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1 Company details

Company number 0 5 2 1 2 4 0 7

Company name in full Cineworld Group plc

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Court details

Court name High Court of Justice, Business and Property Courts of
England and Wales, Insolvency and Companies List (ChD)

Court case number 4 1 4 5 o f 2 0 2 3

3 Administrator's name

Full forename(s) Simon

Surname Appell

4 Administrator's address

Building name/number AlixPartners UK LLP

Street 6 New Street Square

Post town London



County/Region

Postcode E C 4 A 3 B F

Country

AM06

Notice of approval of administrator's proposals

5	Administrator's name ①		
Full forename(s)	Ian		① Other administrator Use this section to tell us about another administrator.
Surname	Partridge		
6	Administrator's address ②		
Building name/number	AlixPartners UK LLP		② Other administrator Use this section to tell us about another administrator.
Street	6 New Street Square		
Post town	London		
County/Region			
Postcode	E C 4 A 3 B F		
Country			
7	Date administrator(s) appointed		
Date	<div> <div>^d</div> <div>3</div> <div>^d</div> <div>1</div> <div>^m</div> <div>0</div> <div>^m</div> <div>7</div> <div>^y</div> <div>2</div> <div>^y</div> <div>0</div> <div>^y</div> <div>2</div> <div>^y</div> <div>3</div> </div>		
8	Date statement of proposals delivered to creditors		
Date	<div> <div>^d</div> <div>0</div> <div>^d</div> <div>4</div> <div>^m</div> <div>0</div> <div>^m</div> <div>8</div> <div>^y</div> <div>2</div> <div>^y</div> <div>0</div> <div>^y</div> <div>2</div> <div>^y</div> <div>3</div> </div>		
9	Date proposals were deemed to be approved		
Date	<div> <div>^d</div> <div>1</div> <div>^d</div> <div>8</div> <div>^m</div> <div>0</div> <div>^m</div> <div>8</div> <div>^y</div> <div>2</div> <div>^y</div> <div>0</div> <div>^y</div> <div>2</div> <div>^y</div> <div>3</div> </div>		
10	Sign and date		
Administrator's signature	Signature 		
Signature date	<div> <div>^d</div> <div>2</div> <div>^d</div> <div>1</div> <div>^m</div> <div>0</div> <div>^m</div> <div>8</div> <div>^y</div> <div>2</div> <div>^y</div> <div>0</div> <div>^y</div> <div>2</div> <div>^y</div> <div>3</div> </div>		

AM06

Notice of approval of administrator's proposals



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Contact name

Company name

AlixPartners

Address

6 New Street Square

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Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

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1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14, WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)

Catherine

Surname

Williamson

3 Insolvency practitioner's address

Building name/number

AlixPartners UK LLP

Street

Ship Canal House

8th Floor 98 King Street

Post town

Manchester

County/Region

Postcode

M 2 4 W U

Country

Administrators' Statement of Proposals

Cineworld Group plc
In Administration

4 August 2023

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1. Why this report has been prepared

- 1.1 Simon Appell, Ian Partridge and Catherine Williamson (the **Administrators**) were appointed as Administrators of the Company on 31 July 2023.
- 1.2 In accordance with UK insolvency legislation, administrators are required to make a statement setting out their proposals for achieving the statutory purpose of an administration.
- 1.3 This report and all appendices form the Administrators' proposals (the **Proposals**). Particular attention should be given to the Administrators' Disclosure Report pursuant to Statement of Insolvency Practice 16 (the **SIP16 Report**) which is enclosed at Appendix H, as this provides a comprehensive account of the steps taken prior to the appointment and the transaction completed following appointment.
- 1.4 The definitions provided in the SIP16 Report are the same within the Proposals. In particular, any reference to the 'UK Transaction' should be taken from section 2.36 of the SIP16 Report. The collective steps set out in that section make up the 'UK Transaction'.
- 1.5 The purpose of this report is to provide statutory and financial information about the Company, the background to the Administration, the Administrators' proposed strategy, details regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.6 The administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:
 - Objective 1: rescuing the company as a going concern;
 - Objective 2: achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
 - Objective 3: realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.7 Having concluded that it is not possible to achieve the first statutory objective, the Administrators have achieved the second statutory objective. Further details of how this conclusion was reached and how they intend to achieve the second objective can be found in section 5 of this report.
- 1.8 The Company's creditors are responsible for approving the Proposals. In this case, the Administrators intend to seek approval of the Proposals via a deemed approval process and further details on this matter can be found in section 9 of this report.
- 1.9 The Company's creditors are also responsible for approving the Administrators' fees. In this case it is proposed that the basis of the Administrators' fees and category 2 expenses will be approved by the general body of creditors. Further details of the Administrators' fees and expenses can be found at Appendices D to F.

- 1.10 More information relating to the Administration process, Administrators' fees and creditors' rights can be found on AlixPartners' creditor portal ([**https://www.ips-docs.com/**](https://www.ips-docs.com/)). Log-in details to access this information can be found within the covering letter you have received.
- 1.11 If you require a hard copy of this report or have any queries in relation to its contents, or the Administration generally, please contact the Cineworld inbox at [**cineworldgroupplc@alixpartners.com**](mailto:cineworldgroupplc@alixpartners.com).
- 1.12 An executive summary of the Administration is provided below.
- 1.13 These proceedings are main proceedings for the purposes of the EU Regulation (to the extent it forms part of domestic law).

2. Executive summary

The Company entered into Administration on 31 July 2023 with Simon Appell, Ian Partridge and Catherine Williamson being appointed to act as Administrators.

The Company is a non-trading entity and was the parent company of the Group, which was listed on the London Stock Exchange (**LSE**). The listing of the Company's shares on the LSE were cancelled on 1 August 2023. It also provided certain shared services to the Group and was party to certain financial obligations (covered in section 4).

The Group is continuing to trade in the normal course of business with the benefit of a significantly de-leveraged capital structure. No other group entities are subject to insolvency proceedings in the UK.

On 7 September 2022 the Company and other Group entities voluntarily entered Chapter 11 Proceedings in the United States Bankruptcy Court for the Southern District of Texas, Houston Division.

Under US federal law, as part of the Chapter 11 Proceedings, the Group were required to prepare a 'plan of re-organisation' (the **Plan**). The Plan was a legally binding document and set out the terms of the Chapter 11 proposed restructuring. A disclosure statement (**DS**), which included the Plan, was initially submitted to the US Bankruptcy Court on 10 April 2023 (subsequently re-filed on 24 April 2023). The DS is a statement designed to provide those parties impacted by the Plan with sufficient knowledge to understand the terms of the Plan and the restructuring proposed.

Following approval of the Plan by the requisite majorities of the creditors under US federal law, the US Bankruptcy Court confirmed (i.e. approved) the Plan on 28 June 2023, on the basis of, among other things, the fair treatment between voting classes and the viability of the Group upon conclusion of the Chapter 11 Proceedings, despite objections from certain shareholders.

As part of the Group restructuring, an implementation framework agreement (the **IFA**) was executed on 31 July 2023. The IFA was entered into by (among others) the Company, acting by its Administrators, and NewCo to implement the UK Transaction.

The result of the UK Transaction is that the Group's Legacy Lenders indirectly own substantively all of the business and assets formerly held by the Company. The consideration provided by the Legacy Lenders is the discharge of liabilities owed under the Legacy Credit Facilities. That consideration formed part of the wider Plan in which various other liabilities were discharged, repaid or otherwise released, in order to leave the Group as a going concern and in a stronger liquidity position going forward and the Company's creditors better off than in the liquidation alternative.

Through completion of the UK Transaction, the Administrators have achieved the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). Further information is provided in sections 5 and 6.

Prior to and in anticipation of their appointment, the Administrators considered the outcome of a liquidation in respect of the Group as a whole and on a standalone basis for the Company, specifically to consider whether the Company's creditors as a whole would be in a better position under the Administration than in a Company liquidation scenario. The Administrators have concluded that the Company's creditors were no worse off by entering Administration rather than liquidation and further explanation is provided in section 5.

The Administrators consider that the Company has insufficient property to enable a distribution to be made to its unsecured creditors. As a result, the Administrators are not required to seek a decision from the unsecured creditors as to whether they approve the Proposals. As explained in section 9, approval of the Proposals will be done by way of deemed approval, with a deadline for any requests for a decision by **18 August 2023**.

The Administrators are not seeking fee approval with these Proposals. A request for fee approval will be made to the creditors shortly.

3. Summary of information for creditors

Estimated dividend for creditors

Description	Estimated debt £	Likely level of return £
Secured creditor:		
DIP Facility*	1.487bn	-
Legacy Credit Facilities	4.121bn	
Preferential creditors	n/a	n/a
Unsecured creditors:		
General	17.0m	-
Inter-company creditors	1.227bn	-
Convertible Bonds*	169.4m	-
RoW Facility*	200.9m	-
Cineplex judgment**	731.6m	-

*converted spot rate on appointment (1 USD: 0.77 GBP) and released on completion of the UK Transaction.

** converted spot rate on appointment (1CAD : 0.59 GBP) and released on completion of the UK Transaction.

Notes:

The point at which the Administrators were appointed, the Company had the liabilities covered in the table above. Further information is below:

Secured creditors

DIP Facility

This is a senior secured, super-priority priming term loan facility in an aggregate amount of \$1.935 billion (£1.487bn converted) 'debtor in possession' facility (the **DIP Facility**) under a New York law governed credit agreement dated 9 September 2022 between, among others, Crown Finance US, Inc (**Crown Finance US**), as borrower, Crown UK HoldCo Limited (**Crown UK**), the Company and various other members of the Group, as guarantors, the lenders thereto (the **DIP Lenders**) and Barclays Bank PLC, as administrative agent (**Security Agent**).

The DIP Facility was entered into at the outset of the Chapter 11 Proceedings and was set to mature on 7 September 2023, with the option to extend only in limited circumstances.

As part of the UK Transaction (see section 6.4), the DIP Facility was repaid and the DIP Lenders released their security.

There were also a number of Legacy Credit Facilities, which are explained further in section 2.12 of the SIP16 Report.

Preferential creditors

On appointment, the Company employed five people – four executive directors and one as a company secretary.

Pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE**) these staff were transferred immediately to another operating entity within the Group as part of the UK Transaction.

In light of the transfer of staff it is not expected that there will be any preferential claims as the transferred employees, who continue in employment, will continue to be paid in the normal course of business.

It is understood that there are no arrears of VAT to HM Revenue and Customs (**HMRC**) which would constitute a preferential claim in the Administration.

Unsecured creditors

General

The unsecured liabilities included in the table above relate to those which existed on appointment, prior to the UK Transaction being completed.

Following the UK Transaction, the majority of inter-company liabilities were hived down as part of the UK Transaction however, a small number remained in the Company.

The small number of unsecured creditors remaining comprise a potential tax liability and inter-company creditors.

As part of the wider group restructuring, unsecured creditors were able to submit claims to the Chapter 11 Proceedings in the US, under which they receive a share in the general unsecured creditors' pool. With this report, the Administrators will write to all known unsecured creditors as at the point of the Administrators' appointment, including creditors who submitted to the Plan, to provide details of the appointment. Any balances due to this group of unsecured creditors have not been reported in the estimated financial position at Appendix B, on the basis claims for recovery have been made in the Chapter 11 Proceedings.

There are not expected to be any returns to unsecured creditors from this Administration.

On appointment, the Company was also party to the following unsecured legacy credit facilities and had the following judgment made against it (which was subject to appeal):

The Convertible Bonds

\$213 million convertible bonds (the Convertible Bonds) issued by Cineworld Funding (Jersey) Limited (**JerseyCo**) in April 2021 pursuant to a subscription agreement dated 24 March 2021. The Company is a guarantor in respect of the

Convertible Bonds and the Convertible Bonds were set to mature on 16 April 2025.

The Convertible Bonds were released as part of the UK Transaction and the holders thereof are therefore not eligible to make a claim in this Administration.

Rest of World ('RoW') Facility

A secured \$250 million (consisting of €122.9 million and \$112.5 million loans) private placement debt facility dated 19 June 2020 between, among others, Cinema City Finance (2017) B.V., as borrower, the Company and various other members of the Group as guarantors and the lenders thereto (the **RoW Facility**). The RoW Facility was set to mature on 30 December 2023.

The RoW Facility was amended and restated as part of the UK Transaction. As the Company has no ongoing involvement or obligations, the creditors thereunder are therefore not eligible to make a claim in the Administration.

Cineplex judgment

The Company had a disputed unsecured liability in respect of a Canadian judgment (approximately CAD \$1.24 billion) relating to the proposed acquisition of the Cineplex cinema chain. This judgment was discharged as part of the UK Transaction and the creditor thereunder is therefore not eligible to make a claim in this Administration.

Further details regarding the potential outcome to creditors are provided in section 8 of this report.

4. Background and circumstances leading to the Administration

- 4.1 **Please note:** this is a summarised version of the background, more detail on the Chapter 11 Proceedings, the Plan and requirement for the UK appointment is provided in the SIP16 Report at Appendix H.

The Cineworld Group

- 4.2 The Cineworld group of companies (the **Group**) is the second-largest cinema chain in the world (by number of screens), with 688 sites and 8,407 screens in 10 different countries.
- 4.3 The Group is headquartered in Brentford, United Kingdom and the Company was the top holding company.
- 4.4 The five major brands within the Cineworld Group are; Cineworld (United Kingdom and Ireland), Picturehouse (United Kingdom), Regal (United States), Cinema City (Central and Eastern Europe) and Planet (Israel).
- 4.5 The Company was incorporated on 23 August 2004 under the name Augustus 2 Limited.
- 4.6 The Group employs approximately 30,000 staff globally.

Cineworld Group Structure

- 4.7 An abridged (pre-Administration) Group structure chart can be found within the SIP16 Report at Appendix H.

Cineworld Group plc

- 4.8 The Company itself was a non-trading entity within the Group; however, it provided certain shared services to the Group and was also party to certain financial obligations.
- 4.9 The Company was listed on the LSE. In light of the UK Administration appointment, the listing of the ordinary shares was cancelled on 1 August 2023.
- 4.10 The Company held a limited number of the Group's supply contracts. Prior to and on appointment, certain commitments were transferred to ensure the services/goods provided continue with the Group.
- 4.11 As mentioned above, the Company had five employees on appointment. Their employment was transferred immediately to Crown UK and Cineworld Cinemas Limited as part of the UK Transaction.

The Company and Group funding structure

- 4.12 The Company, and Group, was financed by a variety of secured and unsecured debt obligations as described in section 2 of this report, namely the DIP Facility, Convertible Bonds and RoW Facility and, in respect of the Group, the Legacy Credit Facilities.

- 4.13 At the date of the Administration appointment, the Company had the following security registered at Companies House:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
9 September 2022	*27 September 2022	Fixed and floating charge	Barclays Bank PLC (in its capacity as agent and security trustee)
28 February 2018	7 March 2018	Share charge	Barclays Bank PLC (in its capacity as administrative agent)

*The Administrators' initial view is that the charge was granted to secure fresh consideration and therefore valid in terms of s245 of the Insolvency Act 1986.

Events leading up to the Chapter 11 Proceedings

- 4.14 Prior to the COVID-19 pandemic (**Pandemic**), the Group's business was performing well and had expanded into the United States (**US**) with the acquisition of the Regal Entertainment Group in 2018.
- 4.15 The onset of the Pandemic placed significant pressures on the cinema and social entertainment sectors across the world. The government-mandated lockdowns and restrictions resulted in mass cinema closures in the early part of 2020. This abruptly cut off the industry's main source of revenue and meant that the Group's financial performance suffered significantly.
- 4.16 As cinemas re-opened, the Group's business continued to experience pressures driven by the lack of major film releases, production delays and the increase in consumption of home entertainment alternatives.
- 4.17 In response to the Pandemic, the Group undertook to preserve and enhance liquidity. However, the lasting impacts of the Pandemic, including the lack of major film releases, meant that Group liquidity continued to decline.
- 4.18 In August 2022, following a sustained period of discussions and negotiations with the Group's key financial creditors and recognising the need to pursue a more comprehensive restructuring solution, the Group began preparations for the commencement of the Chapter 11 Proceedings (as described below). By September 2022, the Group's liquidity had declined to approximately \$4 million cash on hand.

Chapter 11 Proceedings

- 4.19 On 7 September 2022 (**Petition Date**), faced with the immediate need for sufficient liquidity to meet its obligations, the Company and certain subsidiaries in the Group (the **Chapter 11 Debtors**) commenced voluntary proceedings pursuant to chapter 11 of title 11 of the United States Code (**Chapter 11 Proceedings**). The Chapter 11 Debtors comprise, broadly, the Group's US and UK entities.

- 4.20 In preparation for commencing Chapter 11 Proceedings, steps had been taken by the Group to negotiate with certain of the DIP Lenders the terms of a financing facility to be made available. These negotiations resulted in entry into the DIP Facility described above.
- 4.21 Under US federal law, as part of the Chapter 11 Proceedings, the Chapter 11 Debtors were required to prepare the a 'plan of re-organisation' (the **Plan**). The Plan is a legally binding document and sets out the terms of the proposed restructuring. It is accompanied by a disclosure statement (**DS**) designed to provide those parties impacted by the Plan with sufficient knowledge to understand the terms of the Plan and the restructuring proposed.
- 4.22 Amongst others, terms agreed under the plan included a debt-for-equity swap, whereby the Group's funded indebtedness would be reduced by approximately \$4.53 billion through the Legacy Lenders receiving 100% of the equity in a newly-incorporated company, Cineworld Parent Limited (**NewCo**), which would become the parent company in the go-forward Group.
- 4.23 As required by US legislation, steps were taken to obtain votes from creditors in relation to the Plan, with a voting deadline of 8 June 2023. The outcome of the voting process, which approved the Plan, can be found at Part 2 of the SIP16 Report, together with a full summary of the key terms of the Plan (section 2.32 of the SIP16 Report).

Overview of the pre-packaged sale pursuant to SIP 16

- 4.24 The Plan could not be fully implemented through the Chapter 11 Proceedings alone because the Company was incorporated in England and Wales, as covered in more detail within the SIP16 Report.
- 4.25 Therefore, as part of the restructuring discussions, the Group carefully examined how best to implement the Plan in England and Wales. It was determined that the Plan should be implemented via a UK administration for the following reasons:
- 4.25.1 a change in the ownership structure could only feasibly have been completed at the Company level;
- 4.25.2 the uncertainty around obtaining shareholder consent to the proposed restructuring, which would otherwise be required if the envisaged debt-for-equity swap were to be completed outside of administration; and
- 4.25.3 considering the above factors, the Company's key financial creditors, representing a significant value of the Group's debt position and whose approval of the final Plan was required, would only support the restructuring if it was completed within the certainty of a UK administration process.
- 4.26 Following a subsequent period of preparing for the financial restructuring, the Company entered into Administration on 31 July 2023 with Simon Appell, Ian Partridge and Catherine Williamson being appointed to act as Administrators.
- 4.27 Shortly after their appointment, the Administrators took and facilitated certain steps to implement the terms of the UK Transaction, all of which were conditions to the Chapter 11 Debtors' emergence from the Chapter 11 proceedings.

- 4.28 Later on 31 July 2023, the Plan became effective and the Company and other Chapter 11 Debtors emerged from the Chapter 11 Proceedings.
- 4.29 Should you wish to receive a printed copy of the SIP16 report please contact the **cineworldgroupplc@alixpartners.com** or write to AlixPartners' office at Ship Canal House, 8th Floor, 98 King Street, Manchester, M2 4WU. Alternatively, a copy can be viewed on AlixPartners' creditor portal at **<https://www.ips-docs.com/>** for which login details have been provided to known creditors of the Company.

5. The objective of the Administration

- 5.1 The first objective under the Administration regime is based on the survival of the Company, either through trading out of prospective insolvency or through a Company Voluntary Arrangement (**CVA**), Scheme of Arrangement (**Scheme**) or Restructuring Plan under Parts 26 and 26A of the Companies Act 2006.
- 5.2 As explained in more detail in the SIP16 Report, continued trading was not feasible due to the Group's liquidity position and the Company's non-trading status within the Group structure (it being a non-trading holding company).
- 5.3 Consideration was given to a CVA as one of the alternatives (covered in the SIP16 Report). However, again, given the Company's holding, non-trading status and its significant secured creditor commitments (which cannot be compromised in a CVA) this was deemed an unsuitable option. Similarly, neither a Scheme nor a Restructuring Plan were deemed viable in the absence of sufficient support from creditors. Therefore, the Administrators concluded the first objective was unachievable.
- 5.4 The Administrators have therefore pursued, and achieved, the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). The Administrators have achieved this objective by completing the UK Transaction which is detailed further in section 6.

UK Transaction rationale and return for Company creditors

- 5.5 Careful consideration was given by the Administrators to ensure that completing the UK Transaction (and thereby facilitating completion of the wider Chapter 11 Proceedings) was in the best interest of the Company's creditors. Key considerations included:
 - 5.5.1 Completing the UK Transaction was an integral step in (and condition precedent to) the implementation of the Plan. This resulted in the Group's liabilities under the Legacy Credit Facilities being discharged in full (approximately \$4.53 billion in aggregate). In addition, the Company was released of debt liabilities totalling approximately \$2.411 billion and other liabilities including the CAD \$1.24 billion Cineplex judgment (see SIP16 Report). Without the UK Transaction, the Company and the Group were not expected to meet their obligations in full in respect of those liabilities.
 - 5.5.2 The Group's creditors approved the Plan (and therefore the UK Transaction which forms a part thereof) in significant numbers. Even a majority of general unsecured creditors voting, who suffered a write-down of their claims by over 96%, voted in favour of the Plan. The Creditors' Committee was also fully supportive of the Plan.
 - 5.5.3 The Company's unsecured creditors were given a well-publicised opportunity to submit claims in the Chapter 11 Proceedings and, where they have done so, will have had the opportunity to share in a general unsecured creditors' pool in those proceedings. It is not expected that there would have been any recovery for unsecured creditors in a liquidation alternative (nor is there expected to be any further recovery pursuant to this Administration).

- 5.5.4 General trade creditors under continuing commercial contracts have had their arrangements transferred to the go-forward Group as part of the UK Transaction. Therefore, they will continue their relationship with the go-forward Group.
- 5.5.5 The discussions held as part of the Plan negotiations were supervised by the US Bankruptcy Court. This therefore presented significant opportunity for all stakeholders, including creditors, to better understand and ultimately engage, if they so wished, with the process, including by submitting their own proposal. Other than the Plan (including the UK Transaction), no viable alternative was proposed.
- 5.5.6 The transfer of the Company's five employees under the Transfer of Undertakings (Protection of Employment) Regulations 2006 has ensured that those who continue being employed by the Group will continue to be paid in the normal course of business and mitigated any potential preferential and unsecured claims being made against the Company.
- 5.6 In light of the extensive pre-appointment planning, the Marketing Process and valuation testing (see section 4 and 5 of the SIP16 Report), the Administrators have acted in the best interests of the creditors as a whole when completing the UK Transaction.

Liquidation alternative for the Company

- 5.7 Prior to and in anticipation of their appointment, the Administrators considered the outcome of a liquidation in respect of the Group as a whole and on a standalone basis for the Company, specifically to consider whether the Company's creditors as a whole would be in a better position under the Administration than in a Company liquidation scenario.
- 5.8 The Company's principal business is as a holding company. Its key asset was its investment in its principal subsidiary, Crown UK, which was secured in favour of the Legacy Lenders (and the DIP Lenders). Considering the net liability position of the Group, and the fact that the enterprise value of the Group is lower than the outstanding amount of the secured debt under the Legacy Credit Facilities (and considerably lower when the DIP Facility is also taken into account), it has been concluded that the Company would not recover any value in respect of its interest in Crown UK in a liquidation scenario.
- 5.9 It is expected the only potential asset that would be capable of being realised in a liquidation of the Company was a cash balance of approximately £676,000, the majority of which was received shortly prior to entry into Administration by way of a rebate from one of the Group's suppliers.
- 5.10 The Administrators carefully considered how this cash balance would be treated in an alternative liquidation, and in particular whether (i) any of the cash would be available for the satisfaction of the claims of the DIP Lenders (given the DIP Facility is secured by a floating charge), and (ii) there would, as a consequence, be a requirement for a "prescribed part" payment under section 176A of the Insolvency Act to be made.
- 5.11 In relation to each of these points, the Administrators have concluded that the cash balance would not be available. This is on the basis that the costs that would

be associated with the Company preparing for and entering into an insolvent liquidation (most likely a compulsory liquidation), rather than the UK Transaction, would entirely absorb the cash balance.

- 5.12 For further information on this analysis, refer to sections 5.14-5.20 of the SIP16 Report which provide details on a Company and Group level.

Exit routes

- 5.13 Full details of the proposed exit routes from the Administration are noted in Appendix G.

6. The Administration strategy and steps taken to date

- 6.1 Following the appointment, the Administrators implemented the UK Transaction, as set out in detail in the SIP16 Report at Appendix H. The UK Transaction was completed on 31 July 2023. A summary of the pre-appointment work carried out and the UK Transaction itself is provided below.

Marketing and Valuation

- 6.2 Sections 4 and 5 of the SIP16 Report provide a comprehensive account of the marketing process and valuation completed prior to the appointment as part of the Chapter 11 Proceedings.
- 6.3 Based on the extensive marketing process completed as part of the Chapter 11 Proceedings and the agreed re-organisation under the Plan, together with the supporting valuation analysis, the Administrators were satisfied that no further marketing would be required, or beneficial, in the Administration.

UK Transaction

- 6.4 As part of the Group restructuring, the IFA was executed on 31 July 2023. The IFA was entered into by the Company, acting by its Administrators, and NewCo to implement the UK Transaction.
- 6.5 Through the IFA, the Administrators facilitated certain steps to implement the terms of the UK Transaction, all of which were conditions to emergence from the Chapter 11 Proceedings and included:
- 6.5.1 the transfer of substantially all of the Company's business (other than certain excluded assets and liabilities) to Crown UK in exchange for the allotment and issuance of shares in Crown UK to the Company (the **Hive down**);
 - 6.5.2 the lenders subscribing for shares in NewCo in exchange for transferring to NewCo its claims under the US and UK debt arising under the Legacy Credit Agreement;
 - 6.5.3 the Company's interest in Crown UK being bought back for a nominal cash amount and cancelled, such that Crown UK became a wholly-owned subsidiary of NewCo;
 - 6.5.4 NewCo subscribing for additional shares in Crown UK in exchange for release of the UK debt element of the Legacy Credit Facilities, pursuant to a deed of release;
 - 6.5.5 NewCo subscribing for additional shares in Crown UK in exchange for transferring its claims under the US debt element of the Legacy Credit Facilities to Crown UK, Crown UK releasing Crown Finance US, Inc. from the US debt, and release of all relevant security (thereby completing the debt-for-equity swap);

- 6.5.6 the go-forward Group drawing down under the Exit Facility and using the proceeds from the Rights Offering Process and the Exit Facility to repay the DIP Facility;
 - 6.5.7 the amendment of the RoW Facility, including to release the Company from its guarantee;
 - 6.5.8 the Company and the other Chapter 11 Debtors being released of general unsecured claims (including under the Convertible Bonds and the Cineplex judgment);
 - 6.5.9 the insertion of an intermediate holding company between NewCo and Crown UK; and
 - 6.5.10 the go-forward Group entering into the revolving credit facility.
- 6.6 Details of the Newco are provided below:

Company name	Cineworld Parent Limited
Registered number	401997 (under laws of the Cayman Islands)
Registered office	Cricket Square, Hutchins Drive, PO Box 2681, George Town, Grand Cayman, Ky1-1111, Cayman Islands

Sales consideration

- 6.7 The overall consideration attributed to the Company under the UK Transaction included:
- 6.7.1 the discharge of the Company's guarantee of the Convertible Bonds (approximately \$220 million), by way of the discharge of the underlying unsecured debt in the Chapter 11 Proceedings;
 - 6.7.2 the release of the Company's guarantee in respect of the RoW Facility (approximately \$261 million), as the RoW Facility has been amended and entered into only by the go-forward Group;
 - 6.7.3 the release of the Company's guarantee in respect of the DIP Facility (approximately \$1.931 billion), as the DIP Facility has been repaid in full;
 - 6.7.4 the discharge of the Company's liabilities under a Canadian judgment (approximately CAD \$1.24 billion) in respect of the proposed acquisition of the Cineplex cinema chain (although the Company disagrees with this judgment and expected to continue its appeal, if liability thereunder had not been discharged in the Chapter 11 Proceedings) (the **Cineplex judgment**);
 - 6.7.5 the discharge of certain of the Company's other unsecured claims, including certain intercompany payables, by way of discharge in the Chapter 11 Proceedings; and

- 6.7.6 the release of the security granted by the Company for the benefit of the Legacy Lenders, pursuant to the debt-for-equity swap.
- 6.8 As the consideration for the UK Transaction was structured by a release of claims against the Company (as described above), no cash proceeds have been received by the estate of the Company (other than £1 per share for the buy-back of the Company's shares in Crown UK (for 20 shares, a total of £20)).

Purpose of UK Transaction

- 6.9 The result of the UK Transaction is that the Group's Legacy Lenders indirectly own substantively all of the business and assets formerly held by the Company. The consideration provided by the Legacy Lenders is the discharge of liabilities owed under the Legacy Credit Facilities.
- 6.10 That consideration formed part of the wider Plan in which various other liabilities were discharged, repaid or otherwise released (as described below), in order to leave the Group (except the Company) as a viable going concern and in a stronger liquidity position going forward. From the perspective of the Company, the Plan ensures that the creditors are better off than in the liquidation alternative.

Other assets

- 6.11 The Company is 100% shareholder of a Jersey registered subsidiary, Cineworld Funding (Jersey) Limited (**JerseyCo**). The Administrators expect that steps will shortly be taken to solvently wind up the JerseyCo in its local jurisdiction, which may give rise to a potential distribution to the Company as sole shareholder.
- 6.12 The quantum and timing of any recovery is currently unknown but further information will be provided in the next report.

Administration Funding

- 6.13 Given the nominal cash consideration from the UK Transaction, the Administrators have entered into a funding agreement with Crown UK which has transferred £1.44 million to meet the costs and expenses of the Administration (known as the **Operational Funding Account**).
- 6.14 These funds will be held on trust and, to the extent needed, will cover the general costs and expenses of the Administration, including Administrators' fees and legal fees.

Case administration (including statutory reporting)

- 6.15 In addition to their duties relating to realising and distributing the assets of the Company, the Administrators must comply with certain statutory compliance matters in accordance with the Insolvency Act 1986. These include notifying the stakeholders of the appointment, preparing bi-annual reports to creditors advising of the progress of the Administration and if relevant, obtaining decisions of creditors. The Administrators are also responsible for liaising with HMRC to determine the final position in respect of corporation tax, VAT and other taxes

that may be owed by or to the Company, and for filing tax returns for the duration of the Administration.

- 6.16 In order to ensure the matters of the Administration are being progressed sufficiently, the Administrators have a duty to conduct periodic case reviews and complete case checklists. In addition, the Administrators' treasury function will also comply with cash accounting requirements including raising payments, processing journal vouchers and posting receipts, preparing bank reconciliations and statutory returns.
- 6.17 The time taken for statutory tasks is largely fixed, insofar as the cost of preparing a report to creditors or filing an annual return is similar for most cases, except where cases are very large or complex. Where the costs of statutory compliance and reporting to creditors exceeds the initial estimate, it will generally be because the duration of the case has been longer than expected, due to, for example, protracted realisation of assets, meaning additional periodic reports have had to be prepared and distributed to stakeholders.
- 6.18 The detail provided is intended to provide users of this report with information to allow them to understand how the fee estimate and estimate of expenses provided at Appendices D and E was compiled, and the sensitivities that might be applicable to the Administrators' anticipated fees and expenses.

Investigations

- 6.19 The Administrators will conduct investigations into the conduct of the directors and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act 1986, and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administrations and Insolvent Liquidations. Based on the outcome of the investigations, further steps may need to be taken, details of which will be provided in the next report to creditors. The Administrators' duty is to conduct an initial review to determine whether there are matters which require further investigation, and if so, whether there is a realistic prospect of recovering assets for the insolvent estate for the benefit of creditors.
- 6.20 The Administrators also have a duty to consider the conduct of those who have been directors of the Company at any time during the last three years, and to provide information to the Insolvency Service in respect of that conduct and the circumstances regarding the Company's insolvency. The Insolvency Service will use this information to assess whether there are matters that require action to be taken against the directors to prevent them from controlling other companies. The information provided to the Insolvency Service is confidential and is not available to creditors.
- 6.21 A questionnaire is available on AlixPartners' creditor portal (<https://www.ips-docs.com/>.) for completion by creditors to assist the Administrators in their investigations. If there are matters that you consider the Administrators should be aware of, please attach details to the questionnaire and return it to AlixPartners' offices at Ship Canal House, 8th Floor, 98 King Street, Manchester, M2 4WU. This request forms part of the Administrators' statutory duties and does not imply any criticism of the directors.

Creditors (claims and distribution)

- 6.22 Based on current information there is expected to be no return to unsecured creditors from the Administration. Creditors should refer to the Plan in respect of any claims or recoveries available through the Chapter 11 Proceedings.

7. Financial position and Administrators' receipts and payments

Financial position

- 7.1 An estimated financial position (**EFP**) of the Company at the date of the appointment, together with a list of creditors' names, addresses and details of their claims is attached at Appendix B.
- 7.2 The directors will be written to shortly to request completion of the Statement of Affairs (**SOA**). Given this report is being issued shortly after the appointment, the SOA has not yet been completed.
- 7.3 The Administrators have the following observations to make in relation to the EFP of the Company.
- As is normal, the EFP is before provision for the costs of the Administration.
 - The book values in the EFP show the Company's financial position on appointment, prior to completion of the UK Transaction.
 - The estimated to realise values included in the EFP are based on the commercial terms of the UK Transaction and what this will mean for the UK Administration estate.
 - Explanatory notes are provided with the EFP at Appendix B.

Administrators' Receipts and Payments Account

- 7.4 A summary of receipts and payments is attached at Appendix C.
- 7.5 As the consideration for the UK Transaction was primarily a release of claims (ie non-cash) against the Company, the only cash proceeds to have been received by the estate of the Company is the £1 per share for the buy-back of the Company's shares in Crown UK (for 20 shares, a total of £20).
- 7.6 As explained in paragraph 6.13, the Administrators are being funded by a third party through the Operational Funding Account. Those funds are not shown in the estate Receipts and Payments Account until funding is drawn down to settle costs of the process.
- 7.7 A statement of the Administrators' pre-administration costs may be found at Appendix D.

8. Estimated outcome for creditors and shareholders

Secured creditor – The DIP Lenders and the Legacy Lenders

- 8.1 The Company granted fixed and floating security, including a qualifying floating charge, to secure repayment of the DIP Facility (described at section 3). The Company also granted security over its shares in Crown UK to secure the Group's obligations under the Legacy Credit Facilities. Both charges, listed at 4.12, were fully released shortly following the appointment as part of the implementation of the Plan and the UK Transaction.
- 8.2 In light of the UK Transaction, and no security being in place shortly following the appointment, the Company will have no secured creditor in the Administration.

Preferential creditors

- 8.3 As the Company's five employees were transferred under TUPE to other group entities shortly after the Administration, to the extent they remain employed by the go-forward Group, they will continue to be paid in the normal course of business.
- 8.4 Therefore, there will be no preferential creditors in the Administration.

Unsecured creditors

- 8.5 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to make a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'.
- 8.6 As detailed above, shortly following the appointment, the qualifying floating charge granted in respect of the DIP Facility was released, so there is no qualifying floating charge for the purpose of creating a Prescribed Part.
- 8.7 There are not expected to be any further asset realisations that, after costs, will give rise to funds being available to the small number of unsecured creditors of the Company.
- 8.8 However, as noted above at point 5.5.3, unsecured creditors of the Company have been provided the opportunity to make claims under the Chapter 11 Proceedings and are entitled to a share in the general unsecured creditors' pool, pursuant to the Chapter 11 Proceedings.
- 8.9 As Administrators do not have the power to pay unsecured creditors (other than through the Prescribed Part), in the unlikely event that surplus funds become available to distribute, steps may be taken to place the Company into liquidation.
- 8.10 Based on the above, creditors are not invited at this stage to submit their claims, however, should they wish to do so claims will be held on file.

Shareholders

- 8.11 There is no prospect of a return to the shareholders of the Company.

9. What happens next

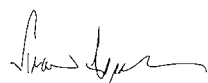
Deemed approval of Proposals

- 9.1 The Administrators consider that the Company has insufficient property to enable a distribution to be made to its unsecured creditors. As a result, the Administrators are not required to seek a decision from the unsecured creditors as to whether they approve the Proposals.
- 9.2 Creditors whose debts amount to at least 10% of the total debts of the Company may however request that approval of the Proposals is given via a formal decision of creditors. The deemed date of delivery of the Proposals is **18 August 2023**. Any requests for a decision procedure must be made in writing on or before eight business days after this deemed date of delivery.
- 9.3 If creditors wish for such a decision to be made by a physical meeting of creditors, then the threshold required is either 10 creditors, 10% by value of creditors or 10% of the number of creditors. If you wish for a meeting to be held, you must notify us in writing on or before **18 August 2023**.
- 9.4 If a decision is not requisitioned by creditors by this date the Proposals will be deemed to have been approved.
- 9.5 The Administrators are not seeking fee approval with these Proposals. A request for fee approval will be made of the creditors in a separate decision procedure held for that purpose and information will follow in due course.

Progress report

- 9.6 The Administrators are required to provide a progress report within one month of the end of the first six month period following their appointment.

For and on behalf of
Cineworld Group plc



Simon Appell
Administrator

Encs

Appendix A. Statutory information

Company information

Company name	Cineworld Group plc
Registered number	05212407
Registered office	On appointment, changed to: c/o AlixPartners UK LLP, Ship Canal House, 98 King Street, Manchester, M2 4WU
Former registered office	Prior to appointment: 8th Floor Vantage London, Great West Road, Brentford, England, England, TW8 9AG
Trading address	n/a – non trading entity
Trading names (within the Group)	Cineworld / Picturehouse / Regal / Cinema City / Planet
Court details	High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)
Court reference	4145 of 2023
Registered charges (as of appointment)	Fixed and floating charges granted to Barclays Bank Plc (as agent and security trustee) created on 9 September 2022 and registered on 27 September 2022 Share charge granted to Barclays Bank Plc (as administrative agent) created on 28 February 2018 and registered on 7 March 2018 Both charges were discharged as part of the UK Transaction on 31 July 2023.

Details of the Company's directors and secretary, including details of their shareholdings as at the date of appointment are as follows:

	Date appointed	Date resigned***	Number of shares held	Percentage of shareholding
Directors				
Nisan Cohen	11 January 2017	31 July 2023	-	-
Camela Galano	19 July 2018	31 July 2023	-	-
Israel Greidinger	27 February 2014	31 July 2023	-	-
Moshe Greidinger	27 February 2014	31 July 2023	-	-
Alicja Kornasiewicz	26 May 2015	31 July 2023	-	-
Dean Moore	11 January 2017	31 July 2023	-	-
Scott Rosenblum	27 February 2014	31 July 2023	-	-
Arni Samuelsson	27 February 2014	31 July 2023	-	-
Ashley Steel	1 April 2021	31 July 2023	-	-
Renana Teperberg	19 July 2018	31 July 2023	-	-

Secretary

Scott Brooker	1 March 2022	31 July 2023**	-	-
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Shareholders

Various – listed on LSE*	-	-	1,373,428,678	-
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***Note:** Given the listed status of the Company on the LSE prior to the appointment, we are unable to disclose/verify who the individual shareholders are for the purpose of this report.

****Scott Brooker** did not resign but was transferred as part of the UK Transaction on 31 July 2023.

******* The Administrators have been made aware that all directors resigned shortly after the appointment, effective 31 July 2023. These resignations will show at Companies House in due course.

Appointor's information

Name	Address	Position
Company directors (various)	8th Floor Vantage London, Great West Road, Brentford, England, England, TW8 9AG	Directors

Note: on application to Court by the directors, an in-court appointment was made pursuant to paragraph 12(1)(b) of Schedule B1 to the Insolvency Act 1986.

Administrators' information

Name	Address	IP number	Name of authorising body
Simon Appell	c/o AlixPartners UK LLP, 6 New Street Square, London, EC4A 3BF	9306	Insolvency Practitioners Association
Ian Partridge	c/o AlixPartners UK LLP, 6 New Street Square, London, EC4A 3BF	24892	Insolvency Practitioners Association
Catherine Williamson	c/o AlixPartners UK LLP, Ship Canal House, 98 King Street, Manchester, M2 4WU	15570	Insolvency Practitioners Association

The Insolvency Regulation Recast (EU) 2015/848 applies to the Administration. The proceedings are main proceedings as defined by article 3 of the Regulation. The Company is based in the UK.

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

Appendix B. Estimated financial position of the Company as at 31 July 2023

Estimated financial position at 31 July 2023	Note	Net book value £	Estimated to realise £
Fixed charge assets			
Investment in subsidiaries	1	831,791,409	-
Inter-company receivables	2	252,743,891	-
Share buy back	3	-	20
Total realisations		1,084,535,300	20
Fixed charge liabilities			
Due to secured creditor	4	(1,487,015,920)	-
Legacy Credit Facilities	5	(4,121,691,000)	-
Surplus/(shortfall) to secured creditors		(4,524,171,620)	20
Floating charge assets			
Cash and cash equivalents	6	675,510	-
Prepayments	7	43,000	-
Estimated total assets available for preferential creditors		718,510	-
Floating charge liabilities			
Employees' preferential claims	8	-	-
Secondary preferential creditors	9	-	-
Estimated (deficiency)/surplus as regards preferential creditors (net property)			-
Estimated Prescribed Part of net property (to carry forward)	10	-	-
Estimated total assets available for floating charge holders			-
Debts secured by floating charges		-	-
Estimated (deficiency)/surplus of assets after floating charges		-	-
Estimated Prescribed Part of net property (brought down)		-	-
Unsecured claims			
General unsecured creditors	11	(17,000,000)	(17,000,000)
Inter-company creditors	12	(1,227,053,233)	(392,232,018)
Convertible bonds	13	(169,400,000)	-
ROW facility	14	(200,970,000)	-
Cineplex judgment	15	(731,600,000)	-
Estimated (deficiency)/surplus as regards unsecured creditors		(2,345,304,723)	(409,232,018)
Shortfall to preferential creditors (brought down)		-	-
Estimated (deficiency)/surplus as regards creditors		(6,869,476,343)	(409,232,018)
Issued and called up share capital		(13,734,287)	(13,734,287)
Total deficiency as regards creditors and members		(6,883,210,629)	(422,966,305)

General notes

The Statement of Affairs has not yet been submitted as this is in the process of being requested of the Company's directors.

This EFP has been prepared based on the Company's financial position on appointment using the Company's balance sheet at 20 July 2023.

The net book values present the Company's position and financial obligations prior to the UK Transaction (apart from general unsecured creditors).

This EFP does not include costs of the Administration.

The estimated to realise values are based on the commercial terms of the UK Transaction and what this will mean for the UK Administration estate.

The supporting list of creditors are those who remain as creditors in the Administration following completion of the UK Transaction.

Specific notes

1. There is no realisable value in this asset on the basis that, as part of the UK Transaction, the Company has hived down its controlling interest in the group subsidiaries. As covered in the Proposals, for consideration, the Group has received release of significant debt commitments through the UK Transaction. As noted in the Proposals, steps are being taken to wind down the affairs of JerseyCo and this may lead to funds being made available to this estate - a further update will be provided in the next report when the position becomes clearer.
2. There is no realisable value in this asset on the basis that, as part of the UK Transaction, the Company hived down its entitlement to any recoverable value in the inter-company receivables. As covered in the Proposals, for consideration, the Group has received release of significant debt commitments through the UK Transaction.
3. This nominal consideration of £20 cash relates to the nominal buy back of shares of the Company's shares in Crown UK as part of the UK Transaction.
4. The book value amount due to the secured creditor relates to the DIP facility in place at the date of the appointment - \$1.9bn (1USD:0.77GBP) However, shortly following the UK Transaction this was repaid.
5. The Legacy Credit Facilities comprised of the RCF, legacy USD loan, legacy Euro loan, Incremental USD loan. All of which were discharged as part of the UK Transaction.
6. Pursuant to the terms of the UK Transaction, the Company's cash at bank was hived down (excluding cash balances under a certain threshold). The Administrators will continue to monitor the pre-appointment account's activity.
7. The Company's balance sheet had a prepayment for £43,000, under the terms of the UK Transaction this was hived down.
8. Prior to the UK transaction the Company's staff, together with any liability, was transferred to another group entity. There will be no liability in respect of the same for the UK Administration.
9. There is no known secondary preferential liability due to HM Revenue and Customs.
10. On release of the security following appointment, there will be no valid floating charge to require for a Prescribed Part to be created (should any realisations become available).
11. The Company's tax position is subject to review. Any potential liability will be verified/quantified following the appointment. All of the general creditors who were bound by the Chapter 11 Proceedings have been excluded for the purpose of presenting this account.
12. As part of the UK Transaction, certain inter-company liabilities were hived down. Therefore, the net book value shows the inter-company liabilities prior to the UK Transaction and the estimated to realise shows the value of liability remaining post UK Transaction.
13. The book value of the Convertible Bonds is prior to the UK Transaction. As explained in the Proposals, this facility has been repaid shortly following appointment. \$220 million converted (1USD:0.77GBP).
14. The book value of the ROW Facility is prior to the UK Transaction. As explained in the Proposals, this facility was amended and restated without the Company shortly following appointment. \$261 million converted (1USD:0.77GBP).
15. The book value of the Cineplex judgment is prior to the UK Transaction. This is subject to appeal however, was released within the UK Transaction. CAD\$ 1.24 billion converted (1CAD:0.59GBP).

COMPANY CREDITORS

Name of Creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
HM Revenue and Customs	Enforcement and Insolvency Service, Durrington Bridge House, Barrington Road, Worthing, BN12 4SE	TBC	-	-	-
Inter-company creditors:					
Crown UK Holdco Limited	8th Floor Vantage London, Great West Road, Brentford, Middlesex, United Kingdom, TW8 9AG	254,976,601.64	-	-	-
Cineworld Cinemas Limited	8th Floor Vantage London, Great West Road, Brentford, Middlesex, United Kingdom, TW8 9AG	115,290,137.00	-	-	-
Cinema City Bulgaria EOOD	Sofia 1303, Vazrajane Region, 45 Bregalnitsa str	22,440.00	-	-	-
Forum Film Bulgaria EOOD	45 Bregalnitsa Str., Fl. 4, Sofia; Sofia - city; Postal Code: 1303	1,110.00	-	-	-
Cinema City Czech S.F.O	Haje, Arkalycka 951/3, Prague; The City of Prague; Postal Code: 14900	117,178.00	-	-	-
Forum Film Czech S.F.O	Haje, Arkalycka 951/3, Prague; The City of Prague; Postal Code: 14900	907.00	-	-	-
Adelphi Carlton Limited	8th Floor Block E Iveagh Court Harcourt Road Dublin 2 Dublin 662881	2,449,170.00	-	-	-
Cinema Theatres Limited	10 Maskit HERZLIYA, 4673310 Israel	11,911,188.86	-	-	-
Cinema City Poland Sp.z.o.o	Ul. Fosa 37, Warsaw; Mazowieckie; Postal Code: 02-768	7,463,285.72	-	-	-
TOTALS		392,232,018			

EMPLOYEES AND DIRECTORS

Name of Employee or Director	Status	Address (with postcode)	Preferenti	Unsecured	Total £
Scott Brooker	Company Secretary	c/o Cineworld Group plc, 98 King Street, Ship Canal House, Manchester, M2 4WU	-	-	-
Moshe Greidinger	Executive Director	c/o Cineworld Group plc, 98 King Street, Ship Canal House, Manchester, M2 4WU	-	-	-
Israel Greidinger	Executive Director	c/o Cineworld Group plc, 98 King Street, Ship Canal House, Manchester, M2 4WU	-	-	-
Renana Teperburg	Executive Director	c/o Cineworld Group plc, 98 King Street, Ship Canal House, Manchester, M2 4WU	-	-	-
Nisan Cohen	Executive Director	c/o Cineworld Group plc, 98 King Street, Ship Canal House, Manchester, M2 4WU	-	-	-

Note: these employees were transferred under TUPE shortly after to the appointment to another group company.
Address details are redacted for data protection purposes.

COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of shares held
Various - listed on LSE	-	1,373,428,670	0.01	Ordinary
TOTALS		1,373,428,670	0.01	

Appendix C. Administrators' Receipts and Payments Account

Statement of Affairs £	£
Fixed charge assets	
Receipts	
Share buy-back	20
	20
Payments	
	-
Distributions	
	-
Balance of fixed charge assets	20
Floating charge assets	
Receipts	
	-
Payments	
	-
Distributions	
	-
Balance of floating charge assets	-
Total balance	20
Represented by	
Interest bearing account	20
	20

Note: No comparison can be completed to the Directors' Statement of Affairs on the basis this is yet to be provided to the Administrators.

The Administrators are being funded by a third party through the Operational Funding account. Those funds are not shown in the estate Receipts and Payments Account until funding is drawn down to settle costs of the process.

Appendix D. Administrators' fees and pre-administration costs

Administrators' fees

A copy of the R3 creditors' guide on Insolvency Practitioners fees in Administrations can be downloaded from AlixPartners' creditor portal (<https://www.ips-docs.com/>). If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you.

The basis of the Administrators' fees may be fixed on one or more of the following bases, and different bases may be fixed for different duties performed by the Administrators:

- a percentage of the value of the assets with which they have to deal;
- by reference to time properly spent by them and their staff dealing with matters arising in the Administration; or
- as a set amount.

On this assignment it is proposed that the basis of the Administrators' fees shall be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration

If creditors resolve to establish a committee, it shall be part of the committee's duties to determine the basis or bases of the Administrators' fees and authorise their category 2 expenses.

The Administrators are not seeking fee approval at this stage and will write to the relevant creditors in due course to obtain the necessary fee approval.

Pre-administration costs

9.7 The UK pre-administration work has been completed alongside the various US-led restructuring matters. The preparation work for the UK administration was completed to ensure that the outcome under both the Plan and the UK Transaction is in the best interests of creditors, on a Group and Company level.

9.8 This pre-administration work has included:

- 9.8.1 gaining a detailed understanding of the Company's balance sheet and financial obligations in order to understand the impact of the restructuring on the Company and the wider Group;
- 9.8.2 joining all party calls with the lenders and legal advisors, across the UK and US teams, to progress the restructuring timetable in line with the agreed Plan;
- 9.8.3 gaining an understanding of the various financial arrangements entered into by the Company and the Group;
- 9.8.4 reviewing the potential tax implications of completing the UK Transaction and mitigation of any potential arising liability;
- 9.8.5 a review of the documentation filed at the US Bankruptcy Court, including the valuation and liquidation analysis to ensure that the proposed restructuring represents the best outcome to creditors; and
- 9.8.6 testing the various valuation sources and methods to understand the basis and merits of valuation within, to ensure they remain suitable and fit for purpose.

Pre-administration fees charged and expenses are as follows:

Charged by	Brief description of services provided	Total amount charged £m	Amount paid £m	Amount unpaid £m
The Administrators	Pre-administration work covered above	0.78	0.45	0.33

The Administrators' pre-appointment costs will be paid as part of the Chapter 11 Proceedings under a separate engagement with AlixPartners LLP dated 30 August 2022 and no approval will be needed to these in this Administration. Details of these costs are being provided in the interests of transparency.

Prior to the Administrators' appointment, the Company engaged Slaughter and May to advise in relation to the Chapter 11 Proceedings and the UK Transaction, including assisting with the necessary steps to place the Company into administration and effect the UK Transaction.

Slaughter and May extended reliance on aspects of their work to the Administrators. Their pre-administration costs have either been paid or are to be paid by the go-forward Group. As these costs have not been incurred by the Administrators under this arrangement, no disclosure or approval is required.

Administration time is yet to be recorded in light of the recent appointment date on 31 July 2023. Therefore, the Administrators will provide a detailed time report pursuant to Statement of Insolvency Practice 9 (**SIP9**) with the next report to creditors.

Appendix E. Expenses of the Administration

In accordance with SIP9, expenses are any payments from the estate which are neither an administrator's fee nor a distribution to a creditor or member. Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).

Category 1 expenses are payments to persons providing a service who are not an associate of the administrator. Category 1 expenses may include external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel, external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Administrators and their staff.

Category 1 expenses to be incurred by third parties

The below table details the anticipated category 1 expenses which will be incurred by third parties during the course of the Administration.

	Anticipated cost £
Legal costs	200,000-300,000
Total	200,000-300,000

Given the nature of the appointment and resulting UK Transaction, the main third party expenses will relate to legal costs of the Administrators.

Category 1 expenses to be incurred by the Administrators

The below table details the anticipated incidental expenses which will be incurred by the Administrators during the course of the Administration.

	Anticipated cost £
Specific penalty bond	225
Statutory advertising	85
Stationery and postage	250
Total	560

Category 2 expenses

Category 2 expenses are payments to associates of an administrator or which have an element of shared costs and may consist of:

- costs incurred by AlixPartners in respect of several insolvent companies, that are then allocated between those companies; and
- business mileage for staff travel – charged at the rate of 45 pence per mile.

The Administrators require prior approval from the creditors to category 2 expenses, which will be sought in due course.

Appendix F. Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9

Policy

Detailed below is AlixPartners' policy in relation to:

- staff allocation and the use of sub contractors; and
- professional advisors.

Staff allocation and the use of sub contractors

The Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The case team will usually consist of one or more members of staff at each of the grades detailed in the charge-out rate schedule overleaf. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case.

With regard to support staff, the Administrators advise that time spent by their treasury department in relation to specific tasks on an assignment is charged. The Administrators only seek to charge and recover secretarial time if a large block of time is incurred, eg report compilation and distribution.

The Administrators have not utilised the services of any sub contractors in this case.

Professional advisors

On this assignment the Administrators are expected to use the professional advisors listed below. The Administrators have also indicated the basis of their fee arrangements with them, which are subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
Slaughter and May (legal advice)	Hourly rates and expenses

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangements with them.

Charge-out rates

A schedule of AlixPartners' hourly charge-out rates for this assignment effective from 1 January 2023 is detailed below. Time is charged by the appointees and case staff in units of six minutes.

Description	Rates from 1 January 2023 £
Partner and Managing Director	920-1,135
Partner	875
Director	740-830
Senior Vice President	535-670
Vice President	415-515
Consultant	145-390
Treasury and support	190-375

Appendix G. Exit routes and discharge from liability

Compulsory liquidation

A liquidator of a company has certain powers such as the ability to disclaim onerous contracts or assets that are not available to an administrator. If such powers become necessary, the Administrators may make an application to court to end the Administration and request that the court places the Company into compulsory liquidation. The Administrators will send notice of any such application to the Company and its creditors.

Creditors' voluntary liquidation (CVL)

An administrator does not have the power to make a distribution to unsecured creditors, other than the Unsecured Creditors' Fund, without consent of the court. Should sufficient asset realisations enable further funds to creditors, the Administrators may file a notice with the Registrar, which will have the effect of bringing the appointment of the Administrators to an end and will move the Company automatically into CVL. It is proposed that the Administrators will also become the liquidators of the Company.

Dissolution of the Company

Based on present information, the Company are not expected to have any property which might permit a dividend to be paid to its unsecured creditors. In this situation, the Administrators will file a notice together with their final progress report at court and with the Registrar of Companies for the dissolution of the Company. The Administrators will send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.

Discharge from liability

In light of the Administrators being appointed by virtue of the Court, steps will need to be taken to apply to court for the Administrators discharge from liability under paragraph 98 of schedule B1 to the Insolvency Act 1986. Such an application will be made at a suitable time agreed by the Administrators.

Appendix H. Administrators' Disclosure Report pursuant to Statement of Insolvency Practice 16

Separate document available for download at <https://www.ips-docs.com/>.

Administrators'
Disclosure Report
pursuant to
Statement of
Insolvency
Practice (**SIP**) 16 –
pre-packaged sales in
administrations

Cineworld Group plc
(In Administration)

4 August 2023

Contents

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Appendices

Appendix A.	Statutory information
Appendix B.	Abridged group structure

1. Why this document has been prepared

- 1.1 The term pre-packaged sale refers to an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale on, or shortly after, their appointment (a **Pre-Pack**).
- 1.2 In many cases there is a high level of interest in a Pre-Pack from creditors, the public and the business community. For that reason, the professional bodies that regulate the insolvency profession have stipulated that transparency in such circumstances is of primary importance.
- 1.3 An insolvency practitioner is required to clearly differentiate the roles that are associated with an administration that involves a Pre-Pack, that is, the provision of advice to a company before any formal appointment and the functions and responsibilities of the administrator following their appointment.
- 1.4 An administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:
 - Objective 1: rescuing the company as a going concern;
 - Objective 2: achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
 - Objective 3: realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.5 Simon Appell, Ian Partridge and Catherine Williamson (the **Administrators**) were appointed as administrators of Cineworld Group plc on 31 July 2023. An explanation of the work undertaken prior to the Administrators' appointment is provided in section 2 of this report.
- 1.6 In accordance with Statement of Insolvency Practice 16 (**SIP 16**) the Administrators are required to provide creditors with a detailed narrative explanation and justification of why a Pre-Pack has been undertaken and to demonstrate that this has been done with due regard to the interests of creditors.
- 1.7 In this case, the Administrators pursued the second statutory objective (paragraph 3(1)(b) of Schedule B1 to the Insolvency Act 1986). The Administrators confirm that the transaction, details of which are provided in this report, has enabled the statutory purpose of the administration to be achieved and that the outcome is the best available for creditors as a whole in the circumstances.
- 1.8 Further information regarding the Administration generally and the outcome for creditors is provided in the Administrators' Statement of Proposals (the **Proposals**), which are available for viewing and downloading from the AlixPartners' creditor portal using the log-in details which have been sent to known creditors.
- 1.9 If you require a hard copy of this report or have any queries in relation to its contents, or the administration generally, please contact cineworldgroupplc@alixpartners.com.

2. The Cineworld Group, background, initial introduction and pre-appointment work carried out

The Cineworld Group

- 2.1 The Cineworld group of companies (the **Group**) is the second-largest cinema chain in the world (by number of screens), with 688 sites and 8,407 screens in 10 different countries.
- 2.2 The Group is headquartered in Brentford, United Kingdom and the top holding company, Cineworld Group plc (the **Company**), was listed on the London Stock Exchange.
- 2.3 The five major brands within the Cineworld Group are; Cineworld (United Kingdom and Ireland), Picturehouse (United Kingdom), Regal (United States), Cinema City (Central and Eastern Europe) and Planet (Israel).
- 2.4 The Company was incorporated on 23 August 2004 under the name Augustus 2 Limited.
- 2.5 The Group employs approximately 30,000 staff globally, of which five were employed by the Company; four as executive directors and one as Company Secretary.

Cineworld Group Structure

- 2.6 By way of background, an abridged Group structure chart (showing the Group prior to going into administration) can be found at Appendix B.

Cineworld Group plc

- 2.7 The Company itself was a non-trading entity within the Group; however, it provided certain shared services to the Group and was also party to certain financial obligations, which are described further below in paragraph 2.11.
- 2.8 The Company was listed on the London Stock Exchange. In light of the UK administration appointment, the ordinary shares were de-listed on 1 August 2023.
- 2.9 The Company held a limited number of the Group's supply contracts. Prior to and on appointment, certain commitments were transferred to ensure the services/goods provided continue with the Group. Details of the transfer can be found in section 2.36.
- 2.10 The Company's five employees, as detailed above, were transferred post-appointment to Crown UK HoldCo Limited (**Crown UK**) and Cineworld Cinemas Limited as part of the UK Transaction (described below).

Current funding structure

- 2.11 At the date of the Administration appointment, the Company was a guarantor under the following facilities through which the Group was funded:

- 2.11...1 **DIP Facility** - a senior secured, super-priority priming, debtor-in-possession term loan facility in an aggregate amount of \$1.935 billion (the **DIP Facility**) documented under a New York law governed credit agreement dated 9 September 2022 between, among others, Crown Finance US, Inc (**Crown Finance US**), as borrower, the Company and various other members of the Group, as guarantors, the lenders thereto (the **DIP Lenders**) and Barclays Bank PLC, as administrative agent and security trustee. The DIP Facility was entered into at the outset of the Chapter 11 Proceedings (which are described below at section 2.21) and was due to mature on 7 September 2023, with the option to extend only in limited circumstances.
- 2.11...2 **Convertible Bonds** - \$213 million convertible bonds (the **Convertible Bonds**) issued by Cineworld Funding (Jersey) Limited in April 2021 pursuant to a subscription agreement dated 24 March 2021. The Company was a guarantor in respect of the Convertible Bonds and the Convertible Bonds were due to mature on 16 April 2025.
- 2.11...3 **'Rest of World' Facility** - a secured \$250 million private placement debt facility (consisting of €122.9 million and \$112.5 million loans) dated 19 June 2020 between, among others, Cinema City Finance (2017) B.V., as borrower, the Company and various other members of the Group as guarantors and the lenders thereto (the **RoW Facility**). The RoW Facility was due to mature on 30 December 2023.

Other funding

- 2.12 In addition to the DIP Facility, the Convertible Bonds and the RoW Facility, the Group was predominantly funded through various facilities under a New York law governed credit agreement dated 28 February 2018.
- 2.13 This credit agreement was entered into between, among others, Crown Finance US, as US term borrower, Crown UK, each of Crown Finance US and Crown UK as revolving credit borrowers, various members of the Group as guarantors, Barclays as administrative and collateral agent, and the lenders (the **Legacy Lenders**) and issuers from time to time party thereto (the **Legacy Credit Agreement**).
- 2.14 The Company was not a guarantor of the Legacy Credit Agreement but granted security over its shares in Crown UK to secure the Group's obligations under the Legacy Credit Agreement. These facilities consisted of:
 - 2.14...1 a fully-drawn secured USD-denominated revolving credit facility issued in the initial aggregate principal amount of \$462.5 million, with a maturity date of 28 February 2023 (the **RCF**);
 - 2.14...2 a secured USD-denominated term loan facility issued in the initial aggregate principal amount of \$3.325 billion, with a maturity date of 28 February 2025 (the **Initial Legacy USD Term Loan**);
 - 2.14...3 a secured Euro-denominated term loan facility issued in the initial aggregate principal amount of €607.6 million, with a maturity date of 28 February 2025 (the **Legacy Euro Term Loan**);

- 2.14...4 a secured USD-denominated incremental term loan facility in the initial aggregate principal amount of \$650.0 million, with a maturity date of 30 September 2026 (the **Incremental Legacy USD Term Loan**); and
- 2.14...5 the RCF, the Initial Legacy USD Term Loan and the Legacy Euro Term Loan and the Incremental Legacy USD Term Loan are collectively known as the **Legacy Credit Facilities**).

Background to the administration

Events leading up to the Chapter 11 proceedings

- 2.15 Prior to the COVID-19 pandemic (**Pandemic**), the Group's business was performing well and had expanded into the United States (**US**) with the acquisition of the Regal Entertainment Group in 2018.
- 2.16 The onset of the Pandemic placed significant pressures on the cinema and entertainment sectors across the world. The government-mandated lockdowns and restrictions resulted in mass cinema closures in the early part of 2020. This abruptly cut off the industry's main source of revenue and meant that the Group's financial performance suffered significantly.
- 2.17 As cinemas re-opened, the Group's business continued to experience pressures driven by the lack of major film releases, production delays and the increase in consumption of home entertainment alternatives.
- 2.18 In response to the Pandemic, the Group undertook considerable efforts to preserve and enhance liquidity. However, the lasting impact of the Pandemic, including the lack of major film releases, meant that Group liquidity continued to decline.
- 2.19 In August 2022, following a sustained period of discussions and negotiations with the Group's key financial creditors, and recognising the need to pursue a more comprehensive restructuring solution, the Group began preparations for the commencement of the Chapter 11 proceedings (as described below). By September 2022, the Group's liquidity had declined to approximately \$4 million cash on hand.

Chapter 11 proceedings

- 2.20 On 7 September 2022 (**Petition Date**), faced with the immediate need for sufficient liquidity to meet its obligations, the Company and certain subsidiaries in the Group (the **Chapter 11 Debtors**) commenced voluntary proceedings pursuant to chapter 11 of title 11 of the United States Code (**Chapter 11 Proceedings**) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the **US Bankruptcy Court**). The Chapter 11 Debtors comprise, broadly, the Group's US and UK entities. The majority of the companies in the "Rest of the World" segment of the Group's business (**RoW Group**) did not commence Chapter 11 Proceedings.
- 2.21 In preparation for commencing Chapter 11 Proceedings, steps had been taken by the Group to negotiate with the DIP Lenders, the terms of a financing facility to be made available. These negotiations resulted in entry into the DIP Facility.

- 2.22 At the first day hearing held on 8 September 2022, the US Bankruptcy Court granted an interim 'debtor in possession' order which gave the Chapter 11 Debtors access to \$514 million of the DIP Facility on an interim basis to be used for working capital needs plus \$271 million to refinance the debt under the RoW Facility.
- 2.23 Furthermore, the interim DIP order provided that \$1.0 billion would be placed into an escrow arrangement under the control of the DIP Lenders to provide funds to refinance certain other pre-existing financial arrangements of the Group.
- 2.24 As part of the DIP Facility negotiations, the Chapter 11 Debtors agreed with a subset group of the Legacy Lenders (the **Ad Hoc Group**) and the official committee of unsecured creditors (the **Creditors' Committee**) that they would pursue a marketing process for the sale of substantially all of the Group's business (excluding any of the equity interests in the Company itself) (the **Marketing Process**) (as described in further detail at section 4 below).
- 2.25 In parallel with the Marketing Process, the Group continued to negotiate with the Ad Hoc Group to agree on the terms of a comprehensive restructuring of the Chapter 11 Debtors' obligations, as discussed above. In early February 2023, following a lengthy diligence process, the Chapter 11 Debtors received a response to the standalone restructuring proposal they had provided to the Ad Hoc Group in September 2022.
- 2.26 On 2 April 2023, the Chapter 11 Debtors and certain members of the Ad Hoc Group (representing approximately 83% of the Legacy Facilities and approximately 69% of the claims under the DIP Facility) entered into a restructuring support agreement (as amended and varied from time to time) (the **RSA**) and backstop commitment agreement (as amended and varied from time) (the **BCA**), which collectively sets out the agreed commercial terms of the restructuring agreed to by such parties.
- 2.27 Under US federal law, as part of the Chapter 11 Proceedings, the Chapter 11 Debtors were required to prepare a 'plan of re-organisation' (the **Plan**). The Plan is a legally binding document and sets out the terms of the Chapter 11 Debtors' proposed restructuring. A disclosure statement (**DS**), which included the Plan, was initially submitted to the US court on 10 April 2023 (subsequently re-filed on 24 April 2023). A DS is a statement designed to provide those parties impacted by the Plan with sufficient knowledge to understand the terms of the Plan and the restructuring proposed.
- 2.28 Between April 2023 and June 2023, the Chapter 11 Debtors filed three version of the proposed Plan with the US Bankruptcy Court, with new versions being filed as negotiations progressed with various creditors.
- 2.29 As part of the Chapter 11 process, steps were taken to solicit votes from creditors in relation to the Plan, with a voting deadline of 8 June 2023. Therefore creditors have been encouraged to be engaged with the process throughout.
- 2.30 The outcome of the voting process was filed with the US Bankruptcy Court and is set out below:

Total Ballots Received (taken from the documents submitted at the Confirmation Hearing)

Classes	Accept		Reject		Result
	Amount (% of amount voting)	Number (% of number voting)	Amount (% of amount voting)	Number (% of number voting)	
Class 4 – Legacy Facilities Claims	100%	100%	0%	0%	Accept
Class 5A – General Unsecured Claims Against the Class 5A Debtors	99.04%	93.26%	0.96%	6.74%	Accept
Class 5B – General Unsecured Claims Against the Class 5B Debtors	89.51%	90.93%	10.49%	9.07%	Accept

- 2.31 Following approval of the Plan by the requisite majorities of the creditors under US federal law, the US Bankruptcy Court confirmed (i.e. approved) the Plan on 28 June 2023, on the basis of, among other things, the fair treatment between voting classes and the viability of the Group upon conclusion of the Chapter 11 Proceedings, despite objections from certain shareholders.

Summary of the Plan

- 2.32 The key terms agreed under the Plan are set out below:

- 2.32...1 a debt-for-equity swap, whereby the Group's funded indebtedness would be reduced by approximately \$4.53 billion through the Legacy Lenders receiving 100% of the equity in a newly-incorporated company, Cineworld Parent Limited (**NewCo**), which would become the parent company in the go-forward Group;
- 2.32...2 the raising of \$800 million in aggregate gross proceeds through a direct equity offering and a backstopped rights offering (collectively, the **Rights Offering**);
- 2.32...3 the provision of \$1.46 billion of new term loan exit financing (**Exit Facility**);
- 2.32...4 the provision of a \$250 million exit revolving finance facility to fund ongoing business operations of the go-forward Group; and
- 2.32...5 a general unsecured creditors' recovery pool made available to unsecured creditors who submitted claims in the Chapter 11 Proceedings, in full discharge of their claims.

Overview of the pre-packaged sale pursuant to SIP 16

- 2.33 The Plan could not be fully implemented through the Chapter 11 Proceedings alone, in light of the Company being incorporated in England and Wales.
- 2.34 Therefore, as part of the restructuring discussions, the Group carefully examined how best to implement the Plan in England and Wales. It was determined that the Plan should be implemented via a UK administration for the following reasons:
- 2.34...1 a change in the ownership structure could only feasibly have been completed at the Company level;
- 2.34...2 the uncertainty around obtaining shareholder consent to the proposed restructuring, which would otherwise be required if the envisaged debt-for-equity swap were to be completed outside of administration; and
- 2.34...3 considering the above factors, the Company's key financial creditors, representing a significant value of the Group's debt position and whose approval of the final Plan was required, would only support the restructuring if it was completed within the certainty of a UK administration process.
- 2.35 Following a subsequent period of preparing for the financial restructuring, the Company entered into administration on 31 July 2023 with Simon Appell, Ian Partridge and Catherine Williamson being appointed to act as Administrators, and later that day, emerged from the Chapter 11 Proceedings (i.e. the Plan became effective).
- 2.36 Following the appointment of the Administrators, they took or facilitated certain steps to implement the terms of the UK Transaction (defined below), all of which were conditions to the Chapter 11 Debtors' emergence from the Chapter 11 Proceedings and which included:
- 2.36...1 the transfer of substantially all of the Company's business (other than certain excluded assets and liabilities) to Crown UK in exchange for the allotment and issuance of shares in Crown UK to the Company (the **Hive down**);
- 2.36...2 the lenders subscribing for shares in NewCo in exchange for transferring to NewCo its claims under the US and UK debt arising under the Legacy Credit Agreement;
- 2.36...3 the Company's interest in Crown UK being bought back for a nominal cash amount and cancelled, such that Crown UK became a wholly-owned subsidiary of NewCo;
- 2.36...4 NewCo subscribing for additional shares in Crown UK in exchange for release of the UK debt element of the Legacy Credit Facilities, pursuant to a deed of release;
- 2.36...5 NewCo subscribing for additional shares in Crown UK in exchange for transferring its claims under the US debt element of the Legacy Credit Facilities to Crown UK, Crown UK releasing Crown Finance US, Inc. from

- the US debt, and release of all relevant security (thereby completing the debt-for-equity swap);
 - 2.36...6 the go-forward Group drawing down under the Exit Facility and using the proceeds from the Rights Offering and the Exit Facility to repay the DIP Facility;
 - 2.36...7 the amendment of the RoW Facility, including to release the Company from its guarantee;
 - 2.36...8 the Company and the other Chapter 11 Debtors being released from general unsecured claims (including under the Convertible Bonds and the Cineplex judgment (described below));
 - 2.36...9 the insertion of an intermediate holding company between NewCo and Crown UK; and
 - 2.36...10 the go-forward Group entering into the revolving credit facility,
- these steps are collectively known as the '**UK Transaction**'.
- 2.37 The overall consideration flowing to the Company under the UK Transaction included:
- 2.37...1 the discharge of the Company's guarantee of the Convertible Bonds (approximately \$220 million), by way of the discharge of the underlying unsecured debt in the Chapter 11 Proceedings;
 - 2.37...2 the release of the Company's guarantee in respect of the RoW Facility (approximately \$261 million), as the RoW Facility has been amended and entered into only by the go-forward Group;
 - 2.37...3 the release of the Company's guarantee in respect of the DIP Facility (approximately \$1.931 billion), as the DIP Facility has been repaid in full;
 - 2.37...4 the discharge of the Company's liabilities under a Canadian judgment (approximately CAD \$1.24 billion) in respect of the proposed acquisition of the Cineplex cinema chain (although the Company disagrees with this judgment and expected to continue its appeal, if liability thereunder had not been discharged in the Chapter 11 Proceedings) (the **Cineplex judgment**);
 - 2.37...5 the discharge of certain of the Company's other unsecured claims, including intercompany payables, by way of discharge in the Chapter 11 Proceedings; and
 - 2.37...6 the release of the security granted by the Company for the benefit of the Legacy Lenders, pursuant to the debt-for-equity swap.

Rationale for UK Transaction

- 2.38 Careful consideration was given by the Administrators to ensure that completing the UK Transaction (and thereby facilitating completion of the wider Chapter 11

Proceedings) was in the best interest of the Company's creditors. Key considerations included:

- 2.38...1 Completing the UK Transaction was an integral step in (and condition precedent to) the implementation of the Plan, which resulted in the Group's liabilities under the Legacy Credit Facilities being discharged in full (approximately \$4.53 billion in aggregate). In addition, the Company was released of debt liabilities totalling approximately \$2.411 billion and other liabilities including the CAD \$1.24 billion Cineplex judgment (as detailed in section 2.37). Without the UK Transaction, the Company and the Group were not expected to meet their obligations in respect of those liabilities.
- 2.38...2 The Group's creditors approved the Plan (and therefore the UK Transaction which forms a part thereof) in significant numbers, as set out in section 2.30. Even a majority of general unsecured creditors voting, who suffered a write-down of their claims by over 96%, voted in favour of the Plan. The Creditors' Committee was also fully supportive of the Plan.
- 2.38...3 The Company's unsecured creditors were given a well-publicised opportunity to submit claims in the Chapter 11 Proceedings and, had they done so, would have had the opportunity to share in a general unsecured creditors' pool in those proceedings. Among unsecured liabilities, the Company has a liability to HMRC, which is subject to ongoing analysis and the possibility that losses may be surrendered by the go-forward Group sufficient to cover the Company's liability to HMRC (see section 2.42.2). As described in section 5.16, it is not expected that there would have been any recovery for unsecured creditors in a liquidation alternative (nor is there expected to be any further recovery pursuant to this Administration).
- 2.38...4 Trade creditors under continuing commercial contracts would have their arrangements transferred to Crown UK as part of the Hive down, and therefore would continue their relationship with the go-forward Group.
- 2.38...5 The discussions held as part of the Plan negotiations were supervised by the US Bankruptcy Court. This therefore presented significant opportunity for all stakeholders, including creditors, to better understand and ultimately engage, if they so wished, with the process, including by submitting their own proposal. Other than the Plan (including the UK Transaction), no viable alternative was proposed.
- 2.39 From the perspective of the Group, without the UK Transaction and, in particular, the Administration, the wider restructuring would not have been completed. In light of the Group's wider financial commitments and liquidity position, non-completion of the restructuring would have presented a material risk to its ability to continue as a going concern and put it at risk of entering an insolvent liquidation.
- 2.40 The Group, prior to completion of the UK Transaction, was insolvent in light of its financial obligations and other liabilities. In significantly reducing the Group's financial debt commitments in the debt-for-equity swap, and effecting the Administration of the Company, it will allow for the future Group business to go forward with a vastly improved capital structure.

- 2.41 Pursuant to chapter 11 of title 11 of the United States Code (the **US Bankruptcy Code**), the US Bankruptcy Court cannot approve the Plan unless its terms provide each holder of an allowed claim or interest in the Chapter 11 Proceedings that does not otherwise vote in favour of the Plan, with an amount that is not less than the amount such holder would receive pursuant to liquidation proceedings.
- 2.42 When comparing the enterprise value of the go-forward Group via implementation of the Plan (see paragraph 5.10) versus the distributable proceeds on a liquidation (see paragraph 5.16), PJT Partners LP's (**PJT**) and AlixPartners LLP's (**AlixPartners US**) analyses referred to below (and prepared for the purposes of the Chapter 11 Proceedings) demonstrate that a significantly better result for the Group's creditors as a whole will be achieved through the implementation of the Plan than in liquidation. The estimated projected recoveries for certain creditors of the Group under the Plan were that:
- 2.42...1 the DIP Lenders would be repaid in full;
 - 2.42...2 the unsecured creditors who submitted claims in the Chapter 11 Proceedings (including holders of the Convertible Bonds) would receive approximately 0.3% to 0.5% of the value of their claims. Unsecured creditors who did not submit a claim in the Chapter 11 Proceedings would not be entitled to any recovery under the Plan. These include HMRC, though it is possible that the go-forward Group may decide to surrender losses to the Company sufficient to cover the Company's liability to HMRC; and
 - 2.42...3 the Legacy Lenders have received approximately 3.4% of the value of their claims.
- 2.43 The liquidation analysis prepared by AlixPartners US (the **Liquidation Analysis**) as part of the confirmation process for the Chapter 11 Proceedings supports the view that liquidation proceedings would result in a worse outcome for creditors as a whole. It is estimated under the terms of the Liquidation Analysis that:
- 2.43...1 DIP Lenders would receive approximately 23% to 33% of their claims under the DIP Facility;
 - 2.43...2 unsecured creditors (including holders of the Convertible Bonds) would receive no recovery; and
 - 2.43...3 the Legacy Lenders would receive no recovery.
- 2.44 As set out in section 5.16 below, no funds were expected to be available to creditors of the Company in a hypothetical liquidation scenario in circumstances where the Company's key asset was secured by way of fixed charges, and there being no expectation of any funds being available by way of the prescribed part.
- 2.45 The estimated recoveries above, which were conditional on the UK Transaction being consummated within the Company's Administration, are higher than the liquidation position, as set out above. Furthermore, preservation of the Group's going concern status, through the UK Transaction, has secured ongoing trade for the benefit of Group customers, suppliers, employees and creditors, including those that were transferred to the go-forward Group in the Hive down.

- 2.46 The transfer of the Company's five employees under the Transfer of Undertakings (Protection of Employment) Regulations 2006 has ensured that they will continue to be paid under the normal course of business and mitigated any potential preferential and unsecured claims being made against the Company.
- 2.47 Therefore, the Plan and the implementation of the UK Transaction through the appointment of the Administrators provided a better outcome for creditors of the Company and the wider Group as a whole than if liquidation proceedings were commenced, without first going into administration.

Introduction and formal engagements

Prior to Chapter 11 proceedings

AlixPartners US

- 2.48 In August 2022, the Group engaged advisors, including AlixPartners US, to assist the Group with consideration of its options to restructure the financial commitments held on its balance sheet. AlixPartners US were formally introduced to the project by Kirkland & Ellis LLP (**K&E**) in the US.
- 2.49 By an engagement letter dated 4 August 2022, AlixPartners LLP was engaged by the Company to provide pre-petition turnaround and restructuring consulting services. AlixPartners US was engaged by a further engagement letter dated 30 August 2022 to, among other tasks:
- 2.49...1 provide financial advisory services to the prospective Chapter 11 Debtors in connection with a potential chapter 11 process;
 - 2.49...2 assist the Chapter 11 Debtors in their restructuring;
 - 2.49...3 provide interim management services to the Chapter 11 Debtors through the designation of James A. Mesterharm (**Jim Mesterharm**) as Chief Restructuring Officer (**CRO**). For the sake of clarity, this role was a specific restructuring position and did not constitute a formal board appointment;
 - 2.49...4 A further request was made to the US Bankruptcy Court on 5 October 2022 to retain and employ AlixPartners US, designate Jim Mesterharm as CRO of the Group and to provide additional personnel pursuant to the EL; and
 - 2.49...5 furthermore, AlixPartners US used personnel from AlixPartners UK to better understand the potential impact of the restructuring on the wider Group, including initial due diligence work in respect of the UK operations.

AlixPartners UK LLP (AlixPartners UK**)**

- 2.50 By an engagement letter dated 15 October 2020, AlixPartners UK was engaged by the Company to undertake a review of the Company's liquidity. The work was completed in November 2020.
- 2.51 In addition, pursuant to a variation letter dated 20 October 2020, AlixPartners UK was engaged by the Company to advise as to the feasibility of company voluntary

arrangements for certain UK entities of the Group (which, ultimately, were never implemented). The work was completed in May 2021.

During the Chapter 11 Proceedings

AlixPartners US

- 2.52 On 28 October 2022, the US Bankruptcy Court entered an order approving the retention of AlixPartners US by the Chapter 11 Debtors effective as of the Petition Date to, among other things: (i) employ and retain AlixPartners US as restructuring advisers to the Chapter 11 Debtors; (ii) designate Jim Mesterharm as the CRO for the Chapter 11 Debtors; and (iii) provide additional personnel for the Chapter 11 Debtors.
- 2.53 Following the Chapter 11 Debtors' emergence from Chapter 11 proceedings, AlixPartners US will continue to provide certain specific services to the go-forward group (whose parent company will be NewCo) to include, among other things: (i) Chapter 11 claims administration support; (ii) post-emergence administration, such as assisting with contract cure disputes; (iii) support in respect of liquidity management; (iv) liquidity forecasting; (v) other financial planning and analysis tasks; and (vi) such other and further services as may be discussed and agreed. Notwithstanding such proposed engagement, no partner or employee of AlixPartners US is (or has ever been) appointed as, or acts (or has ever acted) as, officer of NewCo.

AlixPartners UK

- 2.54 Given that one of the options available to the Company was to implement the restructuring in England through the appointment of administrators in respect of the Company, the 30 August 2022 engagement letter outlined that AlixPartners US personnel may work with the Chapter 11 Debtors to *"assist the Debtors and their advisors in connection with possible implementation mechanisms of the Chapter 11 plan in the United Kingdom, and throughout Europe, including the potential to act as the UK Administrator, if deemed necessary"*. AlixPartners US provided those services using personnel from AlixPartners UK.
- 2.55 In light of the Chapter 11 filing and the subsequent agreed restructuring, efforts were made to begin preparation for a UK Administration application in respect of the Company, to affect the Group wide restructuring including the UK Transaction.
- 2.56 Work during this phase included:
- 2.56...1 obtaining a better understanding of the inter-play between any UK administration and US Chapter 11 Proceedings;
 - 2.56...2 agreeing a route to UK administration appointment;
 - 2.56...3 assisting with preparing the various transaction agreements and funding framework;
 - 2.56...4 completing an assessment to confirm that the UK Transaction was in the best interests of the Company's creditors; and

- 2.56...5 preparing the initial SIP 16 report and statutory notifications to be issued to stakeholders on appointment.

Pre-Administration work

- 2.57 The UK pre-administration work has been completed alongside the various US-led restructuring matters. The preparation work for the UK administration was completed to ensure that the outcome under both the Plan and the UK Transaction is in the best interests of creditors, on a Group and Company level.

- 2.58 This pre-administration work has included:

- 2.58...1 gaining a detailed understanding of the Company's balance sheet and financial obligations in order to understand the impact of the restructuring on the Company and the wider Group;
- 2.58...2 joining all party calls with the lenders and legal advisors, across the UK and US teams, to progress the restructuring timetable in line with the agreed Plan;
- 2.58...3 gaining an understanding of the various financial arrangements entered into by the Company and the Group;
- 2.58...4 reviewing the potential tax implications of completing the UK Transaction and mitigation of any potential arising liability;
- 2.58...5 a review of the documentation filed at the US Bankruptcy Court, including the valuation and liquidation analysis to ensure that the proposed restructuring represents the best outcome to creditors; and
- 2.58...6 testing the various valuation sources and methods to understand the basis and merits of valuation within, to ensure they remain suitable and fit for purpose.

Administrators' appointment

- 2.59 Considering the above, and in order to facilitate completion of the UK Transaction and wider Group financial restructuring, Simon Appell, Ian Partridge and Catherine Williamson were appointed by the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD) on 31 July 2023.

3. Registered charges

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
9 September 2022	27 September 2022	Fixed and floating charge	Barclays Bank PLC (in its capacity as agent and security trustee)
28 February 2018	7 March 2018	Share charge	Barclays Bank PLC (in its capacity as administrative agent)

Both charges were fully released shortly following our appointment as part of the implementation of the Plan and the UK Transaction.

4. Marketing activities conducted

Chapter 11 Proceedings marketing

- 4.1 As part of the DIP Facility negotiations, the Chapter 11 Debtors agreed with the Ad Hoc Group and the Creditors' Committee that they would pursue the Marketing Process for the sale of substantially all of the Group's business (excluding any of the equity interests in the Company itself).
- 4.2 As per the Company's announcement on 3 January 2023, the Marketing Process focused on value-maximising proposals for the Group as a whole rather than the sale of any of its assets on an individual basis.
- 4.3 The agreed deadline for the first phase of the Marketing Process was 16 February 2023. Despite the Group and its advisers contacting over 40 parties, with 14 parties entering into confidentiality arrangements, and receiving a number of non-binding proposals ahead of the deadline from a number of potential transaction counterparties for some or all of the Group's business, none of the proposals involved an all-cash bid for the entire business, nor were they significantly in excess of the value established under the proposed restructuring being negotiated with the Ad Hoc Group.
- 4.4 All of the relevant proposals in the Marketing Process were reviewed and considered by the Group and the Ad Hoc Group. As a result, the Group and the Ad Hoc Group jointly determined to end the process of marketing the Group's entire business as announced by the Company on 3 April 2023.
- 4.5 However, after evaluating the indications of interest received through the first phase of the Marketing Process, the Group, in conjunction with key stakeholders, determined that the Marketing Process should continue in relation to the Rest of World group (**RoW Group**) business.
- 4.6 As a result, the Chapter 11 Debtors and PJT initiated a second phase of the Marketing Process. While the Group received several bids ahead of the second bid deadline of 10 April 2023, the proposals received did not reach the value required by the Group's lenders to pursue a sale of the RoW Group.
- 4.7 Accordingly, the Marketing Process was terminated, which was announced by the Company on 18 April 2023. As a result, the Chapter 11 Debtors continued to move forward with the proposed restructuring only.

5. Administrators' marketing

- 5.1 Based on the extensive Marketing Process completed as part of the Chapter 11 Proceedings and the agreed re-organisation under the Plan, together with the supporting valuation analysis (below), the Administrators were satisfied that no further marketing would be required, or beneficial, in the Administration.
- 5.2 The Administrators were not aware of any information to indicate that the market conditions facing the cinema industry had significantly changed since the Marketing Process was undertaken (as evidenced by Empire Cinemas recently entering into administration) such that they were satisfied that no further marketing was necessary.
- 5.3 The rationale for this decision was presented to the UK Court, within the Administrator's witness statement, in support of the application for administration made by the Company's directors.

Valuation of the business and assets

- 5.4 PJT is a leading investment bank and financial adviser with expertise in valuations and was engaged by the Chapter 11 Debtors (including the Company) to provide investment banking services in the Chapter 11 Proceedings. The Administrators are satisfied that PJT had the relevant expertise to provide such a valuation, based on their relevant credentials in valuing businesses in this industry. We understand from the Company that suitable indemnities were in place when conducting this work.
- 5.5 As part of PJT's engagement in the Chapter 11 Proceedings, PJT was required to confirm that it was a "disinterested person" within the meaning of the US Bankruptcy Code, in that it does not hold or represent an interest adverse to the Chapter 11 Debtors or their estates in connection with the Chapter 11 Proceedings. The Administrators are therefore satisfied that PJT demonstrated the necessary independence in respect of its role.
- 5.6 For the purpose of the Plan, PJT provided an estimated range of total enterprise value and implied equity value for the restructured Group (i.e. following implementation of the Plan). The valuation was prepared and included in the 24 April 2023 DS filing with an assumed effective date of 30 June 2023 (the **Assumed ED**).
- 5.7 As part of PJT's valuation analysis, they considered a variety of factors and evaluated a variety of financial analyses, including:
 - 5.7...1 comparable companies' analysis based on EBITDA and EDITDAR multiples;
 - 5.7...2 discounted cash flow analysis;
 - 5.7...3 precedent transaction analysis; and
 - 5.7...4 the outcome of the Marketing Process.
- 5.8 PJT deemed the precedent transaction criteria to be of limited relevance given the lack of recent and relevant transactions, inherent changes in industry dynamics and the outlook for the cinema industry following the Pandemic.

- 5.9 In preparing the Valuation, PJT considered, among other factors, financial information provided by the Group. The source and reference data included (a) certain historical financial information of the Chapter 11 Debtors for recent years and interim periods, (b) certain financial and operating data of the Chapter 11 Debtors (including financial projections), (c) discussions as to the Chapter 11 Debtors' performance, future prospects, and industry observations with members of the Chapter 11 Debtors' management, (d) feedback received from the Marketing Process, (e) certain publicly available financial data for, and considered the market value of, public companies that PJT deemed generally relevant in analysing the value of the Chapter 11 Debtors, and (f) certain economic and industry information that PJT deemed generally relevant to the Chapter 11 Debtors.

Enterprise Value

- 5.10 Based on the analyses completed by PJT, the estimated enterprise value of the restructured Group (i.e. excluding the Company) as of the Assumed ED is approximately \$2.8 billion to \$3.4 billion with an implied enterprise value for the reorganised Group of approximately \$3.0 billion (**Enterprise Valuation**).
- 5.11 The Enterprise Valuation is significantly less than the aggregate amount that was outstanding under the Group's total Legacy Credit Facilities and the DIP Facility (\$5.870 billion in aggregate) (i.e. without considering other debt or unsecured claims), and therefore indicated that the value of the Group as a whole was materially lower than the value of its liabilities. This was consistent with the outcome of the Marketing Process, which (as noted above) did not result in any all-cash bids for the entire business.
- 5.12 As noted in section 2.14, the Company secured its shares in Crown UK in favour of the Legacy Lenders in respect of the Legacy Credit Facilities. Thus, given that the value of the restructured Group was significantly less than the liabilities owed by it, the Enterprise Valuation demonstrated that there was no economic value in the Company's equity in its subsidiaries. This meant the Company would not be able to derive any value from its interest in the Group – its primary asset – to meet its own obligations (amounting to approximately \$2.411 billion in debt obligations, plus the Cineplex judgment of CAD \$1.24 billion), meaning the Company was in a significant net liability position.
- 5.13 Therefore, the Enterprise Valuation demonstrated that the value of the business as a whole was materially lower than the value of its liabilities, considered on both a Group-wide and Company-only basis. The analyses produced also clearly demonstrated there was no longer any equity value attributable to the Company's existing shareholders.

Liquidation Alternative

- 5.14 As noted in section 2.43 above, AlixPartners US produced the Liquidation Analysis in the DS for a potential liquidation outcome to estimate recoveries for key stakeholders based on a liquidation of the Group, which supports the view that liquidation proceedings would result in a worse outcome for creditors as a whole.
- 5.15 Prior to and in anticipation of their appointment, the Administrators considered the outcome of the Liquidation Analysis in respect of the Group as a whole and on a standalone basis for the Company, specifically to consider whether the

Company's creditors as a whole would be in a better position under the Administration than in a Company liquidation scenario.

- 5.16 As noted above, the Company's principal business is as a holding company. Its key asset is its interest in its principal subsidiary, Crown UK, which has been secured in favour of the Legacy Lenders (and the DIP Lenders). Considering the net liability position of the Group, and the fact that the enterprise value of the Group is lower than the outstanding amount of the secured debt under the Legacy Credit Facilities (and considerably lower when the DIP Facility is also taken into account), it has been concluded that the Company would not recover any value in respect of its interest in Crown UK in a liquidation scenario.
- 5.17 It is expected the only potential asset that would be capable of being realised in a liquidation of the Company is a cash balance of approximately £676k, the majority of which was received shortly prior to entry into administration by way of a rebate from one of the Group's suppliers. The Administrators carefully considered how this cash balance would be treated in an alternative liquidation, and in particular whether (i) any of the cash would be available for the satisfaction of the claims of the DIP Lenders (given the DIP Facility is secured by a floating charge), and (ii) there would, as a consequence, be a requirement for a "prescribed part" payment under section 176A of the Insolvency Act to be made. In relation to each of these points, the Administrators have concluded that the cash balance would not be so available. This is on the basis that the costs that would be associated with the Company preparing for and entering into an insolvent liquidation (most likely a compulsory liquidation), rather than the UK Transaction, would entirely absorb the cash balance. These potential costs include:
- 5.17...1 the identification and appointment of appropriately qualified insolvency practitioners to act as liquidators and/or as special managers (if the Official Receiver were to become the liquidator for any period of time). This would either have been the Administrators or, given the Administrators' involvement in preparing for the UK Transaction and the Administration, potentially another firm of insolvency practitioners. In either case, the costs of preparing at short notice for a liquidation (when no preparatory work has been done) would be material;
 - 5.17...2 professional and legal costs incurred in preparing for a short-notice and unstructured liquidation filing. This would include preparing for the relevant Court proceeding(s) and advising directors as to their duties in preparing for and entering liquidation;
 - 5.17...3 engagement with the Official Receiver; and
 - 5.17...4 costs incurred in connection with the Chapter 11 Proceedings, to which the Company is a party, and the necessary interactions with the US Bankruptcy Court.
- 5.18 The Administrators consider that a period of 2 to 3 weeks would have been needed to pivot towards a compulsory liquidation and away from the UK Transaction. During that time all, or substantially all, of the cash balance would have been absorbed in the expenses of that process. To the extent that any cash balance remained at the point the Company entered into liquidation, then the remainder would be applied towards liquidation expenses. As a result, the

Administrators do not consider it likely that any amount of cash, or any asset generally, would have been available to be set aside for the purposes of the prescribed part in a liquidation scenario, and thus the recovery for unsecured creditors would be nil.

- 5.19 As noted above, there is not expected to be any distribution in the Administration itself for any creditor. However, unsecured creditors who filed claims under the Chapter 11 Proceedings share in the general unsecured creditors pool – meaning the creditors as a whole are in a better position in the Administration than in the liquidation scenario, where the return would be nil. Moreover, the debts owed to the DIP Lenders under the DIP Facility, which are guaranteed by the Company, are anticipated to be paid in full, as a result of the restructuring.
- 5.20 In light of this, the Administrators have satisfied the secondary statutory objective of an Administration, by ensuring there has been a better return to creditors as a whole than would have been achieved in that of a winding up, through implementation of the UK Transaction.

UK Transaction

- 5.21 On the basis of the following, we believed our appointment to be necessary:

- 5.21...1 based on the evidence provided by PJT and AlixPartners US, it was clear that the Company was insolvent and that there was no value in the Company's equity;
- 5.21...2 what would have been, but for the Plan, the Group's pending insolvency is addressed through the Plan, which was negotiated openly and transparently under the control and supervision of the US Bankruptcy Court;
- 5.21...3 the administration was proposed with a view to implementing the Plan, which the board of the Company believed would result in significant benefits to the Company and the Group's key stakeholders;
- 5.21...4 implementation of the Plan would minimise any disruption to the Group's business and preserve the solvency of the Group's operating and contracting entities so as to ensure that the Group can continue to comply with contractual obligations to suppliers and provide services to customers;
- 5.21...5 a winding up of the Company would have been highly value destructive for all concerned, as it would involve a general winding up of the Company's affairs (and likely the wider Group, which would include accelerated sales of assets at distressed values); and
- 5.21...6 the Plan was the culmination of rigorous, arm's length negotiations conducted over a period of several months with the Company's key stakeholder groups.

Administration objective

- 5.22 The purpose of an administration is to achieve one of three statutory objectives (in the following order of priority):

- (a) to rescue the company as a going concern;
- (b) to achieve a better result for the company's creditors as a whole than would be likely if the company were to be wound up (without first being in administration); or
- (c) to realise property in order to make a distribution to one or more secured or preferential creditors.

5.23 As the effect of the restructuring envisaged by the Plan was to transfer substantially all the Company's business to ensure the business' continuation as a going concern, it was not thought possible to rescue the Company itself as a going concern, such that the first objective was not thought to be achievable.

5.24 Therefore, our primary objective and role as Administrators has been to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with the second objective.

5.25 On the Administrators effecting the UK Transaction, the second statutory objective has been achieved by way of:

5.25...1 all unsecured creditors having had the opportunity to submit claims in the Chapter 11 Proceedings;

5.25...2 certain creditors who submitted claims in the Chapter 11 Proceedings having claims against the Company discharged in exchange for a share in the general unsecured creditors pool; and

5.25...3 certain trade creditors and other counterparties having their ongoing commercial contracts hived down to Crown UK to continue their relationship with the go-forward Group.

5.26 In light of the extensive pre-appointment investigations, the Marketing Process and valuation testing, the Administrators consider that they have acted in the best interests of the creditors as a whole in the circumstances.

6. Options explored pre Chapter 11 Proceedings

- 6.1 Prior to the Chapter 11 Proceedings, the Group and its advisors assessed a range of potential out of court options available to them, these included:
- 6.1...1 securing additional debt financing;
 - 6.1...2 a sale of the Group's business and assets or part thereof;
 - 6.1...3 a merger with a North American counterpart;
 - 6.1...4 a special purpose acquisition company transaction;
 - 6.1...5 a UK equity raise;
 - 6.1...6 a secondary public listing in the US;
 - 6.1...7 execution of a significant Group balance sheet restructuring by way of re-financing certain of its existing financial obligations; and
 - 6.1...8 a debt-for-equity swap and hive down of certain assets, which ultimately became the UK Transaction.
- 6.2 As covered above, a two-stage, comprehensive Marketing Process for sale of the Group's business and assets (or parts thereof) was completed as part of the Chapter 11 Proceedings. Following completion of the Marketing Process, a sale was deemed no longer viable due to the nature, and level, of the offers received.
- 6.3 Although the Company engaged in positive discussions regarding the alternative options, it became clear that they would not be viable given the level of wider stakeholder support required to complete.
- 6.4 Therefore, as a result of the extensive work undertaken, a transaction through the Chapter 11 proceedings, by way of the Plan, was deemed to present a better overall result to creditors.

Alternative implementation options for the Plan

- 6.5 Initially, the RSA and the Plan contemplated various courses of action for the implementation of the Restructuring in the UK, such as an administration of the Company, a Part 26A restructuring plan, a shareholder scheme of arrangement and/or a shareholder meeting.
- 6.6 However, following discussions with Consenting Creditors and Equity Capital Raising Parties, whose consent was required under the RSA, an administration of the Company and implementation of the UK Transaction were confirmed as the means of implementing the Plan in the UK, based on the points outlined in section 2.34.

Trading the business in administration to pursue a going concern sale

- 6.7 As detailed above, the Company was the ultimate parent company of the Group, and it conducted no trading activities itself.
- 6.8 The rationale for the administration appointment was to effect the restructuring pursuant to the Plan, as negotiated and agreed with the creditors, shareholders and US Bankruptcy Court via the Chapter 11 proceedings. The Plan took considerable time to negotiate and involved extensive negotiations with the key stakeholders. Given this, it is not expected that any other restructuring deal would have been available or desirable in the near term.
- 6.9 The UK Transaction resulted in the equity in the Company being transferred to NewCo. If it were not affected in administration, the UK Transaction would have required Company shareholder consent; however, as the Plan does not provide for shareholder recovery, it is not expected this consent would have been given. Accordingly, it was determined that administration of the Company would be the most appropriate way to implement the UK Transaction, as described at section 2.34.
- 6.10 Given the specific rationale for the administration appointment and noting that the Company was a holding company and had no trading activities itself, the Administrators do not believe that it would have been appropriate for the Company to consider trading.

Company Voluntary Arrangement (CVA)

- 6.11 The Administrators had previously considered the viability of preparing for CVAs for a number of the Group entities. However, given the holding, non-trading status of the Company this would not have been a suitable option to pursue.

7. Requests made to potential funders of working capital

- 7.1 Prior to the Chapter 11 Proceedings the Company continued to keep its options open in respect of securing new funding to promote the going concern status of the Group. However, various attempts to raise such funding were unsuccessful – for example:
 - 7.1...1 In January 2022, the Group requested \$250 million in new financing from certain existing lenders, but this request was rejected; and
 - 7.1...2 In February/March 2022, the Group negotiated a \$70 million third-party facility from certain existing lenders but, again, other existing lenders were unwilling to provide the required consent.
- 7.2 In any case, given the Group’s financial position and the state of the cinema industry through the Pandemic, it is highly unlikely that the introduction of additional working capital funding in the period prior to September 2022 would have enabled the Group to avoid the need for a more comprehensive restructuring process via Chapter 11 Proceedings.
- 7.3 As noted in section two above, working capital funding for the Chapter 11 proceedings was provided via the DIP Facility.
- 7.4 Whilst approaches were made to third parties as to whether they would provide additional funding to the Group during Chapter 11 proceedings, such discussions did not entail the provision of long-term funding for the Group.
- 7.5 Given the circumstances of the Plan, including the level of support from the Group’s creditors to reach a consensual restructuring, the Company did not consider it appropriate to make any further approaches to potential funders to provide additional working capital funding once the Plan had been confirmed, other than exit term and revolving credit financing in accordance with the Plan.

8. Consultations with major creditors

- 8.1 The Plan was developed through extensive consultation and negotiation with key creditor parties, stretching back to June 2020, when the Group took a series of measures to improve its liquidity position in discussion with the Ad Hoc Group. In August 2022, the Group reinitiated discussions with the Ad Hoc Group, who indicated they would be willing to consider providing liquidity within Chapter 11 Proceedings.
- 8.2 During the process of putting in place the DIP Facility, the Creditors' Committee (whose role was to represent the interests of unsecured creditors) was established, with whom the Group has been consulting and negotiating throughout the Chapter 11 proceedings. The Creditors' Committee was fully supportive of the Plan, despite the significant impairment imposed on them by it.
- 8.3 Negotiations with the Ad Hoc Group continued throughout the Chapter 11 proceedings. In April 2023, the Group and certain members of the Ad Hoc Group entered into the RSA and BCA, documenting the key terms of the Plan. In addition, the Group continued to negotiate with its other creditors; in May 2023, the RSA and BCA were amended, and certain other creditors acceded, representing in total 99.2% of the Legacy Facilities and 69% of the DIP Facility.
- 8.4 Since then, the Group has regularly consulted its secured creditors and the Creditors' Committee. This is demonstrated by the high levels of consent received from creditors on the Plan – of creditors voting by value, 100% of creditors under its Legacy Facilities, 99.04% of the general unsecured claims against the Company and approximately 89.51% of the general unsecured claims against the other Debtors voted in favour of the Plan.
- 8.5 In addition, throughout the Chapter 11 proceedings and in advance of its most recent restructuring negotiations, both the Company and its advisers sought to engage with the Company's shareholders and issued regular announcements providing updates on the Chapter 11 proceedings.
- 8.6 The Chapter 11 proceedings were an open forum in which key documents relating to negotiations were made publicly available to all stakeholders. It was therefore open to the Company's stakeholders to make restructuring proposals to the Company and its advisers for a considerable period of time (and the US Bankruptcy Court made clear it would consider any such proposal). Despite this publicity, transparency and engagement, the Company did not receive any credible alternative restructuring proposals during the course of the restructuring.
- 8.7 The development of the Plan (including the UK Transaction) and the process regarding the implementation of the restructuring were subject to considerable scrutiny and oversight from the US Bankruptcy Court. This has included:
 - 8.7...1 a range of public hearings throughout the Chapter 11 proceedings relating to various matters;
 - 8.7...2 solicitation of votes from creditors and shareholders regarding the Plan; and
 - 8.7...3 a hearing in relation to confirmation of the Plan in which the outcome of the creditor and shareholder votes and the impact on the Company's

shareholders was considered by reference to the statutory requirements under the US Bankruptcy Code.

- 8.8 Accordingly, all creditors and shareholders have had an opportunity to participate in the Chapter 11 proceedings. This process resulted in specific sanction from creditors and the US Bankruptcy Court for the Plan, including implementation via the UK Transaction.

9. The UK Transaction

- 9.1 The implementation framework agreement (**IFA**) was executed on 31 July 2023. The IFA was entered into by the Company, acting by its Administrators and NewCo to implement the UK Transaction (specifically the steps detailed at section 2.36 above).
- 9.2 The result of the UK Transaction is that the Group's Legacy Lenders indirectly own substantively all of the business and assets formerly held by the Company. The consideration provided by the Legacy Lenders is the discharge of liabilities owed under the Legacy Credit Facilities. That consideration formed part of a wider Plan in which various other liabilities were discharged, repaid or otherwise released (see above at paragraphs 2.37), in order to leave the Group as a going concern and in a stronger liquidity position going forward and the Company's creditors better off than in the liquidation alternative.

Sales consideration

- 9.3 As described above in section 2.37, the overall financial benefit for the Company from entering into the Plan, UK Transaction (and the IFA) was the restructuring of its and the Group's capital structure, including:
- 9.3...1 the discharge of the Company's guarantee in respect of the Convertible Bonds under the Chapter 11 Proceedings;
 - 9.3...2 the release of the Company's guarantee in respect of the RoW Facility, which has been amended and entered into only by the go-forward Group;
 - 9.3...3 the release of the Company's guarantee in respect of the DIP Facility, which has been repaid in full;
 - 9.3...4 the discharge of the Company's liabilities under the Cineplex judgment under the Chapter 11 Proceedings;
 - 9.3...5 the discharge of certain of the Company's other unsecured claims, including intercompany payables, under the Chapter 11 Proceedings; and
 - 9.3...6 the release of the security granted by the Company for the benefit of the Legacy Lenders, pursuant to the debt-for-equity swap.
- 9.4 The Administrators' view is that the consideration should be viewed in its totality since the relevant transactions in the IFA secured the release of the liabilities described above.
- 9.5 Overall, having regard to, among other things, the Marketing Process and the valuation, the Administrators considered that the benefits provided by implementation of the UK Transaction represented the best price reasonably obtainable for the assets of the Company in the circumstances.
- 9.6 As the consideration for the UK Transaction was structured by a release of claims against the Company (as described above), no cash proceeds have been received by the estate of the Company (other than £1 per share for the buy-back of the Company's shares in Crown UK (for 20 shares, a total of £20)). This structure

represents the fact that the Company's assets were burdened with indebtedness for an amount significantly greater than their value.

- 9.7 There are no options, buy-back agreements or deferred consideration otherwise attached to the transaction consideration, except to give effect to the transactions set out above. These transactions included the Rights Offering and the raising of debt financing in the form of a \$1.46 billion Exit Facility and a \$250 million revolving credit facility.

Purchaser

- 9.8 The UK Transaction forms part of a series of steps through which the Group's former Legacy Lenders now own the Group via NewCo. The former creditors, who purchased the Company's business, are a large disparate group of financial institutions and investors.
- 9.9 The Administrators consider that NewCo and the Company were not "connected persons" at the time of the UK Transaction, having regard to the relevant tests set out in section 435 and paragraph 60A of Schedule B1 of the Insolvency Act 1986, as applied by SIP 16. In particular, they do not believe that there were common directorships between the Company and NewCo, nor that the financial creditors exercised the requisite "control" over the Company, which had its own corporate governance structure and was publicly listed.
- 9.10 Details of NewCo are provided below:

Company name	Cineworld Parent Limited
Registered number	401997 (under laws of the Cayman Islands)
Registered office	Cricket Square, Hutchins Drive, PO Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands

- 9.11 To our knowledge no directors provided guarantees for amounts due from the Company/Group.

Appendix A. Statutory information

Company information

Company name	Cineworld Group plc
Registered number	05212407
Registered office	On appointment, changed to: Ship Canal House, 98 King Street, Manchester, M2 4WU
Former registered office	Prior to appointment: 8th Floor Vantage London, Great West Road, Brentford, England, TW8 9AG
Trading address	Various
Trading names (within the Group)	Cineworld / Picturehouse / Regal / Cinema City / Planet
Court details	High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)
Court reference	CR-2023-004145
Registered charges (as of appointment)	Fixed and floating charges granted to Barclays Bank Plc (as agent and security trustee) created on 9 September 2022 and registered on 27 September 2022 Share charge granted to Barclays Bank Plc (as administrative agent) created on 28 February 2018 and registered on 7 March 2018 Both charges were discharged as part of the Plan on 31 July 2023.

Appointor's information

Name	Address	Position
Company directors (various)	8th Floor Vantage London, Great West Road, Brentford, England, TW8 9AG	Directors

Note: on application to Court by the directors, an in-court appointment was made pursuant to paragraph 12(1)(b) of Schedule B1 to the Insolvency Act 1986.

Administrators' information

Name	Address	IP number	Name of authorising body
Simon Appell	c/o AlixPartners UK LLP, 6 New Street Square, London, EC4A 3BF	9306	Insolvency Practitioners Association
Ian Partridge	c/o AlixPartners UK LLP, 6 New Street Square, London, EC4A 3BF	24892	Insolvency Practitioners Association
Catherine Williamson	c/o AlixPartners UK LLP, Ship Canal House, 98 King Street, Manchester, M2 4WU	15570	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as joint administrators.

Appendix B. Abridged pre-administration group structure

