



**PRESBYTERIAN MUTUAL SOCIETY LIMITED
(IN ADMINISTRATION)**

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 17 November 2010 to 31 March 2011**

28 April 2011

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If you have a query which is not dealt with in the Questions and Answers online, 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) pms@arthurboyd.co.uk

1. LETTER TO MEMBERS

TO ALL KNOWN CREDITORS / MEMBERS

28 April 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 17 November 2010 to 31 March 2011 in accordance with Rule 2.048 of the Insolvency (Northern Ireland) Rules 1991 (as amended) (the “Rules”). This report has been prepared specifically to support my application to extend the Administration for a further 12 months. I am required by the Rules to issue my progress reports with a Form 2.24B which is attached at Appendix 3.

As previously advised I spent a significant amount of time engaging with representatives from OFMDFM in relation to the possibility of a facility being made available which could be distributed to creditors and members. OFMDFM, together with the Northern Ireland Executive and the Department of Enterprise, Trade and Investment (“DETINI”), were very supportive in the search for such a solution. In order to assist with this process, I provided a detailed business plan which outlined to OFMDFM, DETINI and HM Treasury how a facility could be repaid from an orderly work out of the Society’s assets. This plan was submitted in late July 2010 and was then subjected to a rigorous review by advisers on behalf of DETINI and HM Treasury. Having scrutinised the business plan in considerable detail, a recommendation was made to the Prime Minister by the Working Group that a facility be made available to the Administrator in order to fund a distribution to creditors and members of the Society.

Subsequent to this, the Chancellor announced on 20 October 2010 that a loan of £175 million together with a contribution of £25 million to a Mutual Access Fund would be made available to the Administrator. Further amounts will be made available from both the Northern Ireland Executive £25 million and the Presbyterian Church in Ireland, £1 million. Since the announcement that funds were being made available, I have been in ongoing discussions with DETINI to progress matters. Updated cashflows were prepared following a valuation of the investment properties and all properties over £70,000 held as security for mortgage book loans.

A liquidation statement of outcome based on the current property values was prepared.

Both the updated cashflows and liquidation Statement of outcome have been reviewed by KPMG as part of the proposal for a Scheme of Arrangement.

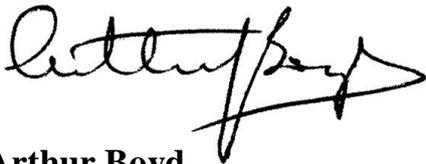
I am pleased to report that following the receipt of necessary clearance from the European Commission and passing of legislation by the NI Executive to allow monies to be released, that I have been able to finalise the Scheme of arrangement document. I have sought and been granted permission by the court to proceed to issue the scheme to all to creditors and members to vote on and this was dispatched on 6 April 2011.

I am hosting eight clarification sessions with members around the country before voting closes on 6th May 2011. I hope to be in a position to issue the results of the vote within seven days thereafter.

I will then return to court to have the scheme formally sanctioned at the end of June 2011.

Whilst the Scheme of Arrangement is a positive step forward, it will be necessary for me to continue the administration for a period to finalise certain matters relating to the administration. Consequently I have asked the Court to extend the period of the administration for a further 12 months, until 16th May 2012.

Yours faithfully,



Arthur Boyd
Administrator of Presbyterian Mutual Society Limited

The affairs, business & property of the Presbyterian Mutual Society Limited are being managed by Mr Arthur Boyd FCA, as Administrator. Mr Boyd is a licensed Insolvency Practitioner authorised by the Institute of Chartered Accountants in Ireland, and acts as agent of the Society without personal liability.

Partners:
Arthur Boyd FCA, Paula Watson FCA



2. INTRODUCTION

- 2.1 You will recall that 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 were sent to members/creditors on 15 June 2009, 15 December 2009, and 15 June 2010, 15 December 2010. Updates have also been sent to members/creditors or posted on the Society's website on www.presbyterianmutualsociety.co.uk from time to time.
- 2.4 This report is the Administrator's fifth 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 17 November 2010 to 31 March 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 As explained in my covering letter a significant amount of time in this period has been involved in addressing the question of government assistance, and liaising with and providing information to OFMDFM and DETINI in order to progress this matter and prepare a scheme document for issue to creditors and members
- 3.2 The creditors' committee has met on two occasions. In December it reviewed and approved the committee constitution and Administrator's remuneration and received reports on communications, legal matters and an update on the current position. A number of queries and matters discussed were to be raised with DETINI. At a meeting in March 2011 the Administrator reported on the Scheme of Arrangement.

- 3.3 The Society continues to employ two full time staff to assist the Administrator and his staff with the day to day work of the Society.

4. PROGRESS REPORT: THE LOAN BOOK

- 4.1 During the period 17 November 2010 to 31 March 2011, the sum of £2.0M was received by way of capital repayments and £1.0M was received by way of interest.
- 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.
- 4.3 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.
- 4.4 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. Whilst the Society or individual borrowers have properties on the market for sale, these have not been moving due to a combination of agreed deals failing due to finance not being available or the volume of other properties for sale.
- 4.5 The Administrator has continued to oversee the completion of some part-completed development sites to release monies for the Society.
- 4.6 The legal proceedings against parties involved in several loans which were made available to one of the Society's borrowers are ongoing. 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 17 November 2010 to 31 March 2011, the sum of £3.3M was received by way of rental income.

- 5.3 The Administrator and his advisers continue to deal with a number of issues and teething problems regarding the recent re-letting of properties.
- 5.4 The Administrator has been advised that it would not be in the interests of the Society or its members/creditors to dispose of the Investment Property portfolio at the present time, due to current market conditions and also because it provides an ongoing income stream to service the anticipated assistance plan loan being proposed by Government as part of the planned Scheme of Arrangement.

6. INVESTIGATIONS

- 6.1 As previously advised, a final submission in respect of the directors' conduct was forwarded to the DETI on 9 July 2009. The contents of this report are confidential and cannot be made available to members or creditors of the Society.

7. RECEIPTS & PAYMENT ACCOUNT

- 7.1 The Administrator has provided at Appendix 1 to this report his receipts and payment account for the period 17 November 2010 to 31 March 2011.
- 7.2 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.
- 7.3 Bank interest is low due to the low rate of interest.
- 7.4 The mortgage interest received in the period is less than anticipated and reflects both slow payments and financial problems being experienced by many borrowers.
- 7.5 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.
- 7.6 Capital repayments were £2.0M in the period.
- 7.7 The legal fees reflect the significant input required by the Administrator's legal advisers in dealing with complex issues in this Administration.
- 7.6 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 following the Administrator's appointment to 31 March 2011. In summary the Administrator and his staff have spent 12,665 hours totalling £1,239,997 at an average charge out rate of approximately £97.91 per hour from 17 November 2008 to 31 March 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.

- 7.7 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. Part of these fees will be recoverable against realisations.

8. CREDITORS' COMMITTEE

- 8.1 The creditors' committee met on 10 December and again on 22 March 2011 when the Scheme proposal was outlined to them. They endorsed the Administrators recommendation to finalise it as soon as possible to put to the creditors and members.
- 8.4 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	James Gregg, Creditors' committee Box C1
Stephen Macartney	Stephen Macartney, Creditors' committee Box C2
William Andrew (Ian) McGimpsey	W A McGimpsey, Creditors' committee Box C3
Robert McCord	Robert McCord, Creditors' committee Box C4
Mrs Avril Heenan	Avril Heenan, Creditors committee' Box C5
Harold Duncan	Harold Duncan, Creditors committee' Box S6

9. 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 Administrators proposal 4 so as to extend the Administration by 6 months. The court has approved a further extension of the Administration for 12 months.
Proposed end of the Administration:	16 th May 2011

10. 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 <i>*Resigned 30th September 2008</i>
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 31 MARCH 2011

RECEIPTS	<i>Period 17/11/10 to 31/3/11 £'000</i>	<i>Period 17/11/08 to 31/3/11 £'000</i>
Rental income from investment properties	3,342	18,221
VAT on rental income	535	2,521
Mortgage interest on advances	951	4,365
Bank interest	52	2,017
Capital repayments on mortgage advances	2,004	18,473
Investments received post-administration (to be returned)	-	2
	6,884	45,599
PAYMENTS		
Pre administration expenses	-	47
Office overheads and running expenses	<i>Note 1</i> 146	590
Premises expenses	<i>Note 2</i> 5	47
Premises expenses-investment properties	-	450
VAT payments	389	1,944
Legal fees post administration	155	1,021
Administrator's fees	335	1,265
Administrator's expenses	<i>Note 3</i> (207)	164
Printing and related costs	14	82
Property advisers and valuation fees	130	515
VAT on legal and professional fees	108	447
Investments received returned to members	-	24
First distribution payment	-	24,282
Isle of Man withholding tax	-	30
	1,075	30,908
Net receipts in period	5,810	14,691
Opening bank balance 17 November	13,655	4,774
Closing balance 16 November 2010	19,465	19,465

Notes:

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.

<i>Note 1</i>	<i>Period</i>	<i>Period</i>
Overheads and running expenses	17/11/10	17/11/08
	to 31/3/11	to 31/3/11
	£	£
Salaries and pensions *	23,530	234,252
Professional services **	93,974	278,562
Property expenses	-	8,862
Postage telephone and stationery	1,312	18,275
Sundry expenses	26,879	47,219
Exchange variances	926	1,928
Office Equipment	-	1,315
	<u>146,621</u>	<u>590,413</u>

<i>Note 2</i>	<i>Period</i>	<i>Period</i>
Premises	17/11/10	17/11/08
	to 31/3/11	to 31/3/11
	£	£
Insurance and service charges ***	2,842	25,100
Heat & Light	843	6,254
Building Maintenance	318	3,357
Rates	-	6,362
Cleaning	628	5,476
	<u>4,631</u>	<u>46,549</u>

<i>Note 3</i>	<i>Period</i>	<i>Period</i>
Administrators expenses	17/11/10	17/11/08
	to 31/3/11	to 31/3/11
	£	£
PR and media costs	14,491	74,375
Insurance and bonding costs	9,844	19,149
Costs of property completion ***	62,371	287,142
Costs recovered to be allocated	(304,530)	(304,530)
Other costs re planning etc ***	-	60,274
Cost of Statement of Affairs	-	4,750
Preparation of Vat returns	-	450
Statutory advertising	-	923
Debt collection costs	46	699
Miscellaneous	11,218	20,889
	<u>(206,560)</u>	<u>164,121</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

APPENDIX 2

ANALYSIS OF TIME AND COSTS FOR THE PERIOD FROM 17th NOVEMBER 2008 TO 31ST MARCH 2011

	The Administrator		Partner/manager		Other professional staff/ support		Total hours	Total cost £	Average cost per hour £
	hours	cost £	hours	cost £	hours	cost £			
Administration and planning	611	112942	267	35505	958	36930	1836	185376	101
Trading	984	182049	225	31121	2451	99720	3660	312890	85
Investigations	279	51523	21	2763	27	1166	326	55451	170
Realisation of assets	645	119381	1102	144414	1701	76340	3449	340135	99
Members/creditors	610	112850	169	21091	1184	44931	1963	178872	91
Special	550	101750	182	24155	698	41368	1430	167273	117
	3678	680495	1967	259047	7020	300455	12665	1239997	
Average hourly rate		185		131.72		42.80		97.91	
Normal hourly charge out rates				Abated Rate for PMS					
	£			£					
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.

The Insolvency (Northern Ireland) Order 1989

2.24B**Administrator's Progress Report**

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

(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) **17 November 2010**(b) **31 March 2011**

Signed



Joint Administrator(s)

Dated **18 April 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

Arthur Boyd & Company	
Franklin House, 12 Brunswick Street	
Belfast BT2 7GE	Tel 028 9032 9255

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