracy measures will prevent piracy.

In particular, unauthorized copying and piracy are prevalent in countries outside of the United States, Canada and Western Europe, whose legal systems may make it difficult for us to enforce our intellectual property rights. While the U.S. government has publicly considered implementing trade sanctions against specific countries that, in its opinion, do not make appropriate efforts to prevent copyright infringements of U.S. produced motion pictures, we cannot assure you that any such sanctions will be enacted or, if enacted, will be effective. In addition, if enacted, such sanctions could impact the amount of revenue that we realize from the international exploitation of motion pictures. If no embargoes or sanctions are enacted, or if other measures are not taken, we may lose revenue as a result of motion picture piracy.

There is a potential for disputes and litigation in the motion picture business.

The motion picture business is more subject to disputes and litigation than comparable businesses. There is a risk of disputes and litigation with financiers, competitors, putative rights owners, unions, producers and other talent, and with distributors. We cannot assure you that we will prevail in the event of any disputes or litigation. We have failed to prevail in an arbitration regarding 9½ Weeks II, which could result in payment by us of as much as $650,000.

Risks Relating to this Offering and Our Shares

We have not paid dividends to date and do not intend to pay any dividends in the near future.

We have never paid dividends on our ordinary shares and presently intend to retain any future earnings to finance the operations of our business. You may never receive any dividends on our shares.

If you purchase ordinary shares, you will incur immediate and substantial dilution from the price you pay.

The offering price of our ordinary shares will be substantially higher than the net tangible book value per share of our outstanding ordinary shares immediately after the offering. If you purchase ordinary shares in this offering, you will incur immediate and substantial dilution in the net tangible book value per ordinary share from the price you pay. At an offering price of $ per ordinary share, you will experience a net asset value dilution per ordinary share of $ in comparison to our net asset value per share at December 31, 2008 of $1.38.

The exercise of stock options, the conversion of redeemable debentures, or preference shares or the later sales of our ordinary shares may further dilute your ordinary shares.

We have granted approximately 510,000 stock options, issued redeemable debentures convertible into a maximum of 1,400,000 ordinary shares, issued preference shares convertible into up to 400,000 ordinary shares and issued a debenture convertible into 838,574 ordinary shares. The issuance of any ordinary shares pursuant to exercise of such options, redemption of the debentures and redemption of the preference shares would be at per share price below the offering price in this prospectus would dilute the interest of persons acquiring ordinary shares in this offering.

Our Board of Directors is authorized to sell additional ordinary shares, or securities convertible into ordinary shares, if in their discretion they determine that such action would be beneficial to us. Any such issuance below the offering price of the ordinary shares in this prospectus would dilute the interest of persons acquiring ordinary shares in this offering.

Our articles of association provide indemnification for officers, directors and employees.

Our governing instruments provide that officers, directors, employees and other agents and their affiliates shall only be liable to our Company for losses, judgments, liabilities and expenses that result from the negligence, misconduct, fraud or other breach of fiduciary obligations. Thus certain alleged errors or omissions might not be actionable by us. The governing instruments also provide that, under the broadest circumstances allowed under law, we must indemnify our officers, directors, employees and other agents and their affiliates for losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by them in connection with our Company, including liabilities under applicable securities laws.

As a foreign private issuer, you may not receive corporate and company information and disclosure that you are accustomed to receiving or in a manner in which you are accustomed to receiving it.

We are a foreign private issuer, and the rules governing the information that we disclose differ from those governing U.S. corporations pursuant to the Securities Exchange Act of 1934. We are not required to file quarterly reports on Form 10-Q or provide current reports on Form 8-K disclosing significant events within four days of their occurrence. In addition, we are exempt from the Section 14 proxy rules, and proxy statements that we distribute will not be subject to review by the U.S. Securities and Exchange Commission. Our exemption from Section 16 rules regarding sales of ordinary shares by insiders means that you will have less data in this regard than shareholders of U.S. companies that are subject to the Securities Exchange Act. As a result, you may not have all the data that you are accustomed to having when making investment decisions.

Our share price may be volatile, and you may not be able to sell your ordinary shares at or above the public offering price.

The stock market in general, and the market for motion picture stocks in particular, has experienced extreme price and volume fluctuations. These broad market and industry fluctuations may adversely affect the market price of our ordinary shares, irrespective of our actual operating performance. Additional factors which could influence the market price of our ordinary shares include statements and claims made by us and other participants in our industry and public officials. The public offering price for the ordinary shares may not be above that which will subsequently prevail in the market.

If large amounts of our shares held by existing shareholders are sold in the future, the market price of our ordinary shares could decline.

The market price of our ordinary shares could fall substantially if our existing shareholders sell large amounts of our ordinary shares in the public market following this offering. These sales, or the possibility that these sales may occur, could also make it more difficult for us to sell equity or equity-related securities if we need to do so in the future to address then-existing financing needs. U.S. federal securities laws requiring the registration or exemption from registration in connection with the sale of securities limit the number of ordinary shares available for sale in the public market. In addition, lock-up agreements that restrict us, our directors and officers and certain of our existing shareholders from selling or otherwise disposing of any ordinary shares for a period of 180 days after the date of this prospectus without the prior written consent of the underwriters representative also restrict sales of our ordinary shares. The underwriters representative may, however, in its sole discretion and without notice, release all or any portion of the ordinary shares from the restrictions in the lock-up agreements.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements include information about possible or assumed future results of our operations or our performance. Words such as expects, intends, plans, believes, anticipates, estimates, and variations of such words and similar expressions are intended to identify the forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Although we have attempted to identify important factors that could cause actual results to differ materially from expected results, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, or the documents to which we refer you in this prospectus, to reflect any change in our expectations with respect to such statements or any change in events, conditions or circumstances on which any statement is based.

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USE OF PROCEEDS

We estimate the gross proceeds from the offering, prior to deducting underwriting discounts and commissions and the estimated offering expenses payable by us, will be approximately $ million (approximately $ if the representative s warrants are exercised in full). This estimate is based on an assumed offering price of $ per share. A $1.00 increase or decrease in the assumed offering price of $ per share would increase or decrease the gross proceeds to us from this offering by $2.5 million.

Based on an assumed offering price of $ per share, we estimate that we will receive net proceeds of $ million from the sale of 2,500,000 shares being offered at an assumed public offering price of $ per share, after deducting $ for underwriting discounts and commissions and our underwriters non-accountable expense allowance and estimated expenses of approximately $, which includes legal, accounting, printing costs and various fees associated with the registration and listing of our shares. If the underwriters exercise their right to purchase an additional 375,000 ordinary shares from the selling shareholder to cover over-allotments, we will not receive any additional proceeds, and if the underwriters representative exercises its warrants to purchase 125,000 ordinary shares, we will receive an additional $ after deducting estimated expenses.

Assuming no exercise of the representative s warrants, we intend to use the net proceeds of the offering as follows:

	Application of Net Proceeds	Percentage of Net Proceeds
Reduction of Indebtedness	$ 11,150,000	%
Working capital	$	%
Total	$	100 %

The amounts actually spent by us for any specific purpose may vary significantly. Accordingly, our management has broad discretion to allocate the net proceeds. Pending the uses described above, we intend to invest the net proceeds of this offering in short-term, interest-bearing, investment-grade securities.

We intend to use $11,150,000 of the proceeds to reduce our indebtedness by:

Approximately $1,500,000 to advance funds to the Seven Arts Employee Benefit Trust (EBT) (see Management Compensation Seven Arts Employee Benefit Trust for a description of the EBT) for repayment of indebtedness due by the EBT to a third party that we have guaranteed. In exchange for the advance and the forgiveness of other obligations owed by EBT to us, EBT will return to us 1,000,000 of our ordinary shares as well as the remaining 500,000 convertible preference shares held by EBT.

$1,650,000 to pay a settlement amount to ApolloMedia which will also result in the return to us of an additional 700,000 of our ordinary shares. (See Certain Related Transactions for a discussion of the settlement with ApolloMedia).

Approximately $1,500,000 through the repayment of the Trafalgar Capital Special Investment Fund Term Loan used in part as advances by us to the Seven Arts Employee Benefit Trust for the acquisition of all preference shares owned by Armadillo Investments plc. (See Certain Related Transactions for a discussion of the Employee Benefit Trust).

$5,500,000 through the repayment of our loan due to A-Mark Pictures in connection with the financings of American Summer (aka The Pool Boys) and Autopsy.

$1,000,000 through the repayment of our loan due to ACG in connection with the financings of Noise and Deal which will release the lien on those motion picture assets as well as our Chief Executive Officer s ordinary shares of our company securing the ACG Loan.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2008 both on a current basis and on a pro forma as adjusted basis to give effect to the sale of 2,500,000 ordinary shares in this offering at an assumed initial public offering price of $ per share, which is the midpoint of our expected offering range, after deducting the estimated underwriting discount and commissions and estimated offering expenses payable by us and application of net proceeds.

You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

As of December 31, 2008

Indebtedness:	Current $	As Adjusted $(1)
Bank and other production loans current	$ 22,435,000	$ 15,935,000
Bank and other production loans long term	$ 1,000,000	$ 1,000,000
Bank Debt (Zeus Transaction)(2)	$ 162,552,000	$ 0
Trafalgar Capital Special Investment Fund	$ 1,438,000	$ 0
Langley Convertible Subordinated Debenture	$ 2,516,000	$ 2,516,000
Shareholder Funds (UK GAAP)(3)	$ 8,342,000	
Ordinary Shares		
Total Shares Issued and Outstanding(4)	6,893,300	7,693,300
Total Shares Authorized	102,636,800	102,636,800

(1) The as adjusted column does not assume the exercise of any of the representative s warrants. $1.00 increase (decrease) in the assumed offering price of $ per share would increase (decrease) by approximately $ million the as adjusted shareholder funds, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions payable to the underwriters and the estimated offering expenses payable by us.

(2) Bank Debt associated with the Zeus Partners LLP Investment in films. (See note 7 to Summary Financial Data Table Page 24) This amount was entirely paid down on March 19, 2009.

(3) Shareholder Funds include the Langley Convertible Subordinated Debenture which has no maturity date. See Management s Discussion and Analysis of Financial Condition and Results of Operation Liquidity and Capital Resources for a discussion of the Langley Convertible Secured Debentures.

(4) This as adjusted data assumes the return to us of 1,000,000 ordinary shares from the Employee Benefit Trust as discussed in the section entitled Certain Related Transactions, and the return to us of 700,000 ordinary shares issued to SAP and thereafter pledged to ApolloMedia upon repayment of indebtedness.

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DILUTION

As of December 31, 2008, we had a net tangible book value of $3,133,733 or $0.45 per share. Net tangible book value represents our total tangible assets (including investment in film rights and materials as per note 2 below), less all liabilities, and goodwill, and net tangible book value per ordinary share represents the net tangible book value divided by the number of shares of ordinary shares outstanding. Without taking into account any changes in such net tangible book value after December 31, 2008, other than to give effect to our sale of 2,500,000 ordinary shares offered hereby, the pro forma net tangible book value per share at December 31, 2008 would have been $. This amount represents an immediate increase in tangible net book value of $ per share to our current shareholders and an immediate dilution in net book value of $ per share to new investors purchasing shares in this offering as illustrated in the following table:

Public offering price per share[(1)]	$
Net tangible book value per ordinary share before the offering[(2)]	$ 0.45
Increase in tangible net book value per ordinary share attributable to new investors (after deduction of the estimated underwriting discount and other offering expenses)	$
Pro forma net tangible book value per ordinary share after the offering[(3)]	$
Dilution per share to new investors (determined by subtracting the adjusted net tangible book value after the offering from the amount of cash paid by a new investor for one ordinary share)	$

(1) We use an offering price of $ per share, which is the high point of our offering range, to give the most dilutive effect to the transaction.

(2) Although investment in film rights and materials are considered intangible assets for accounting purposes in the United Kingdom, our directors believe that these rights can be sold separately from our business and that the recovery of the book value of these assets is not subject to significant uncertainty or illiquidity. As a result, the investment in film rights and materials are considered tangible assets for dilution purposes which is consistent with US GAAP.

(3) Does not include 125,000 ordinary shares issuable upon the exercise of the representative s warrants.

The following table sets forth, on a pro forma basis as of December 31, 2008, the number of ordinary shares we have issued, the total consideration paid and the average price per share paid by the existing shareholders and by the new investors, assuming in the case of new investors a public offering price of $, before deductions of the underwriting and other offering expenses:

	Shares Purchased	Percent	Total Consideration Amount (in 000 s)	Percent	Average Price Per Share[(1)]
Existing Shareholders		%	$	%	$
New Investors[(2)]		%	$	%	$
Total		100 %	$	100 %	$

(1) We use an offering price of $ per share in order give the most dilutive effect to the transaction.

(2) Does not include 125,000 ordinary shares issuable upon the exercise of the representative s warrants.

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SELECTED HISTORICAL FINANCIAL INFORMATION

The following sets forth a summary of consolidated profit and loss statement for the fiscal period ended June 30, 2008 (15 months) and each of the fiscal years ended March 31, 2007, and March 31, 2006 and March 31, 2005, all of which have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The summary of profit and loss statements for the six-month periods ended December 31, 2008 and September 30 2007 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated historical financial and operating information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto and the other financial information included elsewhere in this prospectus.

While operating under the name Cabouchon plc, we acquired all the business assets of Seven Arts Pictures Inc. (SAP), a company controlled by Peter Hoffman, our Chief Executive Officer, in an Asset Transfer Agreement dated September 2, 2004 through a newly formed subsidiary, Seven Arts Filmed Entertainment Limited, for more than 80% of our ordinary shares. After the asset transfer, we changed our name from Cabouchon plc to Seven Arts Pictures plc and all of our then existing jewelry business assets were transferred to Ms. Julie Wing for her assumption of all indebtedness associated with that business. For purposes of US GAAP in the adjustments to US GAAP below, SAP is treated as the acquiring corporation in a reverse acquisition of Cabouchon plc. However, we do not have available to us the financial information of SAP and its subsidiaries for the fiscal years ended March 31, 2003 and March 31, 2004 or for the short period from April 1, 2004 to September 4, 2004 and therefore this information has not been included in this prospectus or the financial statements included herein.

The selected financial data for the fiscal year ended March 31, 2005 reflects the jewelry business of Cabouchon plc for the period of April 1, 2004 to September 30, 2004. For the balance of that fiscal year to March 31, 2005, the selected financial data for this fiscal year reflects the results of SAP's business assets recorded under the purchase method of accounting.

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The historical results included below and elsewhere in this prospectus are not indicative of our future performance.

Selected Financial Data
(in $ 000 s, except per share data)

(1) We changed our fiscal year end from March 31 to June 30 for the fiscal period ending June 30, 2008. The unaudited six-month results compare the first six months of the fiscal year ending June 30, 2009 with the first six months of the fiscal period ended June 30, 2008.

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(2) UK GAAP records the $1,623,000 attributable in fiscal year 2007 from the settlement of debt as revenue whereas under US GAAP it is a below the line item. Other differences between revenue recognition under UK GAAP and US GAAP arise from differing treatments of film amortization.

(3) The attached financial statements, prepared under UK GAAP, show income per share figures calculated using the weighted average number of shares outstanding in each period. As a 5 for 1 reverse stock split occurred on the last day of the December 31, 2008 financial period, the income per share figures for the periods to March 31, 2005, 2006 and 2007 and the period to June 30, 2008 do not reflect the 5 for 1 reverse stock split in those statements. The income per share figures in the table above have been adjusted from the figures shown in the financial statements to show the effect of the 5 for 1 reverse stock split as if it had occurred on the first day of the earliest period shown, being the period ended March 31, 2005.

(4) Differences in net income reflect certain adjustments in the treatment of film amortization under UK GAAP and US GAAP for fiscal 2006 and 2007. These differences are not recurring. (See Financial Statements Appendix A Reconciliation to US GAAP).

(5) Convertible subordinated debentures owed to Langley Park Investment Trust PLC are treated as Long-Term Debt under US GAAP and as Shareholders Funds under UK GAAP. As of December 31, 2008, the value of such debentures outstanding was approximately $2,516,000 (September 30, 2007: approximately $3,575,000, March 31,

2008: approximately $3,500,000, March 31, 2007: approximately $3,432,000, March 31, 2006: approximately $5,204,000, March 31, 2005: approximately $5,669,000).

(6) Shareholders equity under US GAAP does not include either the Langley Park Investment Trust PLC Debentures (note (5)), or the Armadillo Investments PLC redeemable preference shares ($5,669,000 in all periods, except for the six months ended December, 31 2008, when such amount was $945,000).

(7) In May 2008, we completed a transaction with Zeus Partners LLP that raised capital for investment into the production and distribution costs of our existing and future motion picture productions and acquisitions. The total investment raised was approximately $268,000,000. Substantially all of the net proceeds from that transaction received by us, which totaled approximately $17,000,000, were accounted for as a reduction in the carrying value of our film costs on the balance sheet.

Accounting for the Zeus investments has resulted in the recognition of substantial assets and liabilities arising from the related financing arrangements. These assets and liabilities are essentially offsetting. The impact of the Zeus investments as of June 30, 2008 was to increase cash by approximately $113,000,000, to increase current receivables by approximately $226,000,000, to increase deferred income by approximately $113,000,000 and to increase short term debt by approximately $226,000,000. The impact of the Zeus investments as of December 31, 2008 was to increase cash by approximately $163,000,000, to increase current receivables by approximately $170,000,000, to increase deferred income by approximately $170,000,000 and to increase short tem debt by approximately $163,000,000. The short term debt was entirely paid down with the cash on March 19, 2009. The remaining amounts relating to the Zeus investment will be entirely eliminated from our balance sheet on or before May 31, 2009.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and footnotes thereto contained in this prospectus. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. Our actual results may differ materially from those contained in the forward-looking statements. Please read Special Note Regarding Forward-Looking Statements for additional information regarding forward-looking statements used in this prospectus.

Overview

We are an independent motion picture production company engaged in developing, financing, producing and licensing theatrical motion pictures with budgets in the range of $5 million to $15 million for exhibition in domestic (i.e. the United States and Canada) and foreign theatrical markets and for subsequent post theatrical worldwide release in other forms of media, including DVD, home video, pay-per-view, and free television. We endeavor to release many of our motion pictures into wide-theatrical exhibition initially, however, a portion of our pictures will either receive only a limited theatrical release, or may even be released directly to post theatrical markets, primarily DVD. Our pictures that receive limited theatrical release or post theatrical release typically benefit from lower prints and advertising (P & A) cost and, in turn, improved gross profit margins.

No one picture had a principal or controlling share of gross revenues or operating profits in these periods.

Results of Operations

The principal factors that affected our results of operations have been the number of motion pictures delivered in a fiscal period, the distribution rights of motion pictures produced by others acquired in a fiscal period, the choice of motion pictures produced or acquired by us, our and talents' execution of the screenplay and production plan for each picture, the distribution and market reactions to the motion pictures once completed, management's ability to obtain financing and to re-negotiate financing on beneficial terms, the performance of our third-party distributors and our ability to take advantage of tax-incentivized financing. These factors will continue to be, in our opinion, the principal factors affecting future results of operation and our future financial condition. No particular factor has had a primary or principal affect on our operations and financial condition in the periods discussed below.

Our revenues are principally the result of the sale and distribution of our motion pictures, which are license fees we receive from third-party distributors of motion pictures. We recognize revenue from license fees as and when a motion picture is delivered to the territory to which the license relates. A motion picture is delivered when we have completed all aspects of production and may make playable copies of the motion picture for exhibition in a medium of exhibition such as theatrical, video, or television distribution.

We also generate revenue beyond an initial license fee from our share of gross receipts on motion pictures. We recognize revenue that equates to a share of gross receipts of motion pictures as income when we are notified of the amounts that are due to us. In some of our fiscal periods, a significant portion of our revenue derived from sources other than motion picture distribution, including the cancellation of debt and interest income on a financing transaction, but we have not derived any such income in the successive comparative financial periods described below.

Pursuant to UK GAAP, we state our motion pictures produced for exploitation or distribution in the balance sheet at cost less amortization and impairment to date. Amortization is charged to write down the cost of such assets over their useful lives. For US GAAP purposes, these costs are treated as taxable assets and are amortized under the individual-film-forecast method.

Six Months Ended December 31, 2008 Compared to Six Months Ended September 30, 2007[(1)]

Revenues increased from $1,888,000 to $6,610,000 reflecting the delivery of Nine Miles Down and Drunkboat as well as the DVD releases of Noise and Deal in the period ended December 31, 2008. Results for the six month period ended December 31, 2008 also included $3,662,000 of revenues from previously released or acquired motion pictures and other income. All of the revenues recorded in the period ended September 30, 2007 derived from films produced or distribution rights acquired in prior periods.

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Cost of sales, which is made up of amortization of film costs, distribution costs and producers fees, increased from a negative ($818,000) in the period ended September 30, 2007 (which was due to the reversal of excess provisions relating to producers fees of $1,114,000 previously booked) to $1,940,000 in the most recent six month period, reflecting amortization of films delivered in the period, distribution costs associated with the DVD release of Noise and Deal and accruals of producers fees.

Operating expenses increased from $1,606,000 to $2,101,000 reflecting an increased level of production and distribution activities. Virtually all of these expenses are comprised of general overhead and selling expenses for employees, consultants, sales conventions, professional fees, marketing materials and other costs.

Net interest expenses increased from $577,000 in the period ended September 30, 2007 to $1,054,000 in the period ended December 31, 2008 reflecting a higher level of bank and other production loans outstanding on previously released films in the most recent period.

Net income increased from $366,000 in the period ended September 30, 2007 to $1,691,000 in the most recent period.

Fiscal Period Ended June 30, 2008 (Fifteen Months) Compared to Fiscal Year Ended March 31, 2007

Gross revenues, which consist of motion picture revenues plus other revenues, increased to $17,767,000 in the Fiscal Period 2008 from $11,208,000 for Fiscal Year 2007.

Motion picture revenues increased to $13,344,000 from $6,612,000, partially due to recorded revenues of $6,570,000 associated with the delivery of four motion pictures (Autopsy, American Summer, Knife Edge, and A Broken Life) in the fifteen month Fiscal Period 2008, as compared to recorded revenues of $3,137,000 associated with the delivery of two motion pictures (Noise and Deal) in Fiscal Year 2007. In addition, revenues derived from motion pictures delivered prior to the recorded period were $6,774,000 in the Fiscal Period 2008 compared to $3,459,000 for Fiscal Year 2007.

Other revenues for Fiscal Period 2008 of $4,406,000 in the Fiscal Period 2008 derived from interest income earned on the Cinematic Finance Ltd. Film investment/financing transaction. Other revenue for Fiscal Year 2007 of 4,618,000 arose, in large part, from the cancellation of the indebtedness related to two motion pictures previously produced by us (Stander and Pool Hall Prophets) and, to a lesser extent, from commission income earned during the period.

Cost of sales for the Fiscal Period 2008 increased to $13,364,000 (which includes $2,106,000 of an intercompany distribution fee to our associate company that is consolidated back into the accounts as associate income) from $5,269,000 for Fiscal Year 2007.

Approximately $3,702,000 of cost of sales incurred in the Fiscal Period 2008 reflected financing costs associated with Cinematic Finance Ltd.

Amortization of film costs for the Fiscal Period 2008 compared to Fiscal Year 2007 actually decreased to $1,929,282 from $3,262,821 in spite of the greater number of pictures released and the higher associated revenues recorded in the Fiscal Period 2008. This was due to the impact of the Cinematic Finance Ltd film financing deal, which effectively created negative amortization of $3,932,000 as a result of reducing previously stated film costs and reversing excess amortization previously recorded.

Distribution costs for the Fiscal Period 2008 increased to $3,452,000 from $365,000 for Fiscal Year 2007, while producers fees and other costs decreased from $1,636,000 to $230,000 over the same period.

Other operating expenses increased from $2,316,000 to $4,288,000 reflecting our increased level of production and distribution activities, as well as the fact that the Fiscal Period 2008 included fifteen months of operations. Virtually all these expenses were comprised of general overhead and selling expenses for employees, consultants, sales conventions, professional fees, marketing materials and office costs.

Net interest expense for the Fiscal Period 2008 was $634,000 compared to $675,000 in the prior Fiscal Year. In both periods net interest expense primarily consisted of interest due on bank and other production

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loans. No tax provision was recorded in Fiscal Period 2008 as three of the motion pictures released in the period generated substantial tax losses so that, in fact we were able to reverse $502,000 of excess tax charges accrued in fiscal year 2007.

As a result of the above, net income for the Fiscal Period 2008 more than doubled to $4,009,000 compared to $1,842,000 in Fiscal Year 2007.

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Revenues decreased from $13,168,000 in Fiscal Year 2006 to $11,208,000 in Fiscal Year 2007 principally because the two motion pictures that we produced and delivered in 2007 (Deal and Noise) generated only approximately $2,962,000 of revenues in that year as compared to approximately $8,900,000 of revenues generated by the two motion pictures that we acquired for distribution in the prior year (Captivity and Supercross). Revenues generated from pictures released in prior years amounted to $4,271,000 in Fiscal 2007 and $2,485,000 in Fiscal 2006. All revenues in both periods derived from license fees from the distribution of our motion pictures except for $1,623,000 recorded as income in Fiscal Year 2007 that derived from the cancellation of indebtedness related to two motion pictures previously produced by us (Stander and Pool Hall Prophets).

Cost of sales decreased from $10,504,000 to $5,269,000 as a result of

the reduced level of revenues in Fiscal Year 2007 compared to in Fiscal Year 2006,
the lower amortization rates on the two motion pictures produced in-house in Fiscal Year 2007 as compared to the two motion pictures that we released on behalf of third-party producers in Fiscal Year 2006, and
the fact that there was no cost of sales associated with the revenues realized in Fiscal Year 2007 from the cancellation of indebtedness.

Other operating expenses increased from $1,723,000 in Fiscal Year 2006 to $2,323,000 in Fiscal Year 2007 as a result of our increased level of production and distribution activities.

Net interest expense also increased from $128,000 in Fiscal Year 2006 to $675,000 in Fiscal Year 2007 as a result of a higher level of borrowings.

As a result of the above, net income for the year increased from $181,000 in Fiscal Year 2006 to $1,842,000 in Fiscal Year 2007.

Liquidity and Capital Resources

During the year ended March 31 2005, we issued (A) $5,669,000 of convertible debt to Langley Park Investment Trust PLC (Langley) in return for 3,000,000 ordinary shares in Langley valued at approximately $5,669,000, and (B) approximately $5,669,000 of convertible redeemable preference shares to Armadillo Investments plc (Armadillo) in return for 3,000,000 ordinary shares from Armadillo, also valued at a like amount. We received in Fiscal Year 2005 approximately $2,232,000 in cash through the sale of ordinary shares of Armadillo Investments plc (approximately $1,302,000) and Langley Park Investment Trust PLC, (approximately $930,000). The amounts that we received from the sale of a portion of our Armadillo shares and all of our Langley shares were substantially less than the stated value of the debenture and preference shares. Our convertible redeemable preference shares held by Armadillo were subsequently acquired by the Seven Arts Employee Benefit Trust (Trust) on October 30, 2008 and 2,500,000 preferred shares were converted on November 2, 2008 into 2,000,000 of our ordinary shares.

During the fifteen month period ended June 30, 2008, we sold 500,000 ordinary shares to Unique Fidelity Engineering Limited for $287,000.

Seven Arts Future Flow I (SFF), a limited liability company owned by SAP, one of our controlling shareholders and a company that is owned by Peter Hoffman, or Chief Executive Officer, borrowed $8,300,000 (the Arrowhead Loan) from Arrowhead Target Fund Ltd. (Arrowhead) in February 2006, at an interest rate of 15% per annum. We secured the Arrowhead Loan with liens on twelve motion pictures. Our only liability is to repay the Arrowhead Loan from the proceeds of the film assets securing the Arrowhead

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Loan. The specific film assets which secure the Arrowhead Loan are our distribution rights in the following motion pictures: Asylum, Stander, I ll Sleep When I m Dead, No Good Dead, Supercross, Popstar, Red Riding Hood, Johnny Mnemonic, Shattered Image, Never Talk to Strangers, The Hustle, and Shot at Glory. We are not required to repay the Arrowhead Loan from any other of our assets or revenues. Our estimates of the amount of time it would take to repay the Arrowhead Loan from the proceeds of the film assets securing the loan have not been met. The Arrowhead Loan matured on February 15, 2009, and is now due in full. SFF has received a default notice from Arrowhead to that effect, and we are currently negotiating with Arrowhead the extension of the Arrowhead Loan. We have made certain covenants with Arrowhead for which we might have on-going liability beyond the value of the film assets, such as the obligation to provide audited financial statements, guarantee of ownership of film rights and other similar matters.

We borrowed an aggregate of $7,500,000 from ACG for $1,000,000 and Cheyne for $6,500,000 in December 2006, secured by certain of our motion picture assets. The Cheyne Loan and ACG Loan bear interest at 19% and 18% per annum, respectively. The Cheyne Loan matured on September 30, 2007, and we repaid $6,500,000 of the Cheyne Loan plus interest thereon, and obtained an assignment of their senior position and subordination agreement with Arrowhead. The remaining ACG Loan is now due and is secured with a pledge of 1,607,000 of our ordinary shares owned by SAP, one of our controlling shareholders and a company controlled by Peter Hoffman, our Chief Executive Officer. Our estimates of the amount of time it would take to repay the ACG Loan from the proceeds of the film assets securing the loan have not been met. In October 2008, we received a notice of default from ACG in connection with this loan. We expect to repay the ACG Loan from the proceeds of this offering, at which time the shares pledged as security will be returned to Seven Arts Pictures Inc. The ACG Loan is secured by Noise, Deal, Pool Hall Prophets, Boo, A Broken Life, and Mirror Wars and a second position security interest in the motion pictures listed above which are pledged to Arrowhead.

Management believes that, as a result of the proceeds derived from this offering and based on historical revenues generated from the licensing of the distribution rights on our motion pictures, our working capital will be sufficient for the next twelve months.

We currently borrow funds for the financing of each of our motion pictures from several banks and other production lenders. We are currently seeking a revolving credit facility for the financing of our future motion picture productions. Our cash flow is derived from license fees earned from the delivery and distribution of our motion pictures in the United States and territories around the world.

Contractual Obligations (as of 12/31/08)

	Payments Due By Period				
	Total	Less Than 1 Year	1 3 Years	3 5 Years	More Than 5 Years
1. Bank and Other Production Loans(1)	$23,435,000	$22,435,000	$1,000,000		
	$2,300,000			$2,300,000	

2. Post Production Facility Line of Credit[(2)]					
3. Bank Debt (Zeus Transaction)[(3)]	$162,552,000	$162,552,000			
4. Armadillo Investments plc[(4)]	$1,438,000	$1,438,000			
5. Langley Debenture[(4)]	$2,516,000				$2,516,000
6. Trafalgar Capital Special Investment Fund[(4)(5)]	$1,438,000	$1,438,000			
7. Sums Due To Producers[(6)]	$652,000	$652,000			
Total	$194,331,000	$188,515,000	$1,000,000	$2,300,000	$2,516,000

(1) The current and long-term bank and production loans include (i) $8,300,000 of the limited recourse Arrowhead Loan and approximately $1,000,000 of the ACG Loan both described in Liquidity and Capital Resources above and (ii) approximately $12,500,000 in special purpose financing arranged for six motion pictures produced by us.

(2) Seven Arts Pictures Louisiana LLC, a subsidiary of SAP (one of our controlling shareholders and a company controlled by Peter Hoffman, our Chief Executive Officer), entered into a Credit Agreement with Advantage Capital Community Development Fund, L.L.C. dated October 11, 2007 for the acquisition and improvement of a production and post production facility located at 807 Esplanade Avenue in

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New Orleans, Louisiana. The aggregate borrowing amount under this facility is $3,700,000, of which $2,300,000 was drawn down as of December 31, 2008. We have guaranteed this indebtedness but it is not included in our total indebtedness.

(3) Bank Debt associated with the Zeus Partners LLP Investment in films. (See note 7 to Summary Financial Data Table Page 5) This amount was entirely paid down on March 19, 2009.

(4) Converted into US dollars at the UK pound/dollar exchange rate as of December 31, 2008 (1:1.438) (see Management s Discussion and Analysis of Financial Condition and Results of Operation Liquidity and Capital Resources for a description of the Langley convertible debentures.

(5) Approximately $1,500,000 in special purpose funding due to Trafalgar Capital Special Investment Fund was used in part as advances by us to the Seven Arts Employee Benefit Trust (EBT) for the acquisition of all preference shares owned by Armadillo Investments plc (Armadillo). We have guaranteed an additional approximate $1,500,000 due from EBT to Armadillo, which guarantee is not included in bank and other production loan, but will be retired from the proceeds of the offering. See Use of Proceeds .

(6) Estimated amounts due to producers of motion pictures. These amounts are not included in Short Term Debt in the Summary and Selected Financial Data Tables.

Legal Proceedings

Together with our subsidiary, Seven Arts Filmed Entertainment Limited (SAFE) and SAP, one of our controlling shareholders and a company controlled by Peter Hoffman, our Chief Executive Officer, we were the subject of an arbitration award of approximately $650,000 against us for legal fees (and interest thereon) relating to a dispute regarding a participation in the motion picture entitled 9½ Weeks II, even though the arbitration found no additional sums due to the complaining party. This award also terminated our distribution rights in this motion picture. The award was affirmed by the Ninth Circuit Court of Appeals. We have requested rehearing and en banc review of this decision and are consulting with counsel regarding our rights under English law to avoid this arbitration award. Our potential liability under this award is recorded in Contractual Obligations above under the line Sums Due to Producers.

Together with SAFE and SAP, we are plaintiffs in an action against Fireworks Entertainment and certain of its affiliates (Fireworks), as well as ContentFilm plc, for copyright infringement (Copyright Action) relating to the following motion pictures: Rules of Engagement, Onegin, The Believer, Who Is Cletis Tout and American Rhapsody. We believe that we are the assignee of copyright interests in each of these motion pictures. Fireworks and ContentFilm have repudiated any and all agreements with our predecessors regarding these motion pictures. The Copyright Action was stayed by the United States District Court in Los Angeles, California by reason of a prior action filed by CineVisions and its successor (themselves predecessors of the Company) for breach of contract against Fireworks in the courts of Ontario, Canada, (Canadian Action) with respect to the motion pictures listed above (plus Interstate 60, Rat Race, and Hardball) that were produced, acquired, or funded by SAPL. The Federal District Court later dismissed the Copyright Action, which dismissal is currently on appeal to the Ninth Circuit Court of Appeals. CineVisions is currently pursuing the Canadian Action on our behalf. We believe that whether based on copyright infringement or contract, Fireworks has substantial liability to us or our predecessors with respect to Fireworks' conversion of our and our predecessors' interest in the Fireworks Pictures which were all produced or acquired by our predecessors. We record no value in our financial statements for our interests in the Fireworks Pictures, other than immaterial amounts of legal fees. Should we not prevail, we may have a liability for our own or Fireworks legal fees and would lose the interest we claim in the Fireworks Pictures. We may not prevail in the Fireworks litigation. Loss of this litigation where we are a plaintiff will cause no liability to us other than possible payment of up to $200,000 in legal fees to defendants.

We and certain of our affiliates are plaintiffs in two legal actions in Europe which are part of our ordinary trade or business. One action is to recover approximately $300,000 converted by a Hungarian co-producer on the motion picture Nine Miles Down and the other action is to recover certain sums due to us on several motion pictures from an Italian sub-distributor which defaulted on payments due to us and our affiliates.

We and SAP have been named as defendants in an action before the Superior Court of California, County of Los Angeles by Kismet Entertainment Inc. (Kismet) with respect to amounts it claims are due from SAP with regard to the distribution of the motion pictures Boo and Cemetery Gates, an alleged sum of approximately $347,000 plus interest. This action has not yet been served on us and we believe the court has no

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jurisdiction over us. The amounts claimed by Kismet are recorded above in Contractual Obligations Sums Due to Producers, but we believe that we and SAP have valid defenses to this action.

Critical Accounting Policies

Management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On a regular basis, management evaluates our estimates and assumptions and bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Basis of accounting: The financial statements included herewith are prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom, and on the going concern basis, with reconciliations to generally accepted accounting principles in the United States and explanations of the reconciling items included within the notes to those financial statements.

Basis of consolidation: The group financial statements consolidate the financial statements of Seven Arts Pictures plc and its subsidiary undertakings. The results of subsidiaries acquired and sold are included in the profit and loss account from, or up to, the date control passes on the acquisition basis. Intra group sales and profits are eliminated on consolidation.

No company profit and loss account is presented in accordance with the exemptions provided by S230 of the Companies Act 1985 and 2006. The individual company profit and loss for the Company as shown on the financial statements is consolidated into the group's consolidated financial statements.

Turnover (Revenue): Turnover (Revenue) represents the invoiced value, net of value added tax, of goods sold and services provided to customers.

License fee revenue is recognized as and when the film in question is delivered to the respective territories.

Revenue that equates to a share of gross receipts of films is recognized as income as and when the group is notified of the amounts that are due to them.

Goodwill: Purchased goodwill is capitalized in the year in which it arises.

In the opinion of management, the useful economic life of the purchased goodwill, which relates to a film library that was purchased, exceeds 20 years and cannot be specifically defined to be a set length of time. This is based on experience of how film revenues are earned and the knowledge that films often continue to earn revenue for a period of time that far exceeds 20 years. Therefore, goodwill is not amortized and is, instead, subject to an annual impairment review. This accounting policy represents a departure from the requirements of Companies Act 1985 and 2006, which requires goodwill to be amortized over a finite period, but management believes this departure is justified as being required for the over-riding purpose of providing a true and fair view.

Intangible film assets: Films produced for exploitation or distribution are stated in the balance sheet at cost less amortization and impairment to date. Amortization is charged to write down the cost of such assets over their useful lives. For US GAAP purposes, these costs are treated as taxable assets and are amortized under the individual-film-forecast method.

Tangible fixed assets: Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as straight line over four years.

Fixed asset investments: Fixed asset investments are stated at cost, less provision for diminution in value.

Deferred taxation: Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

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A deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Where a subsidiary undertaking has undertaken transactions in a currency other than the US dollar, these have been recorded in the accounting records at the rate ruling at the date of the transaction. All such differences on translation are taken to the profit and loss account.

Interest capitalized: Directly attributable interest is capitalized as part of intangible fixed assets and is based on interest charged as a result of obtaining bank and other borrowings to finance these assets.

Financial instruments: When appropriate, the group uses financial instruments to manage exposure to fluctuations in interest rates.

Financial assets are recognized in the balance sheet at the lower of cost and net realizable value. Provision is made for diminution in value when appropriate. Interest receivable is accrued and credited to the profit and loss account in the period to which it relates.

Financial liabilities that represent bank and other production loans are, upon issue, recognized in the balance sheet at the amount of net proceeds. The finance costs of the debt are charged to the profit and loss account at a constant rate on the carrying amount.

Asset Retirement Obligations: As of June 30, 2008, we had determined that we do not have material obligations for asset retirement obligations. Accordingly, adoption of HB 3110 had no impact on our consolidated financial statements.

Inflation

We believe that inflation has not had a material effect on our operations to date.

Related Party Transactions

For a description of our related party transactions see the section of this prospectus entitled Certain Related Transactions.

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MOTION PICTURE INDUSTRY

The United States motion picture industry encompasses the production and theatrical exhibition of feature-length motion pictures and the subsequent distribution of such pictures in home video, digital media, television and other ancillary markets.

The industry is dominated by the major film studios, including Paramount Pictures, Universal Pictures, Warner Bros., Twentieth Century Fox, Sony Pictures Entertainment (including Columbia Pictures), and The Walt Disney Company. These studios have historically produced and distributed the majority of theatrical motion pictures released annually in the United States. The six majors generally self-finance some or all of their film production and have domestic or worldwide distribution organizations. Major studios typically release films with direct production costs ranging from $10 million to $100 million or more, and provide a continual source of motion pictures to the domestic theatrical exhibitors.

For over a decade, independent motion picture production companies such as Summit Entertainment, LLC, The Weinstein Company and many smaller production companies, like ours, have played an important role in the production and distribution of motion pictures for the worldwide feature film market. While the independents may generally have more flexibility and less corporate restraints than the major studios, they also operate at a certain disadvantage to major studios in that independents generally:

do not self-finance their productions and must spend time and resources securing financing and incur interest and other expense in connection with such financings,
have far more limited distribution capabilities than the major studios making a wider release in any format more difficult,
do not self-distribute and, as a result, must share revenues derived from their motion pictures with distributors,
face greater competition from other independents due to an increase in the production of independent motion pictures,
annually produce less films and, as a result, are not able to spread the risk of any of their films underperforming among a larger pool of releases, and
produce fewer motion pictures at substantially lower average production costs than major studios and generate significantly lower per-film revenue and profits.

Many independent motion picture companies have failed and ceased operations in recent years. Recent examples of failed independent motion companies include Carolco Pictures, Orion Pictures, Weintraub Entertainment, DeLaurentiis Entertainment Group, Hemdale, IRS Media, IRS Releasing and Prism Entertainment. Other independent motion picture companies have recently substantially curtailed their motion picture production activities due to poor results, including Savoy Pictures, The Samuel Goldwyn Company and Cinergi Pictures. Numerous smaller independent film production and/or distribution companies have failed to achieve their business objectives.

Motion Picture Development

Motion picture production begins with the development of a screenplay derived from an original idea conceived or acquired by the producer or with the adaptation of a popular novel or other type of media acquired by a writer or a producer.

During the development phase, the studio engages writers to draft and revise the screenplay and begins to obtain tentative commitments from a director and principal cast. A proposed production schedule and budget may also be prepared during this phase.

Upon completing the screenplay, if deemed good enough to produce, agreements with principal talent are negotiated and the film is green lit based on a viable production budget and estimate of ultimate profitability. At this stage, the film enters the pre-production phase. During pre-production, the production company: (i) employs creative personnel as needed; (ii) creates scene plans and the filming schedule; (iii) finalizes a

detailed production budget; (iv) establishes filming locations, secures necessary studio facilities, completes required set design and construction; and (v) prepares for the start of principal photography.

Principal photography is the actual filming of the screenplay and may take from four to twelve weeks or more, depending upon such factors as budget, location, and the complexities in the screenplay. Following completion of principal photography, post-production work begins. The film is edited, visual effects are added, and voice and music soundtracks are synchronized with the picture. This results in the completion of the film negative that is duplicated to create the release prints for shipment to theatrical exhibitors. Since independent production companies are not able to absorb the costs of abandoned productions to the same extent as studios can, they are less likely to abandon green lit motion pictures. The consequence of abandoning a production has a greater negative effect on that independent s results of operations.

Production Costs, Financing, Co-Financing and Participations

In 2007, the production cost of a motion picture produced by a major studio for worldwide distribution averaged approximately $71 million (MPAA 2007 Theatrical Market Statistics) as compared to the production costs of a motion picture produced by us in the range of $5 million to $15 million. Direct production costs, sometimes referred to as negative costs, consist of acquiring and/or developing the screenplay, film studio rental, cinematography, post-production costs and the compensation of creative talent and other production personnel. Distribution expenses, which consist primarily of the costs of advertising and release prints, or P&A, are not included in direct production costs.

The major studios generally fund production costs from cash flow from their motion picture and related activities or, in some cases, from unrelated businesses, and through co-financing activities. Substantial overhead costs, consisting largely of salaries and related costs of the development, production, distribution and marketing staff and physical facilities maintained by the major studios, also must be funded.

The independent production company normally finances production of the motion picture pursuant to financing arrangements with banks or other lenders in which the lender is granted a security interest in both the film and the independent production company s rights under its arrangement with the studio or independent distribution. In today's rapidly changing and competitive marketplace for motion pictures and with the current tightening of the credit markets, independent production companies have been utilizing additional forms of funding to finance their motion pictures, including tax-preferred financing (e.g., tax credits, sale/lease back transactions and direct subsidies), mezzanine or gap funds (which are senior to equity), government subsidies and the sale of equity. To minimize some of the financial risks normally associated with financing motion picture production, independent production companies often obtain, at various stages prior to the release of a motion picture, advances and guarantees from distributors in exchange for distribution rights to such pictures in particular territories. We believe the international pre-sale market has become increasingly difficult to navigate resulting in fewer pre-sales with lower minimum guarantees, and this situation may continue for the indefinite future.

In recent years, studios have established co-production relationships on selected films. Under this arrangement, two studios agree to co-fund, co-produce and co-distribute a specific film, dividing film profit (or losses) earned from their respective distribution responsibilities. Co-productions typically reflect a studio s desire to mitigate risk on high cost films or to access specific material or talent. We intend to produce occasional larger budget motion pictures and will seek to co-produce any such motion pictures either with a major studio or with one or more other independents.

Both major studios and independents generally incur various third-party participations in connection with the distribution of a motion picture. These participations are contractual rights of actors, directors, screenwriters, or producers, entitling them to share in net revenue or profits from a particular motion picture. Each participation is different and terms are defined in the agreements governing the participation. Except for the most sought-after talent, participations are generally payable only after revenue collected exceeds all distribution and marketing fees and expenses, direct production costs and financing costs.

Motion Picture Distribution and Acquisition

Motion picture distribution encompasses the exploitation of films in theaters and in post-theatrical markets such as home video, pay-per-view, pay television, broadcast television and other markets.

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Motion pictures are generally made available for distribution in markets subsequent to domestic theatrical release as follows:

	Months After Initial U.S. Theatrical Release	Approximate Release Period
International Theatrical	0 6 months	0 12 months
Domestic home video	4 6 months	
Domestic pay-per-view/video-on-demand	4 6 months	3 months
International home video	6 12 months	
Domestic pay TV	10 18 months	12 21 months
International television	18 24 months	3 12 years
Domestic network or basic cable	30 36 months	24 36 months
Domestic syndication	48 70 months	3 15 years

Our motion pictures which receive a theatrical release are generally released in the DVD market four to six months after their theatrical release. We are aware that given the rapidly changing nature of the entertainment industry, these time frames for subsequent releases may soon change. Some in the industry believe that increased piracy, demand for pay-for-view, and changes in international markets are creating pressure to reduce these time frames. If these time frames shrink, there will be less time to generate revenues from motion pictures in each of those markets.

Forms of Distribution

Theatrical Distribution

Theatrical distribution of a motion picture involves the licensing of the motion picture to theaters, the manufacture and transportation of release prints or digital hard drives to theaters, and the promotion of the picture through advertising and publicity campaigns. The size and success of the promotional advertising campaign can materially affect the revenues realized from the theatrical release of a motion picture. The costs incurred in connection with the distribution of a motion picture can vary significantly, depending on the number of screens on which the motion picture is to be exhibited and the competition among distributors for theaters during certain seasons.

The distributor and theatrical exhibitor generally enter into an arrangement providing for the exhibitor s payment to the distributor of a percentage of the box office receipts for the exhibition period. The distributor s percentage of box office receipts generally ranges from an effective rate of 35% to over 50%, depending upon the success of the motion picture at the box office. The distributor s percentage of box office receipts generally decreases the longer a film plays in a theater. Distributors carefully monitor theater gross receipts to ensure that the exhibitor promptly pays all amounts due. As most of our motion pictures are released on a limited theatrical basis, monitoring such gross receipts for our motion pictures is not always possible.

Many independent production companies will enter into rent-a-system arrangements under which a major studio will provide them with distribution services for a percentage distribution fee. These types of arrangements may be entered into before, during or after production of a particular motion picture. While rent-a-system arrangements can allow for a greater release, the costs of such an arrangement can be greater and the margins smaller than in the absence of such an arrangement. Under rent-a-system arrangements, the independent film company generally is responsible for half to all of P&A costs and the effective rate of the distributor s percentage of box office receipts is generally less than in the absence of such an arrangement. Although we prefer to handle our arrangements directly with distributors so that we negotiate terms directly and avoid sharing revenues from these motion pictures with a studio, we entered into a rent-a-system arrangement for the first time with our motion pictures Noise and Deal and may continue to do so with future motion pictures.

Historically, films have typically been released theatrically in international territories between one and three months after initial domestic release. In recent years, studios have begun to capitalize on global media

saturation and are releasing films in many of the larger international territories within the first month following domestic release. International release patterns depend on local holidays and school schedules as well as the timing of competitive releases. Generally, our motion pictures have had an earlier release into international markets.

The majority of international theatrical revenue is earned from Japan, Germany, United Kingdom, France, Spain and Australia. Live action films are generally dubbed in French, German, Spanish and Italian and subtitled for the smaller territories. Animated films are dubbed in as many as 25 or more languages.

Home Entertainment

The home entertainment distribution business involves the promotion and sale and/or license of DVDs. Traditionally, such sales or rentals for private viewing occurred at local, regional and national video retailers (e.g., video specialty stores, convenience stores, record stores and other outlets). More recent forms of motion picture sales and rentals for private viewing, provided by companies like Netflix and Blockbusters, allow subscribers to rent or purchase motion pictures by mail or by direct download onto their computers or televisions.

In order to leverage the advertising and publicity costs associated with theatrical distribution, feature films are generally released in the home video market four to six months after their initial theatrical release. Our motion pictures that receive a theatrical release are generally released in the DVD market within this time frame.

DVD's of feature films may be sold or licensed to domestic wholesalers and retailers for either a sales price or a percentage share of the rental revenue (revenue sharing). Selected titles, including certain direct-to-video programs, are priced significantly lower to encourage direct purchase by consumers. Direct sale to consumers is referred to as the priced-for-sale or sell-through market. Generally, after the rental market, DVD's are re-released on the sell-through market at reduced sell-through pricing. Weakening economic conditions, the deteriorating financial condition of major retailers, the maturation of the DVD format, increasing competition for consumer discretionary spending and leisure time, piracy and increased competition for retailer shelf space, are contributing to an industry-wide decline in DVD sales both domestically and internationally.

While traditional retail, particularly the big box stores such as Wal-Mart, Target, Best Buy and Costco dominate the sell through market, Netflix and other non-traditional forms of video distribution are increasing their market share, and represent an increasing and important source of revenue.

In January 2008, Toshiba withdrew from the HD-DVD player manufacturing business, thus ending its format competition in high definition video with Blu-Ray. With consumer uncertainty over formats eliminated, management believes that Blu-Ray players will achieve substantial market penetration, although DVD sales are nonetheless expected to decline due to on-demand and computer availability. Although management believes that Blu-ray sales will substantially increase with greater market penetration, many industry analysts had predicted that market penetration would have been higher at this point.

Pay-Per-View, Video-On-Demand

Pay-per-view (PPV) television allows cable and satellite television subscribers to purchase individual programs, including recently released motion pictures and live sporting, music or other events, on a per use basis. The subscriber fees are typically divided among the program distributor, the pay-per-view operator and the cable system operator.

An evolved form of PPV technology is video-on-demand (VOD). This method of content delivery allows consumers to view a film or television program whenever they choose, on demand . VOD use and revenue is expected to increase due to increased VOD subscriber penetration and the availability of more programming. We typically tie any PPV or VOD distribution arrangements into distribution arrangements that we make for pay television.

Pay TV

Pay Television allows subscribers to view premium channels such as HBO, Showtime, and Starz/Encore that are offered by cable and satellite system operators for a monthly subscription fee. The pay television networks acquire a substantial portion of their programming from the major studios. Most studios have negotiated output agreements with the major subscription pay services whereby the service provider must license for distribution all qualifying film product from the studio for a guaranteed fee typically dependent on domestic theatrical performance. Unless a major studio distributes its motion pictures and decides to include that motion picture in its output arrangements, most independents directly negotiate with pay television networks by individual title, a process that often leads to deal terms that are not as appealing as those offered to major studios with output deals. The initial pay television window for theatrical product generally follows home video availability and precedes broadcast (free) television. We believe that our motion pictures are well suited for pay television.

Broadcast and Basic Cable Television

Broadcast television allows viewers to receive, without charge, programming broadcast over the air by major networks (ABC, CBS, NBC and Fox), more recently formed networks (CW Network), independent television stations and cable and satellite networks. In certain areas, viewers may receive the same programming via cable transmission for which subscribers pay a basic cable television fee. Broadcasters or cable systems pay fees to distributors for the right to air programming a specified number of times.

Television networks, television stations, and cable and satellite networks generally license films and film packages (consisting of theatrically released feature films and made-for-television movies) pursuant to agreements with distributors or syndicators that allow a fixed number of telecasts over a prescribed period of time for a specified cash license fee or for barter of advertising time.

Pay and cable television services usually license pictures for initial exhibition commencing approximately 10 to 18 months after initial domestic theatrical release or six months after domestic home video release. Although many of our motion pictures are better suited for pay television, we have reached distribution with basic cable television for some of our recent releases.

New Media

While internet and new media have been slow to develop, there are increasing indications that the delivery of motion pictures via the Internet and other non-traditional distribution systems will begin to generate meaningful revenues. Netflix currently represents a non-trivial portion of total DVD revenues. Verizon s FIOS and AT&T s U-Verse fiber optic distribution offerings have completed their test market phase and are being introduced across the country, with aggressive marketing in major metropolitan areas.

New distribution platforms and business models are being explored in the motion picture and other industries. Major cellular operators are exploring the delivery of content to cell-phones. Apple is expanding its iTouch and iPhone platforms to deliver movies via iTunes. Consumers can now order movies through their Playstations and Xbox s. Cinema Now, Dell and HP are introducing programs which allow consumers to preload movies on their new computers. Amazon.com s digital service delivers movies, purchased on their Unbox website, directly to the Now Playing list on TIVO players. Similar services are being introduced by DirecTV and major cable operators. Hulu a joint venture of Fox and NBC is exploring ad-supported revenue models for the delivery of television programs and feature films.

Other Markets

There are multiple sources of revenues from non-theatrical distribution of motion pictures. The most common are distribution to hotels, airlines, schools, libraries, hospitals and the military. Soundtrack albums and licensing of rights to perform musical works from film music can be an additional source of ancillary income. Other revenues may be generated from the licensing of rights to manufacture and distribute games, toys and action figures, clothing and similar commercial articles derived from characters or other elements of a motion picture. To date, our motion pictures have not generated any significant revenue from these markets.

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General Market Information

The principal motion picture industry association, the Motion Picture Association of America or MPAA, collects statistics on the size and composition of the theatrical, video, digital and television markets for the motion pictures distributed by its members, which are generally the six major studio distributors. Accordingly, the information compiled by the MPAA does not reflect information that includes motion pictures similar to those that we have produced if they were not distributed by a major studio and might not be relevant for the purposes of understanding the independent production company industry. Some of these statistics MPAA Data) may be found at *www.MPAA.org*. We did not compile the MPAA Data and take no responsibility for its accuracy, or the applicability of this MPAA Data to our business.

Theatrical

Domestic (i.e., US and Canadian) theatrical box office in dollars increased by 5.4% over 2006 to $9.629 billion and domestic theatrical admissions increased by .3% over 2006 to 1.4 billion.
New MPAA film releases decreased to 179 from 203 in 2006.

Average P&A expenditures by MPAA members increased to an average of $35.9 million per release from $34.5 million in 2006. MPAA recorded a substantial increase in internet/online advertising expenditures, and its surveys showed that 73% of moviegoers use the internet to conduct research before going to the theater, second only to traditional electronic media (TV/radio) at 75%.

The number of screens in the United States increased to 40,077 from 39,668 in 2006, with a substantial increase to 4,632 (from 2,003) in screens projecting digital copies of film.

Home Video/DVD

The number of United States households owning a television which also own a DVD or video player in 2007 increased to 98 million (86.9% of television households) from 93.3 million (83.8% of television households) in 2006.

Total DVD unit sales (including units shipped to rental outlets) in the United States decreased to 1.256 billion from 1.309 billion in 2006, principally in management's opinion due to a decrease in catalog or previously released motion pictures and a decrease in the number of new DVD releases (12,050) from 2006 (13,604), a percentage decrease greater than the percentage decrease in revenue.

The average retail price per DVD title sold in a survey of 84,000 DVDs decreased to $22.11 from $22.29 in a comparable survey for 2006. The MPAA does not issue statistics on the total size of the DVD market in the United States either for rental revenue from consumers, sales to consumers or revenues to distributors from rental and sales outlets. Management believes that the average wholesale price received by distributors is approximately 60% of retail revenues.

Television

Basic and pay cable television connections to all United States households with televisions (112.8 million) decreased to 34.4 million (basic cable) and 34.8 million (pay cable) from, respectively, 35.8 million and 35.6 million in 2006. However, satellite subscribers increased to 29.6 million households (2007) from 27.4 million households (2006).

Digital

Personal computer, internet and broadband connections to all United States households (114.9 million) increased to 86.9 million households (PC), 75 million households (Internet) and 60.8 million households (broadband) from 84.3 million, 71.9 million and 51.7 million households respectively in 2006.

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OUR BUSINESS

Corporate History and Current Corporate Structure

In September 2004, one of our predecessor companies and a current controlling shareholder, SAP, a company owned by Peter Hoffman, our Chief Executive Officer, transferred to us all of its interests in certain motion picture assets, which included (i) 12 completed films, eight of which were co-produced through a joint venture between Seven Arts Pictures Ltd., a UK corporation (SAPL) and Fireworks Pictures Inc., and four of which were produced by CineVisions, and (ii) the rights to certain development projects then owned by SAP. SAP, its predecessor CineVisions, and SAPL were founded by our Chief Executive Officer and Director, Peter Hoffman, to produce and license for distribution independent motion pictures, as well as to provide consulting and financing services within the motion picture industry.

Films Produced and Distributed from 1996-1998

Between 1996 and 1998, our predecessor CineVisions produced and licensed the distribution rights for Johnny Mnemonic, Never Talk To Strangers, 9½ Weeks II, and Shattered Image, which were transferred to us by SAP. CineVisions transferred the rights to distribute these films to SAP, which in turn transferred them to us. Subsequently, all rights to 9½ Weeks II were transferred by court order to a third-party, and we are currently appealing this court order. We own the copyright to the other motion pictures either directly or through grants of all rights in perpetuity.

Films Produced and Acquired by SAPL and Fireworks

In 1998, SAPL entered into a joint venture agreement for the production and distribution of motion pictures with Fireworks. Fireworks is a subsidiary of CanWest Global Entertainment, Inc., a large diversified Canadian media company. Pursuant to that joint venture, Fireworks and SAPL produced, acquired and distributed 11 motion pictures (the Fireworks Pictures), eight of which are set forth below, one of which was returned to the owner and two of which are among the motion pictures now controlled by the Company. The interest in the Fireworks Pictures (but no liability), were also transferred to us in 2004 by SAP.

Through SAPL, Mr. Hoffman produced and acquired Fireworks Rules of Engagement, Onegin, The Believer, Who Is Cletis Tout and American Rhapsody. These motion pictures are the subject of copyright infringement and contract claims that we, together with SAP and SAFE, have brought against Fireworks and Content Film, as described below.

Films Co-Financed by SAPL

Through SAPL, Mr. Hoffman co-financed three motion pictures in conjunction with Fireworks and Paramount. Of these motion pictures, we claim that one of them, Rules of Engagement, was transferred to us by SAP in 2004. As set out below, this motion picture is the subject of copyright infringement and contract claims that we, together with SAP and SAFE, have brought against Fireworks and Content Film.

Our Business Strategy

Our current business strategy is:

To finance, produce and distribute two to four motion pictures in-house per year with budgets of between $5 million and $15 million each. As previously stated, certain of these pictures will receive only a limited theatrical release while others will be released more widely.
To supplement our core strategy by producing an occasional higher cost motion picture (production budgets of $30 $50 million). We will seek to co-produce such projects with a major studio to guarantee a studio-wide release and obtain a commitment to cover a portion or all of prints and advertising (P&A) costs.
To opportunistically acquire distribution rights to an additional two to five motion pictures produced by others, each year, for distribution in theatrical, video and television markets, as an agent, for a 15% 20% fee.
To maximize our current use of tax preferred financing structures around the world to fund our motion picture productions.

To continue to reduce our financial risk on motion pictures we produce in-house by pre-selling certain rights to distributors prior to and during production, although we recognize that, particularly in the last year, the pre-sale market has become more difficult to access as a film financing tool.
To increase our share of distribution revenues by entering into partnerships with theatrical and video distributors, to gain more control over the distribution of our motion pictures and to obtain a greater share of the revenues from distribution of our motion pictures.

To scale our business over time by modestly increasing the number of pictures we develop and produce in-house as well as by more aggressively seeking to acquire for distribution motion pictures produced by third parties.

We believe that this is a particularly opportune time to be producing and distributing moderately priced motion pictures as, according to their public announcements, the major studios plan on reducing the number of pictures that they finance and distribute, preferring instead to concentrate resources on a limited number of high-priced, franchise productions. In addition, we believe that certain of the most successful independent motion picture companies have either been acquired or are focusing on higher budget films. We believe that these factors will attract exceptional levels of both talent and projects for lower budget motion pictures and independent film companies such as Seven Arts.

We are discussing distribution partnership possibilities in the United Kingdom and Scandinavian territories (Sweden, Denmark, Norway, and Finland) and intend to explore similar distribution opportunities in other territories including the United States. We intend to invest in the sale of $50,000,000 of units in CineWorks Media, LLC. CineWorks was formed in January, 2009 to become an independent distributor of rights in motion pictures in the United States and Canada. We intend to acquire between $1,000,000 and $3,000,000 worth of units in CineWorks Media, which would represent less than a 10% ownership. Although we anticipate that one of our affiliates will become a managing member in this limited liability company, and one of our directors is anticipated to be a member of the Board, CineWorks Media will be managed separately from us. It is our goal to have some or all of our motion pictures that are distributed in the United States and Canada be distributed through CineWorks Media, other than motion pictures committed to other distributors prior to the formation of CineWorks Media.

Our Competitive Strength

Our competitive strengths include:

The experience of our management and our relationships with independent motion picture distributors. Our management has participated in the production and/or distribution of more than one hundred motion pictures since 1986.

Our relationships with key talent and with independent motion picture distributors around the world.

Our attractive profit margins which result from adherence to cost efficient budgets, a low overhead structure, the use of pre-sales to license our motion pictures for a fee to third-party distributors prior to completion of production, and of tax preferred financing.

Our expertise in structuring non-overlapping tax preferred financings in jurisdictions where such are made available.

Production

Since 1996, we and our predecessors have developed, financed, produced, and licensed 13 motion pictures, primarily with budgets in range of $5 million to $15 million, for domestic and international markets. While most of our pictures have either received only limited theatrical releases or were released directly to post-theatrical markets, primarily DVD, we believe these pictures have substantial DVD, home video, pay-per-view, and free television potential. We may produce the occasional higher cost motion picture (production budgets of $30 $50 million), and if we do so, we will most likely choose to co-produce any such project with a major studio if they guarantee a studio-wide release and provide a commitment to cover a portion or all of P&A costs or with one or more other independent production companies. The number of pictures that we are able to produce and the size of the budget of those films depend upon the funds available to us.

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We receive between 50 and 100 submissions of potential film projects or completed films every year, which generally include a package of a screenplay and certain talent elements (e.g. producer, director and cast). In certain limited cases, we will arrange for the creation of a screenplay and the packaging of creative elements. We commission independent production budgets of certain projects to evaluate the project's suitability for production or distribution. The pictures we produce are selected according to several key criteria formulated to maximize the profit potential of our films, including the potential to license the worldwide distribution rights to the film for an amount greater than the projected production budget (e.g. a minimum profit margin of at least 20%), the potential for the film to be widely accepted as a quality or good film, whether the key creative talent, including directors and two most prominent cast members, are likely to be both responsible and artistically gifted in creating the motion picture. There are no rules or specific strategic limitations on our choice of motion pictures to produce. The decision to move forward with a project is our Chief Executive Officer s decision based on highly subjective factors. However, we believe that the vast experience of our management team is critical to this decision-making process. We will, however, only consider a motion picture with a production cost in excess of $15,000,000 if we are able to manage the risks of production through pre-sales or equity contribution to production of that picture.

In 2007, Seven Arts Pictures Louisiana LLC (SAP LA), a subsidiary of SAP (one of our controlling shareholders and a company controlled by Peter Hoffman, our Chief Executive Officer), acquired real property in New Orleans, Louisiana, which they are in the process of developing as a production and post production facility for motion pictures in Louisiana. Over the past five years, Louisiana has become a popular destination for the production of motion pictures due to very favorable tax incentives. Since 2005, we have produced or acquired the distribution rights to six motion pictures produced under the Louisiana Motion Picture Incentive Act (the Louisiana Incentives), which provides substantial transferable tax credits for film production activities in Louisiana accredited to us whether we produce or acquire a motion picture. The Louisiana Incentives provide generally that the producer will receive both a 25% transferable investment tax credit on all film expenditures on Louisiana vendors and a 10% transferable labor tax credit on all expenditures for labor performed in Louisiana by Louisiana residents. We generally obtain loans during production of a motion picture in Louisiana secured by these tax credits after a pre-certification by the Louisiana Film Office that the applicable motion picture qualifies for the Louisiana Incentives. We are then able to transfer these tax credits at a discount to third parties upon completion of the motion picture, audit by independent accountants of the applicable expenditures and certification by the Louisiana Film Office of tax credits payable based on the audited expenditures. We use the proceeds from the transfer of the tax credits to third parties to repay the loan secured by the tax credits, at which time the lender releases its security interest in the tax credits. We take advantage of similar refundable (but not transferable) tax credits available for film production expenditures in the United Kingdom, Canada and Hungary.

We expect the post production facility in Louisiana will open for operation by June 30, 2009 and be fully completed by December 31, 2009. When completed, this facility will be leased to our motion picture productions in Louisiana and to other motion picture productions by unrelated parties. SAP LA secured a credit facility in the aggregate principal amount of $3,700,000, which has been used to acquire and begin the improvements on the property. We have guaranteed the amounts that SAP LA borrows under this facility. We do not anticipate the use of any material amount of our working capital to complete and operate this facility, and we expect to realize substantial film production, film infrastructure, historic rehabilitation and other state and federal tax credits and other tax incentives from the acquisition, renovation, and operation of this property as a post production facility.

Licensing of Distribution Rights

We license distribution rights in our motion pictures in the United States and in most foreign territories prior to and during the production or upon the acquisition of rights to distribute a picture. We share in the commissions generated by the sales of the pictures. Sale of a license to distribute a motion picture prior to its delivery is termed a pre-sale and may occur at any time during the development and production process. In a typical license agreement, we license a picture to a distributor before it is produced or completed for an advance from the licensee, which advance is recoverable by the distributor from our share of the revenues generated by the distribution of the picture in the licensee s territory, after deduction of the distributor s expenses and distributor fee. The advance usually is in the form of a cash deposit plus a letter of credit or

bank letter for the balance payable 10 20% on execution (i.e., the cash deposit) and the balance on delivery (i.e., the letter of credit or bank letter). The license grants the distributor the right to the post-theatrical release of the picture in all or certain media in their territory for a predetermined time period. After this time, the distribution rights revert back to us and we are then free to re-license the picture. The license specifies that the distributor is entitled to recoup its advance from the revenue generated by the release of the picture in all markets in its territory, as well as its release costs and distribution fees. After the distributor has recouped its advance, costs, and fees, any remaining revenue is shared with us according to a predetermined formula. This is known as an overage and can be a significant source of revenue for us from successful films. However, a film s poor reception in one market does not preclude it from achieving success in another market and generating significant additional revenue for us in the form of an overage in that territory. In all of our licensing arrangements, we retain ownership of our films and maintain our control of each copyright. We intend to continue the practice of retaining underlying rights to our film projects in order to continue to build our motion picture library to license or sell in the future.

Finance

We create a separate finance plan for each motion picture we produce. Accordingly, the sources of the funds for production of each motion picture vary according to each finance plan. We utilize tax-preferred financing (e.g., tax credits, sale/lease back transactions and direct subsidies), mezzanine or gap funds, which are senior to our equity and tax preferred funds, and senior secured financing with commercial banks (e.g. Comerica Bank and First California Bank) or private lenders (e.g., Blue Rider Pictures, A-Mark Entertainment, Parallel Pictures), together in certain cases with a limited investment from us, which is customarily less than 10% of the production budget. Since each finance plan is unique to each motion picture, we cannot generalize as to the amount we will utilize any of these sources of funds for a particular motion picture. We generally obtain some advances or guarantees prior to commitment to production of a motion picture project, but those amounts may not be substantial on smaller budgeted motion picture (e.g., under $10,000,000), and in certain cases we have committed to production with an insubstantial amount of advances and guarantees. Unless we can manage the risks of production through the use of these financing techniques, we will not likely commit to production of larger budget motion pictures (e.g., over $15,000,000), and we have never in the past committed to such productions, without substantial advances or guarantees from third-party distributors, or the equivalent in non-recourse financings.

Motion Picture Library

In total we and our predecessors have produced or acquired interests in the following 31 motion pictures to date described below in the table. We own (directly or through grants of all rights in perpetuity or at least theatrical, video, and television rights) the copyright to each picture designated as CR in the table below, which are the pictures produced or co-produced by us, and for all other pictures in table below we own all material and distribution rights in the markets in which we operate for at least all territories outside the United States and Canada for no less than 15 years, which generally are the motion pictures we acquire for distribution only. Historically, in any financial period a small number of motion pictures have accounted for the vast majority of our revenues generated from our motion picture library.

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Title	Talent		Delivery Date	1st U.S. Release	Date Distribution Rights Terminate
American Summer aka The Pool Boys (CR)	Director: Cast:	J.B. Rogers Matthew Lillard	06/08	scheduled 8/09	n/a
Asylum (CR)	Writer: Director:	Patrick Marber David MacKenzie Ian McKellan	05/04	08/05	n/a
	Cast:	Natasha Richardson			
Autopsy (CR)	Director: Cast:	Adam Gierasch Robert Patrick	06/08	1/09	n/a
Back In The Day	Writer:	Michael Raffanello	03/05	05/05	11/11/2019
	Director: Cast:	James Hunter Ving Rhames Ja Rule			
Boo[1]	Writer/Director: Cast:	Anthony C. Ferrante Trish Cohen Happy Mahaney	03/05	10/05	5/14/2008
A Broken Life	Writers:	Neil Coombs, Anna Lee & Grace Kosaka	06/08	09/08	10/26/2026
	Directors: Cast:	Neil Coombs Tom Sizemore Ving Rhames Grace Kosaka Saul Rubinek			
Captivity	Writer: Director: Cast:	Larry Cohen Roland Joffe Elisha Cuthbert	03/06	07/07	5/10/2008
Cemetery Gates[1]	Writer:	Brian Patrick O Tolle	03/05	05/06	4/4/2020
	Director: Cast:	Roy Knyrim Reggie Bannister			
Deal (CR)	Writer:	Gil Cates, Jr. & Marc Weinstock	03/07	04/08	n/a
	Director: Cast:	Gil Cates, Jr. Burt Reynolds Bret Harrison Shannon Elizabeth Jennifer Tilly			

Drunkboat	Writer: Director: Cast;	Bob Meyer & Randy Buescher Bob Meyer John Malkovich John Goodman Dana Delaney Nick Gaitatjis Jessica Canseco	12/08	not yet scheduled	4/28/2011
Gettin It	Writer/Director: Cast:	Patrick Censoplano Cheryl Dent Sandra Staggs	12/06	08/07	4/4/2017
Hades aka The Black Waters of Echo Pond	Director: Cast:	Gabriel Bologna Robert Patrick Danielle Harris	not yet delivered	not yet scheduled	10/26/2027

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Title	Talent		Delivery Date	1st U.S. Release	Date Distribution Rights Terminate
The Hustle (CR)	Writers: Director: Cast:	David Howard & Michael Capellupo Stuart Cooper Bobbie Phillips Robert Wagner	10/02	12/02	n/a
I ll Sleep When I m Dead (CR)(1)	Writer: Director: Cast:	Trevor Preston Mike Hodges Clive Owen Malcolm McDowell Jonathan Rhys Meyers	06/04	06/04	n/a
Johnny Mnemonic (CR)	Writer: Director: Cast:	William Gibson Robert Longo Keanu Reeves Dolph Lundgren	12/94	05/95	n/a
Knife Edge	Director: Cast:	Anthony Hickox Joan Plowright Natalie Press	06/08	not yet scheduled	3/23/2031
The Mesmerist	Writers: Director: Cast:	Ron Marasco & Michael Goorjian Gil Cates, Jr. Neil Patrick Harris Jessica Capshaw	06/02	09/02	n/a
Mirror Wars	Writers:	Alex Kustanovich & Oleg Kapanets	11/06	07/07	2/3/2011

	Director: Cast:	Vasily Chiginsky Armand Assante Malcolm McDowell Rutger Hauer			
Never Talk To Strangers (CR)[1]	Writers:	Lewis A. Green & Jordan Rush	09/95	10/95	n/a
	Director: Cast:	Peter Hall Antonio Banderas Rebecca DeMornay			
Night of the Demons (CR)	Director: Cast:	Adam Gierasch Shannon Elizabeth Edward Furlong Diora Baird	not yet delivered	not yet scheduled	n/a
Nine Miles Down (CR)	Director: Cast:	Anthony Waller Adrian Paul Kate Nauta	not yet delivered	not yet scheduled	n/a
No Good Deed (CR)	Writer:	Christopher Canaan & Steve Banancik	05/02	09/03	n/a
	Director: Cast:	Bob Rafelson Samuel L. Jackson Milla Jovovich			
Noise aka The Rectifier (CR)	Writer/Director: Cast:	Henry Bean Tim Robbins William Hurt Bridget Moynahan William Baldwin	03/07	05/08	n/a

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Title	Talent		Delivery Date	1st U.S. Release	Date Distribution Rights Terminate
Pool Hall Prophets aka Shooting Gallery (CR)	Writer/Director: Cast:	Keoni Waxman Freddie Prinze, Jr. Ving Rhames	09/05	12/05	n/a
Popstar	Writer: Director: Cast:	Timothy Barton Richard Gabai Aaron Carter Alana Austin	03/05	11/05	10/19/2014
Red Riding Hood	Writer: Director:	Timothy Dolan Randall Kleiser	03/06	06/06	5/2/2015

	Cast:	Lanie Kazan Morgan Thompson			
Shattered Image (CR)[(1)]	Writer: Director: Cast:	Duane Poole Raul Ruiz William Baldwin Anne Parillaud	06/98	12/98	n/a
A Shot At Glory	Writer: Director: Cast:	Denis O Neill Michael Corrente Robert Duvall Michael Keaton	01/02	05/02	9/30/2016
Stander (CR)	Writer: Director: Cast:	Bima Stagg Bronwen Hughes Thomas Jane Deborah Unger	10/03	08/04	n/a
Supercross	Writer: Director: Cast:	Ken Solarz Steve Boyum Sophia Bush Steve Howey Cameron Richardson	08/05	08/05	5/25/2019
The Wedding Chest	Writer: Director: Cast:	Ekaterina Tirdatova Nurbek Egen Natasha Regnier Bolot Tentimyshov	3/08	not yet scheduled	10/4/2021

(1) Indicates a motion picture for which we do not own the distribution rights in the United States and Canada.

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MANAGEMENT

The following sets forth the name and position of each of our directors and executive officers:

Name	Position	Age	Date First Elected or Appointed	Date of Expiration of Current Term[(1)]
Peter Hoffman	CEO, Director	59	September 2, 2004	November 15, 2011
Michael Garstin	President, Director	60	July 1 2008	November 15, 2010
Philip Kendall	Chairman, Director	61	September 1, 2008	November 15, 2010
Julia Verdin	Director	46	January 3, 2007	November 15, 2009
Anthony Hickox	Director	44	January 3, 2007	November 15, 2009
Elaine New	CFO, Director	49	January 11, 2007	November 15, 2009
Kate Hoffman	COO, Director	31	February 26, 2008	November 15, 2010
Reiko Bradley	President, Seven Arts International	48	October 15, 2008	NA

(1) Directors serve for three years.

The Directors served in their respective capacities since their election and/or appointment and will serve until the next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles of Association.

The senior management serves at the pleasure of the Board of Directors.

No director and/or senior management had been the subject of any order, judgment, or decree of any governmental agency or administrator or of any court or competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he is a director and/or senior management, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he is an officer or director from engaging in or continuing any conduct/practice/employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security or any aspect of the securities business or of theft or of any felony.

The experience and qualifications of the directors and senior management for at a minimum the last five years are as follows:

Peter Hoffman has been our Chief Executive Officer and one of our directors since September 2004 and is also our founder. Under his direction, we and our predecessors have produced and or distributed over thirty features since our inception including: Johnny Mnemonic, Never Talk To Strangers, 9½ Weeks II and Shattered Image. As our CEO, his responsibilities include, among others, the selection and production of motion pictures, strategic planning, business development, operations, financial administration, accounting, and reporting to the Board of Directors. Mr. Hoffman was previously President and CEO of Carolco Pictures. He was directly involved at Carolco in the production of a large slate of independent motion pictures, including Terminator 2, Basic Instinct, Total Recall, and Rambo III. Mr. Hoffman is a graduate of the Yale Law School and has participated as a lawyer and executive in numerous financial and tax preferred financings for more than twenty-five years. Mr. Hoffman is the father of Kate Hoffman, our Chief Operating Officer and our Executive Director.

Michael Garstin has been our President and one of our directors since June 2008. As our president, his responsibilities include strategic planning, business development, financial administration and fundraising. He began his career as a Lending Officer at Chase Manhattan Bank, then joined Filmways Corp., later renamed Orion Pictures, as a Board Director and Chief Financial Officer. Subsequently, he returned to Wall Street and worked as a Senior Managing Director and Head of the Media & Entertainment Group at Bear Stearns & Co., during which time he provided advice to and helped raised capital for a number of independent film companies, including Carolco Pictures, on whose Board of Directors he served for a number of years. He later ran the New York Investment Banking departments for both Daniels & Associates and CEA and worked as a Managing Director at Gleacher & Co., and at SMH Capital.

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Philip Kendall has been the Chairman of our Board of Directors since September 2008. He is a graduate of Oxford University and Manchester Business School and began his investment banking career in Corporate Finance and Capital Markets at Baring Brothers in New York and London. Later he became a main board Director and Head of Corporate Finance Origination at Samuel Montagu & Co, and then he became Partner and Head of Lead Advisory, Corporate Finance, for PricewaterhouseCoopers in London. He is currently Senior Advisor to investment bankers Hawkpoint Partners Ltd, and a non-executive director of several listed UK companies.

Julia Verdin has been a director since January 2007. She is an independent film producer. Ms. Verdin produced Stander, directed by Bronwen Hughes, was an Executive Producer on Merchant of Venice, directed by Michael

Radford and starring Al Pacino, Jeremy Irons and Joseph Fiennes and a co-producer on Riding the Bullet, based on a Steven King story which was directed by Mick Garris and stars David Arquette, Jonathan Jackson, Erika Christensen and Barbara Hershey.

Anthony Hickox has been a director since January 2007. He is a film director, writer and producer. Mr. Hickox wrote and directed his first film, Waxworks at the age of 21. Mr. Hickox was involved in the production of or direction of Sundown, Warlock: Armageddon; Children of the Corn, Turn of the Screw; Carnival of Souls, and Hellraiser 3: Hell on Earth.

Elaine New has been our Chief Financial Officer and a director since January 2007. As our Finance Director, her responsibilities include overseeing financial administration, preparing accounting and financial statements, liaising with auditors, accountants, and financial community/shareholders; and preparing, paying and organizing our expenses, taxes, and activities, and ensuring our compliance with all financial statutory and regulatory requirements. She is Cambridge University educated and is a Price Waterhouse (London) qualified Chartered Accountant. Elaine has been in the media industry for the last eight years as Finance Director of Metrodome Group plc, a UK film distributor. Ms. New was previously engaged as Financial Controller of Harrods International, helping to establish an airport retailing arm, and as Commercial Director of Outfit, a new division of Sears Womenswear Ltd that she helped to create in the latter part of the 1990s. Ms. New has been on the Executive Committee of The Quoted Companies Alliance for almost three years helping represent small to mid-cap companies listed both on AIM and the main list of The London Stock Exchange.

Kate Hoffman has been our Chief Operating Officer and a director since February 2008. As our COO, her responsibilities include supervising the production of motion pictures and licensing and delivering our motion pictures to third parties. She began her career at the age of 17 as an intern for Hollywood casting directors, Mary Vernieu and Risa Gramon-Garcia. Ms. Hoffman then worked for film agent Mort Viner at International Creative Management until his retirement when she joined our predecessors in 1998. She has managed the development, production and delivery of films including The Believer, No Good Deed, Stander, and Asylum. In addition to her production responsibilities, Ms. Hoffman is responsible for international distribution, acquisitions and film financing. Ms. Hoffman is the daughter of Peter Hoffman, our Chief Executive Officer and a director.

Reiko Bradley has been the President of Seven Arts International, since October 2008. As president of Seven Arts International, her responsibilities include arranging for the licensing of rights to our motion pictures and collecting revenues for distribution. After being based in Los Angeles, Ms. Bradley re-located to Australia in July of 2003 to launch Becker Films International where she worked until April 2006. Prior to launching BFI, Ms. Bradley was Executive Vice President of Worldwide Distribution for MDP Worldwide for 6 years handling over 150 films, ranging from then action star Jean Claude Van Damme films to mainstream films such as Johnny Mnemonic. A graduate of the University of Michigan, Reiko Bradley speaks English and Japanese and is conversational in French. She was born and raised in Japan.

Compensation

Since February 15, 2009, our compensation policies with respect to our directors and executive officers are established, administered, and the subject of periodic review by our independent directors in accordance with the NASDAQ Marketplace Rules. Total compensation accrued and/or paid (directly and/or indirectly) to the directors and senior management during the fiscal period ended June 30, 2008 was $2,077,728. We have a Remuneration Committee, consisting of Mr. Kendall and Ms. Verdin, that reviews and approves all employee compensation and bonuses.