

**SEVEN ARTS PICTURES PLC**

**(“Seven Arts”, the “Company” or “the Group”)**

**UNAUDITED INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2008**

Seven Arts Pictures PLC (PLUS: SAPP; OTCBB: SEVAF and now listed on NASDAQ: SAPX see announcements made), the feature films producer and distributor, announces its preliminary results for the 6 months ended 31 December 2008.

**FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS**

*(exchange rate \$1.50 = £1.00 in 2008 and \$2.00 = £1.00 in 2007)*

- Revenue up 415% to £3,897,442 (\$5,846,163); (2007: £938,244 (\$1,876,488))
- Profit After Tax increased by 548% to £997,261 (\$1,495,892); (2007: £181,961 (\$363,922))
- Basic EPS up 472% to 3.83 pence (5.75 cents); (2007: 0.81 pence (1.62 cents))

**OPERATIONAL HIGHLIGHTS**

- 2 films delivered during the reporting period compared to none in the first six months of 2007/8.
- US video release of Noise and Deal

Peter Hoffman, Chief Executive, commented:

“We are delighted with our achievements to date. The growth and traction we have attained are a key and an exciting step in achieving growth. We look forward to the future with confidence.”

---- Ends ----

The Directors of the Issuer accept responsibility for this announcement.

For further information please contact:

Seven Arts Pictures Plc US contact:

Peter Hoffman

phoffman@7artspictures.com

Tel: +1 323 692 5010

Seven Arts Pictures Plc UK contact:

Elaine New, Finance Director

enew@7artspictures.com

Tel: +44 (0) 20 3006 8222

Corporate Adviser & Broker

Daniel Stewart & Co Plc

Stewart Dick

Tel: + 44 (0) 20 7776 6550

## CHIEF EXECUTIVE OFFICER'S STATEMENT

### Review of the Business:-

I am pleased to report that Seven Arts Pictures Plc has achieved pre-tax profits of £997,261 (\$1,495,892) for the six-month period ended 31 December 2008; compared to pre-tax profits of £181,961 (\$363,922) for the six months ended 30 September 2007. The Group's turnover in this six month period was £3,897,442 (\$5,846,163) (half year 2007: £938,244 (\$1,876,488)).

The main reasons for the increase in turnover were:-

1. the delivery of two new pictures *Nine Miles Down* and *Drunkboat* compared to none in the first half of 2007/8,
2. the US video releases of *Noise* and *Deal*, the two films delivered at the end of 2006/7, were both delayed to the second half of 2008.

The US release of *Autopsy* occurred in January 2009 at "After Dark's Eight Films to Die For Horrorfest" resulting in Walmart agreeing to stock it in their stores. The current planned US release date for *The Pool Boys (American Summer)* is August 2009.

### Corporate Activity:-

1. Seven Arts Pictures commenced trading on NASDAQ Capital Market under symbol 'SAPX', effective February 13, and has decided to delay its planned readmission of the Company's shares on the AIM Market. This was to have greater access to the capital markets.
2. We have attracted an investor following in the United States which is providing additional liquidity in the Company's shares. The majority of the trading in the Company's shares has been in the US with little trading on the PLUS market.

I look forward to a very positive audience reaction to *Autopsy*, *The Pool Boys (American Summer)*, *Nine Miles Down* and *Drunkboat*. Principal photography on *Catwalk* is scheduled for April 2009 whilst we hope to start production on *Winter Queen*, *Romeo Spy* and *Neuromancer* later in the year, all of which will further establish Seven Arts' reputation as one of only a few reliable and experienced producers of independently produced theatrical motion pictures

Peter Hoffman

CEO

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	Notes	Unaudited 6 months ended 31 December 2008 £	Audited 15 months ended 30 June 2008 £	Unaudited 6 months ended 30 September 2007 £
TURNOVER	4	3,897,442	8,874,197	938,244
COST OF SALES		(759,161)	(4,745,295)	544,078
Amortisation of intangible assets		(384,907)	(964,640)	(137,697)
		<hr/>	<hr/>	<hr/>
		(1,144,068)	(5,709,935)	406,381
		<hr/>	<hr/>	<hr/>
GROSS PROFIT		2,753,374	3,164,262	1,344,625
OTHER OPERATING EXPENSES (NET)		(1,238,891)	(2,143,985)	(797,801)
		<hr/>	<hr/>	<hr/>
OPERATING PROFIT		1,514,483	1,020,277	546,824
Share of associate income after tax		104,340	1,052,969	-
Net interest payable		(621,562)	(316,466)	(286,880)
		<hr/>	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		997,261	1,756,780	259,944
Taxation		-	250,000	(77,983)
		<hr/>	<hr/>	<hr/>
Retained profit for the period		997,261	2,006,780	181,961
		<hr/>	<hr/>	<hr/>
Earnings per share (pence)	1	3.83	8.51	0.81
Fully diluted earnings per share (pence)	1	2.59	4.65	0.44
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**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	<b>Unaudited 6 months ended 31 December 2008 £</b>	<b>Audited 15 months ended 30 June 2008 £</b>	<b>Unaudited 6 months ended 30 September 2007 £</b>
PROFIT FOR THE PERIOD	997,261	2,006,780	181,961
Exchange differences on translation of foreign operations	159,637	(182,092)	(96,537)
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TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	1,156,898	1,824,688	85,424
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**CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2008**

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 December 2008</b>	<b>30 June 2008</b>	<b>30 September 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>			
Intangible assets	15,339,577	13,374,660	12,169,737
Goodwill	3,622,426	2,603,799	2,554,122
Tangible assets	35,331	18,620	20,848
Investments in associates	104,341	1,052,969	1,175,000
Investments other	-	800,000	-
	<hr/>	<hr/>	<hr/>
	19,101,675	17,850,048	15,919,707
	<hr/>	<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	135,691,934	136,380,269	4,875,613
Debtors: amounts falling due after more year	2,098,231	1,312,692	2,426,347
Cash at bank and in hand	1,721,200	56,942,856	968,496
	<hr/>	<hr/>	<hr/>
	139,511,365	194,635,817	8,270,456
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CREDITORS: amounts falling due within one year	(150,840,513)	(202,212,116)	(7,506,967)
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<b>NET CURRENT (LIABILITIES)/ ASSETS</b>	(11,329,148)	(7,576,299)	763,489
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>7,772,527</b>	<b>10,273,749</b>	<b>16,683,196</b>
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CREDITORS: amounts falling due after more than one year	(1,970,568)	(3,376,224)	(11,615,925)
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<b>NET ASSETS</b>	<b>5,801,959</b>	<b>6,897,525</b>	<b>5,067,271</b>
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<b>CAPITAL AND RESERVES</b>			
Called up share capital	8,156,127	10,150,500	10,150,500
Share premium account	4,134,511	2,130,686	2,130,686
Share-based payments reserve	154,372	116,288	25,297
Convertible debt	1,750,000	1,750,000	1,750,000
Profit and loss account	(6,093,051)	(7,249,949)	(8,989,212)
Investment in own shares	(2,300,000)	-	-
	<hr/>	<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>	<b>5,801,959</b>	<b>6,897,525</b>	<b>5,067,271</b>
	<hr/>	<hr/>	<hr/>
Equity	3,551,959	2,147,525	317,271
Non-equity	2,250,000	4,750,000	4,750,000
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	5,801,959	6,897,525	5,067,271
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**CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2008**

	<b>Unaudited 6 months ended 31 December 2008 £</b>	<b>Audited 15 months ended 30 June 2008 £</b>	<b>Unaudited 6 months ended 30 September 2007 £</b>
Cash flow from operating activities	(51,208,075)	(56,631,192)	952,467
Returns on investments and servicing of finance	(621,562)	(316,463)	(286,880)
Capital expenditure and financial investment	(3,392,019)	(5,289,014)	(4,160,655)
	_____	_____	_____
<b>Cash outflow before financing</b>	<b>(55,221,656)</b>	<b>(62,236,669)</b>	<b>(3,495,068)</b>
Financing	-	119,174,777	4,458,816
	_____	_____	_____
<b>(Decrease)/ increase in cash for the period</b>	<b>(55,221,656)</b>	<b>56,938,108</b>	<b>963,748</b>
	=====	=====	=====

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	<b>Unaudited 6 months ended 31 December 2008 £</b>	<b>Audited 15 months ended 30 June 2008 £</b>	<b>Unaudited 6 months ended 30 September 2007 £</b>
Shareholders' equity at beginning of period	6,897,525	4,555,846	(194,154)
Share issue	9,452	426,000	426,000
Share based payment	38,084	90,991	-
Retained profit for period	997,261	2,006,780	181,961
Exchange differences on translation of foreign operations	159,637	(182,092)	(96,537)
Investment in own shares	(2,300,000)	-	-
	_____	_____	_____
<b>Shareholders' equity at end of period</b>	<b>5,801,959</b>	<b>6,897,525</b>	<b>317,270</b>
	_____	_____	_____

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

### **1. EARNINGS PER SHARE**

Basic earnings per ordinary share of 3.83 pence (5.75 cents); (fifteen months ended 30 June 2008: 8.51 pence (17.02 cents)); six months ended 30 September 2007: 0.81 pence (1.62 cents) is calculated using the Group profit for the period after taxation of £997,261 (15 months ended 30 June 2008: £2,006,780) six months ended 30 September 2007: £181,961) and the weighted average number of shares in issue of 26,020,871 (fifteen months ended 30 June 2008: 23,575,579) (six months ended 30 September 2007: 22,403,670).

Diluted earnings per share is calculated on the basis of the weighted average number of shares in issue plus potential ordinary shares of 38,447,568 (fifteen months ended 30 June 2008: 43,164,615), six months ended 30 September 2007: 41,603,671

The weighted average number of shares is calculated by time-apportioning each share in issue during the period.

### **2. SHARE CAPITAL**

1. An Employee Benefit Trust was established in October 2008. The trust has acquired £3 million preference shares previously held by Armadillo Investments Limited (in liquidation) in return for a cash payment of £1.5 million and the return of the 1.6 million shares the Group held in Armadillo, valued. Both the cash payment and the share value of £800k were loaned to the trust at a nominal interest rate. The trust has requested, during the current period, the conversion of the majority of the preference shares into 10 million ordinary shares in the Group. In accordance with Urgent Issues Task Force Abstract 38, the assets and liabilities of the Employee Benefit Trust have been consolidated and the company's investment in its own shares, at a cost of £2,300,000, have been shown as a deduction in equity shareholders' funds.
2. 112,500 share options were exercised during the period, 62,500 at £0.15p and 50,000 at £0.205. In addition, 700,000 new options were issued during the period, including 300,000 to staff.
3. As at 31 December 2008, the shareholders approved a 5:1 consolidation of the ordinary share capital which was approved.

Details of the share capital of the Company both pre and post this consolidation are shown below.

**SHARE CAPITAL –****PRE CONSOLIDATION**

<b><u>Authorised</u></b>	<b>Nominal value</b>	<b>Number 31 Dec 08</b>	<b>Value 31 Dec 08</b>	<b>Nominal value</b>	<b>Number 30 Jun 08</b>	<b>Value 30 Jun 08</b>
£1 convertible redeemable preference shares	£1.00	6,000,000	£6,000,000	£1.00	6,000,000	£6,000,000
Ordinary shares	£0.05	513,184,000	£25,659,200	£0.05	513,184,000	£25,659,200
Deferred shares	£0.45	13,184,000	£5,932,800	£0.45	13,184,000	£5,932,800
			<u>£37,592,000</u>			<u>£37,592,000</u>

**Allotted and called up**

£1 convertible redeemable preference shares	£1.00	500,000	£500,000	£1.00	3,000,000	£3,000,000
Ordinary shares	£0.05	34,466,500	£1,723,325	£0.05	24,354,000	£1,217,700
Deferred shares	£0.45	13,184,000	£5,932,800	£0.45	13,184,000	£5,932,800
			<u>£8,156,125</u>			<u>£10,150,500</u>

**SHARE CAPITAL –****POST CONSOLIDATION**

<b><u>Authorised</u></b>	<b>Nominal value</b>	<b>Number 31 Dec 08</b>	<b>Value 31 Dec 08</b>	<b>Nominal Value</b>	<b>Number 30 Jun 08</b>	<b>Value 30 Jun 08</b>
£1 convertible redeemable preference shares	£1.00	6,000,000	£6,000,000	£1.00	6,000,000	£6,000,000
Ordinary shares	£0.25	102,636,800	£25,659,200	£0.05	513,184,000	£25,659,200
Deferred shares	£0.45	13,184,000	£5,932,800	£0.45	13,184,000	£5,932,800
			<u>£37,592,000</u>			<u>£37,592,000</u>

**Allotted and called up**

£1 convertible redeemable preference shares	£1.00	500,000	£500,000	£1.00	3,000,000	£3,000,000
Ordinary shares	£0.25	6,893,300	£1,723,325	£0.05	24,354,000	£1,217,700
Deferred shares	£0.45	13,184,000	£5,932,800	£0.45	13,184,000	£5,932,800
			<u>£8,156,125</u>			<u>£10,150,500</u>

### **3. TURNOVER**

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Licence fee revenue is recognised as and when the film in question is delivered to the respective territories. However, where an advance is paid upon the signing of an agreement, and this is non-refundable, it is recognised upon the signing of the agreement.

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

### **4. OTHER MATTERS**

The results for the six months ended 31 December 2008, which are neither audited nor reviewed by the auditors, have been prepared on the basis of the accounting policies adopted for the fifteen months ended 30 June 2008, as set out in the group's annual report and accounts after taking into account any accounting standards issued since that date, none of which have resulted in any changes to the accounting policies of the group.

The results for the fifteen months ended 30 June 2008 are an abridged version of the Group's full accounts for that period, which carry an unqualified auditors' reports and do not contain any statements under S237 (2) or (3) of the Companies Act 1985. The full accounts for the fifteen months ended 30 June 2008 have been filed with the Registrar of Companies.

The Board of Directors approved the interim results on 18th February 2009.

### **5. STATEMENT OF NON STATUTORY FINANCIAL STATEMENTS**

The financial information presented in these non-statutory interim financial statements does not constitute statutory accounts for the purposes of the Section 240 of the Companies Act 1985 (as amended) of England and Wales for the period ended 31 December 2008.