



**PRESBYTERIAN MUTUAL SOCIETY LIMITED  
(IN ADMINISTRATION and SCHEME OF  
ARRANGEMENT)**

**HIGH COURT OF JUSTICE CASE No. 09/1140**

**ADMINISTRATOR'S PROGRESS REPORT PURSUANT TO RULE 2.048  
OF THE INSOLVENCY RULES (NORTHERN IRELAND) 1991 (as amended)  
for period 1 April 2011 to 16 November 2011**

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*If you have a query, please do not hesitate to contact a member of staff at the Society by telephoning (028) 9031 1232. In the event that the telephone lines are busy, you can also fax or email your telephone details for a call back (fax)(028) 9031 1441(or email either [info@presbyterianmutualsociety.co.uk](mailto:info@presbyterianmutualsociety.co.uk) or [pms@arthurboyd.co.uk](mailto:pms@arthurboyd.co.uk)).*

## 1. LETTER TO MEMBERS

### TO ALL KNOWN CREDITORS / MEMBERS

15 December 2011

Dear Sir/Madam,



### **Re: The Presbyterian Mutual Society Limited (In Administration) (the “Society”)**

Further to my appointment as Administrator of the Society, I enclose my report for the period 1 April 2011 to 16 November 2011 in accordance with Rule 2.048 of the Insolvency (Northern Ireland) Rules 1991 (as amended) (the “Rules”). I am required by the Rules to issue my progress reports with a Form 2.24B which is attached at Appendix 3.

On 4<sup>th</sup> May 2011 the Court agreed to extend the period of the Administration for a further 12 months, until 16<sup>th</sup> May 2012 to allow the Scheme of Arrangement to be voted on and if approved, then implemented. As a result the next reporting date was approved as 16 November 2011.

As advised in my previous report, the necessary clearances, approval of legislation and formal offer of assistance were finalised at the end of March 2011 together with the Scheme of Arrangement document. This document was forwarded to creditors/members on 6 April 2011, with the closing date for voting as the 6<sup>th</sup> of May 2011.

On 13 May 2011, I reported that over 99% of both creditors and members voting had approved the arrangement which was significantly in excess of the majority of 75% required.

As no challenges were received, I returned to Court and obtained the Court’s sanction of the Scheme on 4 July 2011.

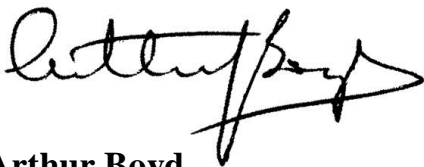
The Rev Stafford Carson, on behalf of the Presbyterian Church in Ireland had requested that I include a request that creditors consider voluntarily deferring up to 10% of their monies to allow those members, with shares only up to £20,000, to receive 100p rather than 97p in the £. One third of voting creditors supported this request and not only was the 100p payment achieved but the maximum contribution required was reduced to 4% compared with the 10% anticipated.

During the month of July 2011, significant time was spent by the Administrator and Joint Supervisors in satisfying the various financial and legal preconditions to enable Funds to be released by DETINI.

On 1 August 2011 funds of £225 million were received from DETINI together with £1 million from The Presbyterian Church in Ireland. Cheques were issued to all creditors/ members, who had proved in the Scheme, on 2 August 2011. The minimum amount paid to any creditor or member on their total savings was 77p in the £.

Under the Scheme of Arrangement, the Joint Supervisors, Arthur Boyd and John Hansen of KPMG, have taken over the running of the Presbyterian Mutual Society Limited from the Administrator. In summary, the Joint Supervisors are responsible for the orderly realisation of its assets; repayment of the DETINI loan plus interest; and if sufficient recoveries can be made, further payments to creditors/members, although it is not anticipated this will be before 2020.

Yours faithfully,



**Arthur Boyd**  
**Administrator of Presbyterian Mutual Society Limited**

*The affairs, business & property of the Presbyterian Mutual Society Limited were being managed by Mr Arthur Boyd FCA, as Administrator acting as agent of the Society without personal liability.*

*Following implementation of the Scheme of Arrangement, The affairs, business and property of Presbyterian Mutual Society Limited are being managed by Arthur Boyd and John Hansen as Joint Supervisors. Arthur Boyd and John Hansen are both licensed Insolvency Practitioners and are licensed by Chartered Accountants Ireland. The Joint Supervisors act as agents of the Presbyterian Mutual Society Limited and without personal liability.*

Partners:  
Arthur Boyd FCA, Paula Watson FCA



## **2. INTRODUCTION**

- 2.1 Arthur Boyd FCA, FABRP of Arthur Boyd & Company was appointed Administrator of the Society on 17 November 2008, following special legislation being passed on 14 November 2008 which permitted the Society to enter into Administration.
- 2.2 The Administrator's proposals were sent to all creditors on 12 January 2009 (the "Administrator's Proposals") and the Administrator's Proposals were approved by the required majority of votes.
- 2.3 The Administrator's previous progress reports to members/creditors were dated 15 June 2009, 15 December 2009, 15 June 2010, 15 December 2010 and 31 March 2011. Updates have also been sent to members/creditors or posted on the Society's website on [www.presbyterianmutualsociety.co.uk](http://www.presbyterianmutualsociety.co.uk) from time to time.
- 2.4 This report is the Administrator's sixth progress report in accordance with Rule 2.048 of the Rules. A copy of this report has been filed with the High Court and the Registrar for Industrial & Provident Societies.
- 2.5 This report relates to the progress of the Administration during the period 1 April 2011 to 16 November 2011.
- 2.6 In addition to those matters outlined in the Administrator's covering letter, the Administrator would like to draw the attention of members and creditors to the following matters:

## **3. PROGRESS REPORT: GENERAL**

- 3.1 In my last report, I reported that we had engaged with DETINI, and had been successful in obtaining an offer of a package of assistance, in order to fund a distribution to creditors and members of the Society, which could then be repaid from an orderly work out of the Society's assets over a period of up to ten years. This was recommended by the Working Group and approved by the Prime Minister and funds set aside by the Chancellor in his October 2010 budget statement. Further amounts were agreed to be made available from both the Northern Ireland Executive (£25 million) and the Presbyterian Church in Ireland (£1 million).

- 3.2 Since the announcement that funds were being made available, I have been working with DETINI to progress matters. A significant amount of time has been involved in liaising with and providing information to OFMDFM and DETINI in order to progress this matter; finalising and issuing the Scheme of Arrangement document to creditors/members; agreeing creditors/members final claims; and then satisfying the preconditions to allow funds to be drawn down and paid to creditors/members.
- 3.3 The necessary clearance from the European Commission was received at the beginning of April and two pieces of legislation to allow monies to be released were finalised by the Northern Ireland Assembly prior to the Assembly elections.
- 3.4 The Scheme of Arrangement document for members and creditors was finalised once the necessary EU consent and legislation was approved by the Northern Ireland Assembly. This document included a liquidation statement of outcome based on the valuation of both investment properties and all other properties over £70,000 held as security for mortgages. The statement showed that in a liquidation, shareholders would get nothing and creditors could get up to 72p in the £, but payable over a number of years. This compared with immediate returns of between 77p and 100p in the £ for creditors/members under the Scheme of Arrangement.
- 3.5 As Administrator, I then sought and was granted permission by the Court to proceed to issue the Scheme document to all creditors/members to vote on and this was dispatched on 6 April 2011.
- 3.6 Due to the complex nature of the scheme, I hosted a series of meetings with members/creditors to provide clarification on the Scheme and answer member/creditors queries, before voting closed. These were held in Presbyterian Churches in Carnmoney; First Newry; Wellington, Ballymena; First Bangor; First Armagh; Ebrington, Londonderry; First Lisburn and Fisherwick. I am grateful to Rev Donald Watts and his staff in Church House for assisting me in setting up these meetings; to the individual Church Ministers and Congregations for their hospitality and assistance and to Rev Stafford Carson and the Creditors' Committee for their attendance and support.
- 3.7 Following the closing date for voting, the votes were counted by an independent party before being given to the Administrator and his staff to be checked.

- 3.8 My letter of 13 May 2011 reported that the scheme had been approved with over 99% of all members/creditors who voted being in favour.
- 3.9 I was also pleased to report the generous response of the 33% of creditors who had voted to voluntarily defer part of their savings in favour of those holding less than £20,000 in shares. Not only did this mean that these shareholders would get 100p rather than 97p in the £, but also the amount required from individual creditors to fund this, was reduced from the 10% (or 5%) originally anticipated to 4% (or 2%).
- 3.10 The Court had stated that the Scheme could not progress further until the statutory period had elapsed for challenges to the Scheme to be made. Having received no challenges or objections, I returned to Court to obtain the Court's formal sanction of the scheme on 4<sup>th</sup> July 2011. The scheme was formally constituted following registration with the Registrar of Industrial and Provident Societies on 8<sup>th</sup> July 2011.
- 3.11 The implementation of the scheme and formal draw down of funds required approval by the European Union; Legislation by the Northern Ireland Assembly; approval by 75% of creditors/members and Court Sanction, and also the satisfaction of a significant number of necessary legal and financial preconditions for DETINI. Substantial time was spent during the month of July 2011 in addressing and satisfying these various preconditions including the preparation of updated financial information and projections at 30 June 2011.
- 3.12 At the same time arrangements were put in place to send out cheques as soon as possible after final approvals had been received. This was a complex operation as individual claims had to be reviewed to ascertain if they required amendment to reflect: minimum rounding adjustments (to ensure minimum payment of 77p in the £ to all members); set offs against mortgage balances owing or for guarantees or security given; compulsory deferment; or the additional voluntary deferment for those who had agreed to this.
- 3.13 Agreement that all preconditions had been completed was received on Friday 29<sup>th</sup> July at which point funds were released by DETINI. The £175 million loan for ten years is at a fixed interest rate of 2.02%.
- 3.14 Cheques were released to all creditors who had proved in the Scheme on 2<sup>nd</sup> August 2011.
- 3.15 The joint Supervisors have now taken over the running of the Presbyterian

Society under the Scheme. I am advised that a number of additional creditor's claims have been received and one claim is subject to adjudication. However, these are not of significant value.

- 3.16 I have transferred all surplus funds to the Joint Supervisors of the Scheme after making payment of all known outstanding Administrators costs.
- 3.17 On 4<sup>th</sup> May 2011, the Court agreed to an extension of the arrangement for a further 12 months, until 16<sup>th</sup> May 2012, to allow the Scheme of Arrangement to be considered and voted on by creditors and to allow the Administrator time to progress a number of Court cases in progress and under consideration.
- 3.18 I am presently progressing three cases in Court with the assistance of my solicitors and legal advice is pending as to whether certain other cases should be commenced.
- 3.19 The Society continues to employ one full time member of staff to assist the Joint Supervisors and their staff with the day to day work of the Society.

#### **4. PROGRESS REPORT: THE LOAN BOOK**

- 4.1 During the period 1 April to 16 November 2011, £2.2 million was received by way of capital repayments and £0.6 million was received by way of interest. The number of loans still outstanding has reduced by a further 108 since March 2011 making a total of 572 repaid since 17 November 2008.
- 4.2 We have continued to follow up borrowers who are in arrears asking for their proposals to discharge their loans and have met with many borrowers to discuss their individual situations. Based on their statements of affairs, either repayment plans have been agreed, which are being monitored on an ongoing basis, or assets agreed for sale. Any borrowers who have not responded to our correspondence have been or will be passed to our solicitors for further action. Under the terms of the loans, the Society has the power to charge default interest on any borrower. This right has been exercised in a small number of cases.
- 4.3 A number of actions are ongoing in relation to borrowers who have defaulted in repayments of their loans including repossession proceedings in one case of significant default. The Society or individual borrowers have properties on the market for sale, but movement has been slow due to the volume of other properties for sale or because agreed deals failed due to mortgage finance not being available.



- 4.4 The Administrator continued to oversee the completion of some part-completed development sites to release monies for the Society.
- 4.5 The Joint Supervisors took over the Administration of the Loan book following implementation of the Scheme of Arrangement.
- 4.6 The Administrator continues to oversee the ongoing legal proceedings against parties involved in several loans which were made available to one of the Society's borrowers. A number of other situations are under review.

## **5. PROGRESS REPORT: INVESTMENT PROPERTIES**

- 5.1 All of the Society's investment properties are fully let at the time of drafting this report.
- 5.2 During the period 1 April 2011 to 16 November 2011, the sum of £2.2M was received by way of rental income by the Administrator. Rental receipts have been paid directly into the Joint Supervisors bank accounts since August 2011.
- 5.3 The Administrator and his advisers have agreed a number of rent reviews and lease terminations and break options and have concluded arrangements to re-let the properties concerned

## **6. RECEIPTS & PAYMENT ACCOUNT**

- 6.1 The Administrator has provided at Appendix 2 to this report his receipts and payment account for the period 1 April 2011 to 16 November 2011. Since August 2011 all receipts and payments have been under the control of the Joint Supervisors.
- 6.2 The rental income received reflects rent free periods for newly let premises and a tax deduction at source in respect of the Isle of Man property.
- 6.3 Bank interest received is low due to the low rate of interest.
- 6.4 The mortgage interest received in the period is less than anticipated and reflects both slow payments and the financial problems being experienced by many borrowers.

- 6.5 The Administrator has continued to follow up those in arrears and to actively encourage borrowers to refinance where possible. The difficulties in obtaining alternative bank finance have meant that progress has been slow.
- 6.6 Capital repayments were £2.2 million in the period.
- 6.7 The legal fees reflect the significant input required by the Administrator's legal advisers in dealing with complex issues in this Administration and in particular the work required in preparing, finalising and implementing the Scheme of Arrangement.
- 6.8 The Administrator's remuneration has been fixed on a time cost basis by reference to the time spent by the Administrator and his staff in attending to matters arising out of the Administration. The Administrator has attached at Appendix 2 a schedule which summarises the time that has been spent in attending to matters arising in the period from the Administrator's appointment to 16 November 2011. In summary the Administrator and his staff have spent 15,020 hours totalling £1,476,180 at an average charge out rate of approximately £98 per hour from 17 November 2008 to 16 November 2011. Time and fees in the current period were higher than normal due to the significant special work carried out as mentioned in paragraph 3.1 particularly in relation to the approval and implementation of the Scheme of Arrangement.
- 6.9 Property advisers' fees reflect the ongoing time spent visiting and appraising properties and sites held as security for loans; ensuring that planning issues and related matters are being dealt with and rental income is being maximised and accounted for. They are also advising on planned realisations and value, together with assistance in progressing uncompleted development sites to completion.

## **7. CREDITORS' COMMITTEE**

- 7.1 The creditors' committee held a third meeting in June 2011 when it received an update on the progress of the Scheme of Arrangement and it reviewed and approved the Administrator's remuneration.
- 7.2 The Scheme of Arrangement has retained the same creditors' committee as set out in the Arrangement document.
- 7.3 If you wish to contact a committee member by letter, you can write to the individual committee member under a specific box number c/o Presbyterian Mutual Society Limited (in Administration), Glengall Exchange, Glengall

Street, Belfast BT12 5AB, using the references below. These letters will be forwarded unopened to the individual committee member concerned. Alternatively you can use the email addresses supplied.

Name of Member of Committee	Contact Details by letter/email/telephone
James Gregg	
Stephen Macartney	
William Andrew (Ian) McGimpsey	
Robert McCord	
Mrs Avril Heenan	
Harold Duncan	

## 8. STATUTORY INFORMATION

Court details for the Administration:	High Court of Justice, Chancery Division Chichester Street Belfast No 09/1140 of 2008
Full name:	Presbyterian Mutual Society Limited (In Administration) Glengall Exchange Glengall Street Belfast BT12 5AB
Registered number:	IP000275
Administrator	Arthur J Boyd FCA Franklin House 12 Brunswick Street Belfast BT2 7GE
Date of appointment	17 November 2008
Appointer	The directors of the Company

Details of extension to initial period of appointment      The creditors voted to approve the Administrator's proposal 4 so as to extend the Administration by 6 months. The Court has approved further extensions of the Administration for 12 months.

Proposed end of the Administration:    16<sup>th</sup> May 2012

## **9. ADDITIONAL INFORMATION**

Activity:      To promote thrift among members of the Presbyterian Church and to create source of credit for the benefit of its members at a fair and reasonable rate of interest

Society directors:      Rev. S. Sidlow McFarland, Mr. David Clements, Rev. Alistair Bill, Mr. Philip Black, Mr. John Boggs, Mr. George E.G. Burns, Rev Robert Cobain, Mr Colin Dougan, Mr Alan Hewitt\*, Miss Aileen Graham, Mr Alan McAdoo, Rev David McConaghy, Mr Albert McCormick, Mr H Mark Orr, Mr Wallace Pepper, Rev Derek Poots, Mr John Robinson, Mr James W Russell, Mrs Phyllis Sleith, Rev Shaw Thompson  
*\*Resigned 30<sup>th</sup> September 2008*

Society secretary:      Mr. D.H. Colin Ferguson

Objective pursued by the Administrator:      To achieve a better result for the creditors as a whole than would be likely if the Society were wound up (without first being in Administration)

The European Regulation on Insolvency Proceedings:      The EC Regulation on Insolvency Proceedings will apply to this Administration, and these proceedings will be the main proceedings because the Society's centre of main interest is in the UK

Whether the Administrator intends to apply to Court under Article 150A(5)      Not applicable

## APPENDIX 1

### ADMINISTRATOR'S RECEIPTS & PAYMENTS FOR THE PERIOD 17th NOVEMBER 2008 TO 16 NOVEMBER 2011

<b>RECEIPTS</b>	<i>Period 1/4/11 to 16/11/11 £'000</i>	<i>Period 17/11/08 to 16/11/11 £'000</i>
Rental income from investment properties	2,364	20,585
VAT on rental income	371	2,892
Mortgage interest on advances	563	4,928
Bank interest	91	2,108
Capital repayments on mortgage advances	2,473	20,945
Investments received post-Administration (to be returned)	-	2
	<b>5,862</b>	<b>51,460</b>
<b>PAYMENTS</b>		
Pre Administration expenses	-	47
Office overheads and running expenses	<i>Note 1</i> 77	668
Premises expenses	<i>Note 2</i> 12	58
Premises expenses-investment properties	-	450
VAT payments	189	2,133
Legal fees post Administration	205	1,226
Administrator's fees	205	1,470
Administrator's expenses	<i>Note 3</i> 95	259
Supervisors costs paid by Administrator	<i>Note 4</i> 220	220
Printing and related costs	-	82
Property advisers and valuation fees	60	575
VAT on legal and professional fees	185	631
Investments received returned to members	-	24
First distribution payment	-	24,282
Isle of Man withholding tax	15	45
Funds transferred to Joint Supervisors	24,064	24,064
	<b>25,327</b>	<b>56,234</b>
Net payments in period	<b>19,465</b>	<b>4,774</b>
Opening bank balance	19,465	4,774
Closing balance 16 November 2011	-	-

*Category 1 disbursements do not require approval by members/creditors. The type of disbursements that may be charged as a category 1 disbursement to a case generally comprises external supplies of incidental services from third parties specifically identifiable to the case, such as fees of professional advisers, printing, postage, case advertising, external printing, room hire, fees for swearing legal documents and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. Apart from bulk photocopying, which may be required for this specific case and which is charged per sheet at the standard charge used by this office, we do not anticipate any other expenses to be recharged as a Category 2 expense, which requires the approval of creditors.*

<b>Note 1</b>	<b>Period</b>	<b>Period</b>
<b>Overheads and running expenses</b>	<b>1/4/11</b>	<b>17/11/08</b>
	<b>To 16/11/11</b>	<b>to 16/11/11</b>
	<b>£</b>	<b>£</b>
Salaries and pensions *	31,291	265,544
Professional services **	44,025	322,587
Property expenses	180	9,042
Postage telephone and stationery	998	19,273
Sundry expenses	610	47,829
Bank charges and exchange variances	366	2,294
Office Equipment	-	1,315
	<u>77,470</u>	<u>667,883</u>

<b>Note 2</b>	<b>Period</b>	<b>Period</b>
<b>Premises</b>	<b>1/4/11</b>	<b>17/11/08</b>
	<b>To 16/11/11</b>	<b>to 16/11/11</b>
	<b>£</b>	<b>£</b>
Insurance and service charges ***	3,435	28,535
Heat & Light	1,251	7,505
Building maintenance	113	3,470
Rates	6,273	12,635
Cleaning	832	6,308
	<u>11,904</u>	<u>58,453</u>

<b>Note 3</b>	<b>Period</b>	<b>Period</b>
<b>Administrators expenses</b>	<b>1/4/11</b>	<b>17/11/08</b>
	<b>To 16/11/11</b>	<b>to 16/11/11</b>
	<b>£</b>	<b>£</b>
PR and media costs	8,534	82,909
Insurance and bonding costs	-	19,149
Costs of property completion ***	41,033	328,175
Costs recovered to be allocated	21,467	(287,142)
Other costs re planning etc ***	-	60,274
Cost of Statement of Affairs	-	4,750
Preparation of Vat returns	-	450
Statutory advertising	962	1,885
Other professional advice	20,000	20,000
Debt collection costs	2,733	23,622
Supervisors fees/costs paid	(104)	594
Miscellaneous	<u>94,625</u>	<u>258,746</u>
	<u>183,999</u>	<u>985,082</u>

#### **Notes**

\* includes staff termination costs

\*\* comprises computer maintenance, agents fees for managing property including legal fees re lease extensions

\*\*\* part of these costs are recoverable

#### **Note 4**

Supervisors costs paid by the Administrator include professional fees for the Joint Supervisors and solicitors in implementing the Schemes, together with property advisers costs.

## APPENDIX 2

### ANALYSIS OF TIME AND COSTS FOR THE PERIOD FROM 17th NOVEMBER 2008 TO 16 NOVEMBER 2011

	The Administrator		Partner/manager		Other professional staff/support		Total	Total	Average cost per hour
	hours	cost £	hours	cost £	hours	cost £	hours	cost £	£
Administration and planning	622	115051	366	50270	1466	48363	2454	213684	87
Trading	1145	211834	319	45061	2626	109726	4090	366621	90
Investigations	279	51523	21	2763	27	1166	326	55451	170
Realisation of assets	684	126559	1254	162017	1794	81402	3732	369978	99
Members/creditors	673	124450	190	23651	1185	44952	2048	193052	94
Special	850	157269	442	56437	1078	63689	2370	277394	117
	4252	786685	2591	340198	8177	349297	15020	1476180	
Average hourly rate		185		131		43		98	
<b>Normal hourly charge out rates</b>			<b>Abated Rate for PMS</b>						
	£		£						
Administrator	235		185						
Partner	175		140						
Senior Manager	135		115						
Senior staff	70-90		61-70						
Other staff	35-60		25-50						

Where remuneration has been approved on a time cost basis, a periodic report will be provided to members/creditors. The report will provide a breakdown of the remuneration drawn and will enable recipients to see the average rates of such costs.

Since the commencement of the Scheme of Arrangement time has been billed by the Joint Supervisors at rates subject to approval by DETINI.

The Insolvency (Northern Ireland) Order 1989

**2.24B****Administrator's Progress Report**

Name of Company <b>Presbyterian Mutual Society Limited (in Administration)</b>	Company number <b>IP0075</b>
In the High Court of Justice in Northern Ireland Chancery Division (Company Insolvency)	Court case number <b>09/1140</b>

(a) Insert full name(s) and address(es) of administrator(s)

I/We (a) **Arthur Boyd**  
of **Arthur Boyd & Company**  
  
**Franklin House**  
  
**12 Brunswick Street, Belfast BT2 7GE**

Administrator(s) of the above-named company attach a progress report for the period

from

to

(b) insert dates

(b) **1 April 2011**

(b) **16 November 2011**

Signed



Joint Administrator(s)

Dated **15 December 2011**

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies Registry to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

<b>Arthur Boyd &amp; Company</b>	
<b>Franklin House, 12 Brunswick Street</b>	
<b>Belfast BT2 7GE</b>	Tel <b>028 9032 9255</b>

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies Registry, Waterfront Plaza, 8 Laganbank Road, Belfast BT1 3BS