



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

HIGH COURT OF JUSTICE CASE No. 09/1140

**ADMINISTRATOR'S SIX MONTHLY PROGRESS REPORT PURSUANT
TO RULE 2.048 OF THE INSOLVENCY RULES (NORTHERN IRELAND)
1991 (as amended)**

15 December 2010

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If you have a query which is not dealt with in the Questions and Answers in Appendix 5, 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

15 December 2010

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 six monthly progress report 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 4.

During the course of the Society’s administration, I am required to prepare a report on the progress of the administration every six months of the administration. The Rules require me to issue each progress report to creditors of the Society, the High Court and the Registrar for Industrial & Provident Societies. This report relates to the period 17 May 2010 to 16 November 2010.

Following the judgment from Mr Justice Deeny in which he determined that the holders of loan capital should be paid in priority to share capital holders, I wrote to the Office of First and Deputy First Minister (“OFMDFM”) to seek assistance in providing a solution to the Society’s predicament by either facilitating the purchase of the Society by a financial institution or by making available a facility which could be used to make distributions to creditors and members of the Society. If neither of these solutions could be found, I expressed concern that the Society would have to be placed into liquidation which would result in the Society's assets being sold quickly. In my opinion, this would have a detrimental effect upon the value on the Society’s assets and, therefore, the overall return to both creditors and members.

I strongly urged both local and national Governments to address this matter urgently due to the plight of the majority of savers in the Society whose funds had not only been frozen for over 15 months but who, without intervention, stood to lose a significant proportion of their savings.

The preferred way forward was to agree a purchase or takeover of the Society's assets by a financial institution. Whilst I was introduced to a number of interested parties, such initial interest did not materialise into an offer to purchase or take over the Society’s assets. This left me with two options: either a facility be made available which could be distributed to creditors and members of the Society or I liquidate the Society.

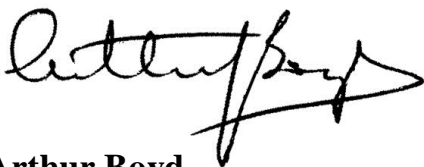
I spent a significant amount of time engaging with representatives from OFMDFM in relation to the possibility of a facility being made available which could be distributed to creditors and members. OFMDFM, together with the Northern Ireland Executive and the Department of Enterprise, Trade and Investment (“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 my 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 and the Presbyterian Church in Ireland. However, at the time of writing this letter the final details of such amounts are not available.

I am hopeful that the total facility available to me, as Administrator, will be confirmed shortly, whereupon I will move to put in place a Scheme of Arrangement to distribute the funds to creditors and members following creditors’ and members’ approval of the Scheme. I understand that the facility will not be available to the Administrator until at least April 2011 but I will keep members and creditors updated in relation to this.

Once there are further developments to report, I will write to all members and creditors to keep you informed.

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. 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 fourth six month 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 May 2010 to 16 November 2010.
- 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 half year has been involved in addressing the question of government assistance and liaising with and providing information to OFMDFM and DETINI in connection with this.
- 3.2 A creditors' committee was also constituted in accordance with Judge Deeny's directions. This involved writing to creditors and shareholders to ask for nominations, each supported by ten individual sponsors, for five creditor classes and a shareholder representative. One of the initial nominations required adjudication before the voting process could be commenced for those classes where there was more than one nomination.

The votes were then independently collected and recorded, before being made available to the Administrator and his staff who checked them in the presence of two solicitors in accordance with the Court directions. The solicitors have confirmed they are satisfied that the results are in order.

- 3.2 A small number of members/creditors (137- value £28k), have not yet been agreed and have been excluded from any distribution.
- 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 May 2010 to 16 November 2010, the sum of £1.6M was received by way of capital repayments and £0.9M was received by way of interest repayments. The number of loans still outstanding has reduced by a further 53 making a total of 410 repaid since 17 November 2008.
- 4.2 We have contacted all borrowers who are in arrears asking for their proposals to discharge their loans. Whilst the vast majority wish to co-operate and pay their loans, unfortunately the current economic climate is causing problems in doing so quickly. We 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 mixture of agreed deals failing due to finance not being available or the amount 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 May 2010 to 16 November 2010, the sum of £3.7M was received by way of rental income.
- 5.3 The Administrator and his advisers have been dealing 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 2 to this report his receipts and payment account for the period 17 May 2010 to 16 November 2010
- 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 £1.6M in the period and include disposal of a further completed property.
- 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 3 a schedule which summarises the time that has been spent in attending to matters arising in the period following the Administrator's appointment to 16 November 2010. In summary the Administrator and his staff have spent 10,012.4 hours totalling £993,797.80 at an average charge out rate of approximately £99.26 per hour from 17 November 2008 to 16 November 2010. 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 A creditors' committee has been formed in accordance with Mr Justice Deeny's directions and the committee is made up of the following persons:-

Name of Member of Committee	Creditors original claims
James Gregg	up to £46,000
Stephen Macartney	between £46,001 to £94,000
William Andrew (Ian) McGimpsey	between £94,001 to £187,000
Robert McCord	between £187,001 to £425,000
Mrs Avril Heenan	above £425,001
Harold Duncan *	shareholder representative

* Harold Duncan has been appointed as an observer to the Creditors' Committee, on behalf of shareholders, following directions from Mr Justice Deeny.

8.2 The first meeting of the creditors' committee was held on 10th December 2010.

8.3 At the meeting the committee agreed the following contact details as noted below:-

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

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.

Name of Member of Committee	Contact Details by letter
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:	IP00275
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

QUESTIONS & ANSWERS

Note: Previous member communications and associated documents provide a range of information that might answer some of the questions that members have. The Administrator has established and maintains a website – www.presbyterianmutualsociety.co.uk - which contains all the relevant documents.

Q. How will I get my money?

A. Once the amount of money available to the Administrator is finalised, members and creditors will be asked to enter into a Scheme of Arrangement which will set out how the funds will be distributed to members and creditors.

Q. When can I get access to my money?

A. I am advised funds are not likely to be available to the Administrator and accessible for payment to creditors and members until after the commencement of the new financial year in April 2011.

APPENDIX 2

ADMINISTRATOR'S RECEIPTS & PAYMENTS FOR THE PERIOD 17th NOVEMBER 2009 TO 16th NOVEMBER 2010

RECEIPTS	<i>6 months to 16/11/10 £'000</i>	<i>Period to 16/11/10 £'000</i>
Rental income from investment properties	3,793	14,879
VAT on rental income	553	1,987
Mortgage interest on advances	928	4,854
Bank interest	52	525
Capital repayments on mortgage advances	1,663	16,468
Investments received post-administration (to be returned)	-	-
	6,989	38,713
PAYMENTS		
Pre administration expenses	-	47
Office overheads and running expenses	<i>Note 1</i> 120	444
Premises expenses	<i>Note 2</i> 1	42
Premises expenses-investment properties	-	450
VAT payments	321	1,556
Legal fees post administration	219	865
Administrator's fees	200	930
Administrator's expenses	<i>Note 3</i> 113	371
Printing and related costs	19	67
Property advisers and valuation fees	77	385
VAT on legal and professional fees	66	339
Investments received returned to members	-	24
First distribution payment	(19)	24,282
Isle of Man withholding tax	30	30
	1,147	29,832
Net receipts in period	5,842	8,881
Opening bank balance	7,813	4,774
Closing balance 16 November 2010	13,655	13,655

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.

Note 1	6 months	Period
Overheads and running expenses	to 16/11/10	to 16/11/10
	£	£
Salaries and pensions *	31,038	210,722
Professional services **	74,511	184,588
Property expenses	-	8,862
Postage telephone and stationery	1,233	16,963
Sundry expenses	11,952	20,340
Exchange variances	1,002	1,002
Office Equipment	-	1,315
	<u>119,736</u>	<u>443,792</u>

Note 2	6 months	Period
Premises	to 16/11/10	to 16/11/10
	£	£
Insurance and service charges ***	3,061	22,258
Heat & Light	760	5,411
Building Maintenance	1,476	3,039
Rates	(4,825)	6,362
Cleaning	911	4,848
	<u>1,383</u>	<u>41,918</u>

Note 3	6 months	Period
Administrators expenses	to 16/11/10	to 16/11/10
	£	£
PR and media costs	13,314	59,884
Insurance and bonding costs	-	9,305
Costs of property completion ***	75,805	224,771
Other costs re planning etc ***	14,219	60,274
Cost of Statement of Affairs	-	4,750
Preparation of Vat returns	-	450
Statutory advertising	-	923
Miscellaneous	-	653
	<u>103,338</u>	<u>361,010</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 3

ANALYSIS OF TIME AND COSTS FOR THE PERIOD FROM 17TH NOVEMBER 2008 TO 16TH NOVEMBER 2010

	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	596.6	110370.50	230.1	30404.00	836.5	30554.60	1663.2	171329.10	103
Trading	859.3	158961.30	109.1	15124.00	616.4	83641.10	1584.8	257726.40	159
Investigations	278.3	51485.50	20.5	2762.50	25.1	1165.65	323.9	55413.65	171
Realisation of assets	559.9	103582.00	822.1	111374.45	1616.1	72374.10	2998.1	287330.55	96
Members/creditors	513.5	94997.50	123.6	15609.00	1111.8	42089.65	1748.9	152696.15	87
Special	277.6	51356.00	75.9	10626.00	1340.0	7320.00	1693.5	69302.00	180
	<u>3085.2</u>	<u>570752.80</u>	<u>1381.3</u>	<u>185900.00</u>	<u>5549.9</u>	<u>237145.10</u>	<u>10012.4</u>	<u>993797.85</u>	

Average hourly rate	<u>185.00</u>	<u>134.58</u>	<u>103.27</u>
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	Normal hourly charge out rates £	Abated Rate for PMS £
Administrator	225	185
Partner	165	140
Senior Manager	135	115
Senior staff	71-83	61-67
Other staff	40-55	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 May 2010**(b) **16 November 2010**

Signed



Joint Administrator(s)

Dated **15 December 2010****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