

GWKS Ltd (in Administration) ('the Company')

Estimate of remuneration to be charged

The Joint Administrators are seeking approval for their remuneration to be fixed on a time cost basis. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration is £911,131 plus VAT. An explanation of how this sum has been arrived at is set out below and a breakdown of the expected costs is attached on the following pages.

Explanation of the work proposed to be undertaken

The work undertaken can be categorised either as Statutory or Asset Realisation related. Statutory work is required by the Joint Administrators to fulfil their statutory duties. Asset realisation work is in respect of the Joint Administrators' actions to realise assets for the benefit of the creditors.

Basis of work	Category of work	Description of work to be completed	Work done / in progress / to be performed
Statutory	Accounting & Administration	<ul style="list-style-type: none">Overall management of the case, statutory compliance diaries and time cost reporting.	<ul style="list-style-type: none">In progress
Statutory	Cashiering	<ul style="list-style-type: none">Treasury and accounting functions.	<ul style="list-style-type: none">In progress
Statutory	Creditors	<ul style="list-style-type: none">Receipt and recording creditor claims.Correspondence with creditors.Processing distributions to preferential and unsecured creditors (as applicable).	<ul style="list-style-type: none">In progressIn progressTo be performed
Asset realisation	Customers	<ul style="list-style-type: none">Liaising with customers.	<ul style="list-style-type: none">In progress
Asset realisation	Debtors	<ul style="list-style-type: none">Realising the book debts of the Company.	<ul style="list-style-type: none">In progress
Statutory	Employees	<ul style="list-style-type: none">Assessing staffing requirements and making redundancies.Making statutory submissions to the relevant government departments.Dealing with employee enquiries.Processing employee claims (if applicable)Administering the Company's payroll, including taxation and other dedcutions.	<ul style="list-style-type: none">Work doneIn progressIn progressTo be doneWork done
Statutory	Immediate Tasks	<ul style="list-style-type: none">Completion of work streams requiring immediate attention following the appointment as required by statute.	<ul style="list-style-type: none">Work done
Statutory	Investigations & CDDA	<ul style="list-style-type: none">Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders".The Joint Administrators' report on the conduct of the directors under the Company Directors Disqualification Act 1986.	<ul style="list-style-type: none">In progressIn progress
Asset realisation	Job Acceptance & Strategy	<ul style="list-style-type: none">Matters relating to the appointment and initial planning of the liquidation strategy, including management and formulating and executing the strategy adopted.Considering exit routes from Administration and implementing the most appropriate route.	<ul style="list-style-type: none">Work doneWork done

Statutory	Legal Issues	<ul style="list-style-type: none"> Dealing with any ad hoc legal issues. 	<ul style="list-style-type: none"> In progress
Statutory	Members	<ul style="list-style-type: none"> Liaising with the Company's shareholders (as required). 	<ul style="list-style-type: none"> In progress
Asset realisations	Other Assets	<ul style="list-style-type: none"> Realising value from the Company's other assets. Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment. 	<ul style="list-style-type: none"> In progress In progress
Statutory	Other Matters	<ul style="list-style-type: none"> Dealing with assets owned by third parties. Recovery of the Company's physical books and records, and electronic records (including a back-up of the Company's servers and systems). 	<ul style="list-style-type: none"> In progress In progress
Asset realisation	Property	<ul style="list-style-type: none"> Reviewing the terms of the Company's leasehold property. Liaising with the landlord of the Company's former premises. 	<ul style="list-style-type: none"> In progress
Statutory	Public relations	<ul style="list-style-type: none"> Agreeing and issuing statements to the press as required in pursuit of the Administration strategy. 	<ul style="list-style-type: none"> Work done
Statutory	Reporting	<ul style="list-style-type: none"> Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report. 	<ul style="list-style-type: none"> In progress
Asset realisation	Retention of title	<ul style="list-style-type: none"> Assessment and settlement of claims for retention of title from the Company's suppliers (if applicable). 	<ul style="list-style-type: none"> Work done
Asset realisation	Sale of business	<ul style="list-style-type: none"> Sale of the business and/or the assets of the Company's subsidiary in pursuance of the Administrators' objectives. Liaising with the Purchaser and its advisors and relevant suppliers in relation to transitional arrangements. 	<ul style="list-style-type: none"> Work done Work done
Statutory	Statutory Duties	<ul style="list-style-type: none"> Completion of statutory requirements of the Administration, including notifications to creditors and members, advertising the appointment, and sending to creditors and filing at Companies House. 	<ul style="list-style-type: none"> In progress
Statutory	Trading	<ul style="list-style-type: none"> Formulating the strategy to ensure orderly winddown of the various sites. Working with the site managers to oversee return of assets to leasing companies. Liaising with the Company's Health & Safety specialist to ensure insurance and security is handed over in live sites. Liaising with suppliers. 	<ul style="list-style-type: none"> Work done Work done Work done Work done
Statutory	VAT & Taxation	<ul style="list-style-type: none"> Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists. Submitting relevant notifications to HMRC. Preparing claims for VAT bad debt relief (if applicable). Assessment of the VAT and tax treatments of transactions and agreements entered into during the Administration. 	<ul style="list-style-type: none"> In progress In progress In progress In progress

Estimated of the Joint Administrators' remuneration.

Type of work	Hours				Total hours	Time cost £	Average hourly rate £	Total time cost incurred to 28 July 2023 £
	Partner	Manager	Other Senior Professional	Assistants & support staff				
Administration & Planning	13.3	152.4	50.0	121.4	337.0	198,246	588.3	115,931
Reporting	2.3	13.7	15.0	30.7	61.7	30,253	490.3	18,054
Statutory Duties	12.0	85.6	50.0	73.8	221.4	130,863	591.1	49,999
Enquiries and Investigations	3.0	15.6	10.0	23.5	52.1	29,257	561.6	13,903
Realisation of Assets	69.1	68.6	-	74.7	212.4	141,239	665.0	141,239
Employees	25.9	77.3	22.7	8.9	134.8	99,337	736.9	96,807
Trading	10.9	10.9	-	-	21.8	20,833	955.6	20,833
Property	1.7	6.7	-	-	8.4	7,464	888.6	7,465
Job Acceptance & Strategy	3.5	12.5	-	0.6	16.6	14,083	848.4	14,083
Immediate Tasks	7.6	49.1	0.0	41.8	98.5	54,274	551.0	54,274
Other Matters	13.8	41.8	0.0	73.3	128.9	65,603	508.9	65,603
Cashiering	0.0	0.0	20.0	10.0	30.0	10,350	345.0	-
VAT & Taxation	2.2	18.7	-	-	20.9	17,473	836.0	10,543
Creditors	7.0	81.0	10.0	56.0	154.0	91,856	596.5	84,881
Total Hours	172.3	633.9	177.7	514.7	1,498.5	-	608.0	-
Total Anticipated Fees (£)	184,502	475,842	91,563	159,224		911,131		693,611

Assumptions

The Joint Administrators' estimate of remuneration is based on the following assumptions:

- ▶ One extension to the Administration will be required which will be granted by creditors. An application to Court for approval of the extension will not be required.
- ▶ Whilst the above table estimates that our time costs at standard charge out rates will total £911,131, the fees drawn in this case will be restricted by the total level of asset realisations.
- ▶ Fee approval will be sought and fees will be drawn in accordance with the approvals to be obtained from the relevant classes of creditor. Should we seek to draw remuneration in excess of this sum, we will revert to the appropriate class of creditors for further approval at that time.

Estimated Joint Administrators' expenses and disbursements

Details of expenses incurred and anticipated to be incurred

Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member. Expenses expected to be incurred total £275,016 plus VAT, comprising:

Category of expense	Estimated costs (£)
Expenses	246,050
Category 1 disbursements	11,775
Category 2 disbursements	1,100
Total	258,925

Expenses

The expenses incurred and anticipated to be incurred from the Company's estate can be summarised into the following categories:

Category of expense	Description of expense incurred or to be incurred	Estimated costs (£)
Legal fees	▶ Legal advice regarding such matters required to maximise realisations from the Company's estate.	50,000
Agents' fees	▶ Use of specialists to maximise recovery from the Companies' tangible assets.	12,000
Insurance	▶ Costs to insure the Company's assets and operations during the course of the Administration.	25,000
Employee costs	▶ Costs of expenses of any retained employees after the end of the administration trading period.	130,050
Property costs	▶ Costs of rent, business rates, utilities and security after the end of the administration trading period.	10,000
Bank charges and interest	▶ Charges associated with operation of the Company's bank accounts during the Administration, including foreign exchange transaction costs.	2,500
Statutory costs	▶ Costs of completing statutory requirements of the Administration, including advertising and filing costs. ▶ Costs to arrange collection and storage of the Company's books and records for minimum periods required under legislation.	6,500
Telecoms and IT	▶ Costs of maintaining existing telecoms platform and accounting software licences.	5,000
Corporation tax	▶ Corporation tax which may become payable following the preparation and submission of Corporation tax returns. It is currently too soon to provide an accurate estimate of these costs.	5,000
Total estimated expenses		246,050

Disbursements

Disbursements comprise of sums paid or to be paid to third parties, or payable to the Joint Administrators' firm in respect of out-of-pocket expenses and costs which include an element of shared or allocated costs.

Category 1 disbursements

Category 1 disbursements are defined as specific expenditure met by and reimbursed to the office holder's firm, relating to the Administration of the insolvent's affairs and referable to payment to an independent third party.

Disbursement	Description of disbursement incurred or to be incurred	Estimated costs (£)
Accommodation and subsistence costs	▶ Those costs incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending the site operated by the Company or third parties.	4,500
Travel costs (excluding mileage)	▶ Those costs incurred by the Joint Administrators, and their staff in respect of their work on the administration, to travel to the site operated by the Company or third parties (excluding mileage cost).	2,500
Specific Bond	▶ A form of insurance required by insolvency law.	775
Postage and printing	▶ Those costs incurred by the Joint Administrators in printing and posting the Joint Administrators' Statement of Proposals and subsequent progress reports and other written communication to all relevant creditors and shareholders.	3,000
Sundry expenses	▶ Other expenses not specifically categorised.	1,000
Total		11,775

Category 2 disbursements

Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Disbursement	Description of disbursement incurred	Estimated costs (£)
Mileage	▶ Those costs incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending the site operated by the Company or third parties. ▶ Current mileage rates are: <ul style="list-style-type: none">• 45p/mile for staff below manager using their own cars.• 18p/mile (non-electric vehicle) for managers and above using their own car or a company car.• 20p/mile (electric vehicle) for managers and above using their own car or a company car.	1,100
Total		1,100

Pre-Administration costs

The payment of unpaid pre-administration costs as an expense of the Administration is subject to approval under Rule 3.52, and not part of the Proposals subject to approval under paragraph 53. This means that they must be approved separately from the Proposals.

Approval is being sought for unpaid pre-Administration costs in the amount of £106,783.50 to be met as an expense of the Administration. Further detail is provided below.

Ernst & Young LLP

EY was engaged by the Company, under an engagement agreement dated 2 June 2023, to undertake financial advisory, liquidity analysis and contingency planning work for the Company, ahead of a potential administration appointment.

The nature of the unbilled pre-Administration work can be summarised as follows:

- Reviewing the Company's debtor position and agreeing initial strategy on contract debtors and retentions;
- Collating information from the Company's books and records to determine level of liabilities and creating an up-to-date list of unsecured creditors;
- Liaising with directors to determine the Company's position with other related entities;
- Formulating the administration strategy, including meetings with key stakeholders to review and agree on approach and timeline;
- Briefing engagement staff on the administration strategy and corresponding workstreams;
- Discussions with Management immediately prior to appointment regarding the core team of staff to be retained to assist the Joint Administrators with the accelerated sale process;
- Preparing a timeline for pre-appointment and immediate post-appointment activities;
- Reviewing and preparing documents for appointment, including consents to act and associated documents;
- Preparing documents to be issued and read to employees, media and suppliers immediately following the appointment, including scripts for employee meetings, press releases and communications to suppliers;
- Liaising with the Company's legal advisers regarding the potential appointment of the administrators.

Undertaking the above actions enabled value to be preserved in the Company's subsidiary, Gworks Surfacing Limited, thereby allowing for a sale of the business and assets to be completed as well as maximising the potential for debtor recoveries. The above actions have also ensured that employee and other creditor claims, and queries have been dealt with swiftly.

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Estimate of return for creditors

Secured creditors

Prior to our appointment, all outstanding charges were settled in full by the Company. Accordingly, there are no secured creditor claims.

Primary preferential creditors

Based on current estimates, we anticipate that primary preferential creditors may receive a dividend. A further update on the quantum and timing of any dividend payment will be provided in the Joint Administrators' first six monthly progress report.

Secondary preferential creditors

Based on current estimates, we anticipate that secondary preferential creditors may receive a dividend. A further update on the quantum and timing of any dividend payment will be provided in the Joint Administrators' first six monthly progress report.

Non-preferential creditors

It is too early in the Administration to advise whether or not there will be sufficient funds available to enable the payment of a dividend to non-preferential creditors. Should it be possible to pay a dividend to the non-preferential creditors (subject to future realisations and the costs of the Administration process), the Joint Administrators currently expect any dividend to be nominal.