

**Seven Arts Pictures Plc – In Compulsory Liquidation
High Court of Justice No. 9349 of 2011**

**Liquidator's Progress Report to Creditors and Members
For the year ending 18 March 2015**

STATUTORY INFORMATION

Company name	Seven Arts Pictures Plc
Registered office	Bridge House, Riverside North, Bewdley, DY12 1AB
Former registered office	One America Square, Crosswall, London, EC3N 2SG
Registered number	04276617
Liquidator's name	Nickolas Garth Rimes
Liquidator's address	3 The Courtyard, Harris Business Park, Hanbury Road, Stoke Prior, Bromsgrove, B60 4DJ
Liquidator's date of appointment	19 March 2012

LIQUIDATOR'S ACTIONS SINCE LAST REPORT

Asset Transfer

Creditors will recall that my investigations have focused on a purported Asset Transfer Agreement ("ATA") between the company and Seven Arts Entertainments Inc ("SAE"), prior to Liquidation

After taking legal advice, I formed the view that the ATA may be avoided as a Transaction at an Undervalue in accordance with section 238 of The Insolvency Act 1986 ("the Act"). In consideration of me compromising my potential claims against SAE, SAE made an offer to enter into a Settlement and Release Agreement ("SAR"), based on the further issuance of shares in SAE worth \$500,000.

The original basis for the SAR, was consideration to be received is the issuance of 5,000 shares Series C preferred stock at a par value of \$100 per share with a liquidation preference and stated value of \$500,000, in addition to the original 2,000,000 shares of SAE common stock, which has already been issued to the Company.

As the basis of the SAR is the issuance of new shares in SAE, I engaged independent Nevada qualified US Counsel, Armstrong Teasdale LLP, who have reviewed and advised on a number of drafts of the SAR, and who recommended that I enter into the SAR.

In determining whether to enter into the SAR, amongst other things, I have considered that, a) based on present information, there is considerable uncertainty whether either SAE or Mr Hoffman appear to be fit to sue, b) both are outside the jurisdiction of the UK, and c) there are no realisations in the Liquidation to date to use as a 'fighting fund' for the purpose of pursuing expensive and protracted cross-border litigation proceedings.

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However, SAE has failed to comply with its filing requirements with the US Securities and Exchange Commission ("SEC") and its latest financial statements are overdue. Accordingly, I was not prepared to progress the SAR unless, and until, all filings had been brought up to date in order that I could properly assess the current financial position of SAE.

Furthermore, SAE also sought to change the terms of the SAR and have been unable to provide me with any comfort in relation to the mechanism, time scale and costs for realising the shares, potentially rendering the SAR worthless. Accordingly, I have informed SAE that I am not prepared to enter into the SAR in its current form and have requested fresh, meaningful and realistic settlement proposals. However, due to the time that has passed and the negotiations that have taken place, I have serious doubts that SAE will be in a position to provide settlement terms that I would consider acceptable.

RECEIPTS AND PAYMENTS ACCOUNT

My Receipts & Payments Account for the year to 18 March 2015, and for the Liquidation as a whole, is attached at Appendix A.

There have been no receipts during the period covered by this report.

LIABILITIES AND OUTCOME FOR CREDITORS

Secured Creditors

An examination of the company's mortgage register held by the Registrar of Companies, showed that the company had granted the following security prior to Liquidation,

Security	In Favour Of	Date Created
Security Assignment and Charge	Blue Rider Finance Inc	6 December 2006
Amendment to Loan & Security Agreement	Cheyne Specialty Finance Fund L P	22 December 2006
Charge & Security Assignment	Palm Finance Corporation	13 August 2007
Charge & Deed of Assignment	Palm Finance Corporation	17 January 2008
Charge & Deed of Assignment	Palm Finance Corporation	17 January 2008
Guarantee & Debenture	Trafalgar Capital Specialized Investment Fund	31 January 2008
Guarantee & Debenture	Trafalgar Capital Specialized Investment Fund	15 October 2008

Under the terms of the purported ATA, it is understood that the security held over the company's assets transferred to SAE, although it is further understood that the security held was not released in respect of the company.

Accordingly, the Prescribed Part provisions of Section 176A of the Insolvency Act 1986 apply in principle to the company, whereby a proportion of funds due to a Floating Charge creditor should be made available for unsecured creditors. Albeit, any realisations made as a result of the company entering into the SAR, are likely to be treated as general assets in the hands of me as its Liquidator, and therefore not caught by any charge over the assets of the company.

Preferential Creditors

No claims of a preferential nature were anticipated and none have been received

Unsecured creditors

As detailed above, the lack of comfort that the terms of the SAR would result in funds being realised for the benefit of the company's creditors has meant that I am not prepared to enter into the SAR in its current form. Whilst there remains a possibility that an acceptable offer may be forthcoming, at present it does not appear likely that funds will be realised in order to declare a dividend to unsecured creditors

INVESTIGATION INTO THE AFFAIRS OF THE COMPANY

I undertook an initial investigation into the company's affairs to establish whether there were any potential asset recoveries or conduct matters that justified further investigation, taking account of the public interest, potential recoveries, the funds likely to be available to fund an investigation, and the costs involved

As detailed above, my investigations have been focused on the purported ATA between the company and SAE, prior to Liquidation

LIQUIDATOR'S REMUNERATION

My remuneration was previously authorised by the creditors at a meeting held on 4 July 2012, to be calculated on a time cost basis. My total time costs to 18 March 2015 amount to £65,345, representing 233.10 of hours work at an average charge out rate of £280.33 per hour, of which £2,502.50, representing 8.90 of hours work, was charged in the year to 18 March 2015, at an average charge out rate of £281.18 per hour

I have not been able to draw any remuneration in this matter

A schedule of my time costs incurred to date is attached as **Appendix C**

A description of the routine work undertaken since my last progress report is as follows

- 1 Administration and Planning
 - Preparing documentation required
 - Dealing with all routine correspondence
 - Maintaining physical case files and electronic case details on IPS
 - Review and storage
 - Case bordereau
 - Case planning and administration
 - Preparing reports to members and creditors
- 2 Cashiering
 - Maintaining and managing the Liquidator's cashbook and bank account
 - Ensuring statutory lodgements and tax lodgement obligations are met
- 3 Creditors
 - Dealing with creditor correspondence and telephone conversations
 - Preparing reports to creditors
 - Maintaining creditor information on IPS

4 Investigations

- Review and storage of books and records
- Conducting investigations into suspicious transactions
- Review books and records to identify any transactions or actions a Liquidator may take against a third party in order to recover funds for the benefit of creditors

5 Realisation of Assets

- Corresponding with legal representatives both in the UK and the US in relation to the proposed SAR

I have also used the following agents or professional advisors in the reporting period

Professional Advisor	Nature of Work	Basis of Fees
The Wilkes Partnership	Solicitors	Time costs

The choice of professionals was based on our perception of their experience and ability to perform the type of work required in accordance with the complexity and nature of this assignment and the basis of our fee arrangement with them. The fees charged have been reviewed and we are satisfied that they are reasonable in the circumstances of this case.

Disbursements charged and drawn

Details of disbursements charged and drawn in the year to 18 March 2015, are given in **Appendix D**

Category 1 disbursements are in respect of expenses that were directly attributable to the case. Category 2 disbursements required specific authorisation and consist of disbursements that are not specifically identifiable to the case.

We have not yet drawn any funds to reimburse disbursements incurred.

Expenses charged and drawn

Details of expenses charged and drawn in the year to 18 March 2015, are also given in **Appendix D**

FURTHER INFORMATION

A copy of 'A Creditors Guide to Liquidators' Fees' published by the Association of Business Recovery Professionals, is available at our firm's website, www.rimesandco.co.uk and by clicking on 'Resources'. A hard copy of the document can be obtained on request from our Bromsgrove office address.

An unsecured creditor may, with the permission of the Court or with the concurrence of 5% in value of the unsecured creditors (including the creditor in question) request further details of the Liquidator's remuneration and expenses, within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.

An unsecured creditor may, with the permission of the Court or with the concurrence of 10% in value of the creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the Liquidator's fees and the amount of any proposed expenses or expenses already incurred, within 8 weeks of receipt of this report. Any secured creditor may make a similar application to Court within the same time limit.

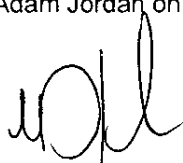
RIMES & CO

Licensed Insolvency Practitioners

SUMMARY

The Liquidation will remain open until matters pertaining to the SAR have been concluded, or reach a stage where I conclude that the SAR is not capable of being completed in terms that I would deem acceptable. I estimate that this will take a minimum of 1 more year and once resolved the Liquidation will be finalised and our files will be closed.

Should you have any queries regarding this report, or the Liquidation in general, please contact Adam Jordan on 01527 558 410.



N G Rimes
Liquidator

Seven Arts Pictures Plc
(In Liquidation)
Liquidator's Abstract of Receipts & Payments

Statement of Affairs	From 19/03/2014 To 18/03/2015	From 19/03/2012 To 18/03/2015
COST OF REALISATIONS		
OR Debit Balance	NIL	2,235 00
Petitioners Deposit	(1,165 00)	(1,165 00)
Bank Charges	88 00	256 00
	<u>1,077 00</u>	<u>(1,326 00)</u>
	<u>1,077 00</u>	<u>(1,326.00)</u>
REPRESENTED BY		
ISA IB		(1,326 00)
		<u>(1,326 00)</u>



Nickolas Garth Rimes
Liquidator

Seven Arts Pictures Plc
(In Liquidation)

LIQUIDATOR'S RECEIPTS AND PAYMENTS ACCOUNT

	Statement of affairs £	From 19/03/2014 To 18/05/2015 £	From 19/03/2012 To 18/05/2015 £
RECEIPTS			
Petitioners Deposit		1,165 00	1,165 00
		<u>1,165 00</u>	<u>1,165 00</u>
PAYMENTS			
OR Debit Balance		0 00	2,235 00
Bank Charges		110 00	278 00
		<u>110 00</u>	<u>2,513 00</u>
Net Receipts/(Payments)		<u>1,055 00</u>	<u>(1,348 00)</u>
MADE UP AS FOLLOWS			
ISA IB		1,055 00	(1,348 00)
		<u>1,055 00</u>	<u>(1,348 00)</u>

Seven Arts Pictures Plc - In Liquidation

Guidance for creditors on charge out rates and allocated disbursements

Charge out rates

It is anticipated that the following grades of personnel will work on this case. Their current charge-out rates are set out below.

Grade of personnel	Hourly charge out rate (£)
Partner	275 - 325
Manager	220 - 275
Administrator	110 - 150
Cashiering & Secretarial	50 - 110

Time is charged in units of 6 minutes. In common with other professional firms, our charge-out rates increase from time to time over the period of administration of a case. Subcontractors, if used, will be recharged at cost.

Allocated disbursements

Details of the proposed charges for which approval is required are set out below.

- Meeting room charge for statutory meetings, charged at £60 per meeting summoned (members' and creditors' meetings on the same day treated as one meeting)
- Facsimiles are charged at £1 per page and photocopying is charged at a cost of 15p per page
- Envelopes for all circulars to creditors are re-charged to the case at 20p per C4 window envelope
- Business rate mileage, at a cost of between 40p and 80p per mile in relation to the running costs of different classes of vehicle

It should be noted that the above costs might increase from time to time. However, this would only be as a result of inflationary increases or in line with increases from my suppliers.

Receiver

Rimes & Co

Seven Arts Pictures Plc - In Liquidation

Appendix C

SIP 9 - Time & Cost Summary
Period 19 March 2014 to 18 March 2015

Time Summary

Classification of work function	Hours			Total Hours	Time Costs £	Avg hourly rate £
	Partner	Manager	Administrator			
Admin & Planning	2 20	0 00	0 70	2 90	815 00	281 03
Taxation	0 00	0 00	0 00	0 00	0 00	0 00
Investigations	0 00	0 00	1 50	1 50	225 00	150 00
Realisation of Assets	2 50	0 00	0 00	2 50	812 50	325 00
Employee Claims	0 00	0 00	0 00	0 00	0 00	0 00
Creditors	2 00	0 00	0 00	2 00	650 00	325 00
Statutory Reporting	0 00	0 00	0 00	0 00	0 00	0 00
Total Hours	6 70	0 00	2 20	8 90		
Total Time Costs (£)	1,462 50	0 00	1,040 00		2,502 50	
Average Hourly Rate by Grade (£)	218 28	0 00	472 73			281 18

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Appendix C

SIP 9 - Time & Cost Summary
Period 19 March 2012 to 18 March 2015

Time Summary

Classification of work function	Hours			Total Hours	Time Costs £	Avg hourly rate £
	Partner	Manager	Administrator			
Admin & Planning	106 80	0 00	12 80	119 60	32,045 00	267 93
Taxation	0 00	0 00	0 00	0 00	0 00	0 00
Investigations	23 50	0 00	1 50	25 00	7,022 50	280 90
Realisation of Assets	35 10	0 00	0 00	35 10	10,957 50	312 18
Employee Claims	0 00	0 00	0 00	0 00	0 00	0 00
Creditors	42 50	0 00	2 80	45 30	13,230 00	292 05
Statutory Reporting	5 60	2 50	0 00	8 10	2,090 00	258 02
Total Hours	213 50	2 50	17 10	233 10		
Total Time Costs (£)	58,181 00	550 00	6,614 00		65,345 00	
Average Hourly Rate by Grade (£)	272 51	220 00	386 78			280 33

Liquidator's Disbursements Incurred and Paid in the year 18 March 2015

An analysis of the Joint Liquidators' disbursements is summarised below -

	Incurred £	Unpaid £	Paid £
Category 1			
Postage	13 16	13 16	0 00
Storage Costs	30 00	30 00	0 00
	<u>43 16</u>	<u>43 16</u>	<u>0 00</u>
Category 2			
Envelopes	5 60	5 60	0 00
Photocopying	4 20	4 20	0 00
Report Upload	10 00	10 00	0 00
	<u>19 80</u>	<u>19 80</u>	<u>0 00</u>

Liquidator's Expenses Incurred and Paid in the year to 18 March 2015

Details of the Joint Liquidators' expenses are summarised below -

Expense	Paid to	Basis of payment				
			Incurred £	Written Off	Unpaid	Paid £
			0 00	0 00	0 00	0 00