

IP00275

**The Presbyterian Mutual Society Limited -
In Administration and Scheme of Arrangement
Summary Group Consolidated Financial Statements
for the nine month period ended 31 March 2012**

**The Presbyterian Mutual Society Limited -
In Administration and Scheme of Arrangement**

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**The Presbyterian Mutual Society Limited -
In Administration and Scheme of Arrangement**

Society Information

Joint Supervisors

Arthur Boyd
John Hansen

Company Number

IP275

Registered Office

c/o Arthur Boyd & Company
Franklin House
12 Brunswick Street
Belfast
BT2 7GE

Bankers

Bank of Ireland
46-48 High Street
Belfast
BT1 2BA

National Irish Bank
Church Square
Monaghan Town
Co Monaghan

Directors

Rev S Sidlow McFarland
Mr David J Clements
Rev Alistair Bill
Mr Philip Black
Mr John Boggs
Mr George E Burns
Rev Robert Cobain
Mr Colin Dougan
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

Secretary

Mr D H Colin Ferguson

Solicitors

Arthur Cox
Capital House
3 Upper Queen Street
Belfast
BT1 6FB

The Presbyterian Mutual Society Limited - In Administration and Scheme of Arrangement

Joint Supervisors' Report (in place of Directors' Report)

The Society entered into Administration on 17 November 2008, the directors having appointed Arthur Boyd as Administrator.

The Administration was originally for a period of 12 months to 16 November 2009 and it has been regularly extended, with the most recent extension to run to 16 May 2013, to allow time to deal with unresolved litigation.

Arthur Boyd and John Hansen were subsequently appointed as Joint Supervisors of an Approved Scheme of Arrangement which was sanctioned by the Court on 4 July 2011 and was formally constituted following registration with The Registrar of Industrial and Provident Societies on 8 July 2011. The Joint Supervisors are both licensed Insolvency Practitioners and manage the affairs, business and property of the Society without personal liability.

At the date of Administration the directors' powers were suspended, although all still remain as office holders. The directors are consequently not in a position to present a report on the conduct of the affairs of the Society, and this report is presented by the Joint Supervisors, Arthur Boyd and John Hansen, in their stead.

Principal Objective and Review of Activities

Prior to Administration, the main objective of the Society was to promote thrift among its members and to create a source of credit for the benefit of its members at a fair and reasonable rate of interest.

Due to the economic climate and the concerns over the safety of their investments, in the month of October 2008, the Society experienced an unprecedented increase in demand for the repayment of the members' loan and share capital holdings. It was normal practice for the Society to repay loan and share capital holdings on receipt of a request from a loan or share capital holder, with no distinction being made between either. Between 1 October 2008 and 24 October 2008, a total of £21 million was paid out on foot of such requests, leaving the Society with only £4 million in its bank account at that date. As there was insufficient cash remaining to meet the ongoing demand from members an emergency meeting of the Society's Board of Directors was convened on 25 October 2008, at which it was resolved that:

- i. the Society required professional advice in relation to its liquidity problems;
- ii. no further payments be made to members until such advice had been received; and
- iii. the 21 day notice period in accordance with the rules of the Society, be invoked in respect of existing repayment requests and any new requests received from Members as from that date.

On 29 October 2008, Arthur Boyd, Insolvency Practitioner, of Arthur Boyd & Company was instructed to assess the options available to the Society in light of its financial position. At a further meeting of the Board of Directors on 6 November 2008, it was reported that the demands from members for withdrawal of their investments had increased and that legal proceedings had been commenced by three members seeking repayment.

In order to protect the assets of the Society, the Board of Directors resolved at this meeting that the Society be placed in Administration, subject to enabling legislation being passed to permit this to take place. The Society was prevented from being placed into Administration as it was incorporated under the Industrial and Provident Societies Act (Northern Ireland) 1969 which only permitted a winding-up of the Society. The Society could only be placed into Administration if new legislation was passed by the Northern Ireland Assembly.

On 10 November 2008, the directors of the Society, together with advisers, met with Ministers and senior representatives from the Department of Enterprise Trade and Investment Northern Ireland (DETINI) to seek introduction of this emergency legislation. On 14 November 2008, the requisite legislation was passed, and on 17 November 2008 the Society was placed into Administration, with Arthur Boyd being appointed Administrator.

During the period from 27 October 2008, after the decision was made by the Board of Directors to freeze payments to members, until the Society was placed in Administration on 17 November 2008, further requests totalling in excess of £50 million had been received from members for the withdrawal of their investments.

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Joint Supervisors' Report (in place of Directors' Report), continued

In January 2009 the Creditors/Members unanimously approved the Administrator's proposals requiring him to continue to manage the affairs of the Society with a view to achieving a better result than if the company were to be wound-up and to put forward a formal Arrangement for the Creditors/Members to consider. The Administrator received a number of approaches from various financial institutions. The discussions which ensued reached various stages, some quite advanced, but in all cases the institutions withdrew from the process. Throughout this process the Administrator continued to have regular dialogue with officials from the Northern Ireland Executive and DETINI, about the prospects of a loan being made available to assist those affected by the Society's Administration. A number of discussions also took place with officials from HM Treasury.

In March 2010 it became clear that sale of the Society to a lending institution was very unlikely and so a proposal was made by the Administrator to DETINI for a loan. DETINI subsequently requested preparation of a business plan for the Society showing how the affairs of the Society could be managed over a 10 year period, in order to assess how a loan, if it were to be authorised, would be repaid.

Following this review, it was confirmed that a loan would be made available and on the strength of this a Scheme of Arrangement was subsequently proposed to the members and creditors of the Society and this was approved and sanctioned by the Court on 4 July 2011.

Total loans of £226 million were made available as follows:

DETINI Loan	£175 million	to fund a partial repayment of amounts due to Scheme creditors, repayable by increasing annual instalments over 10 years at a fixed interest rate of 2.02%.
DETINI Loan	£ 50 million	to fund a partial repayment of amounts due to Scheme members and creditors. The first £25 million of this loan is repayable after members' and creditors' residual entitlements are paid out in full, rating equally with the Presbyterian Church in Ireland (PCI), the remaining £25 million is repayable after the PCI loan.
Presbyterian Church in Ireland	£ 1 million	To fund a partial repayment of amounts due to Scheme members and creditors, the loan ranks for payment alongside the first £25 million of the DETINI £50 million loan, after members' and creditors' residual entitlements have been paid in full.

Under the terms of the Scheme, creditors received a partial payment amounting to 85% of the amount due with the residual 15% being compulsorily deferred to allow a contribution to be made to the members. Members received a proportion of the amount due to them depending on the amount of their investment. No member or creditor received less than 77% of the total amount due to them by way of shares and loans.

As a condition of the funding being made available DETINI required that at any time there must be not less than two Supervisors of the Scheme, and John Hansen of KPMG was appointed as Joint Supervisor with Arthur Boyd on 4 July 2011.

The ongoing objective of the Society, under the management of the Joint Supervisors, is to manage the affairs and assets of the Society over a ten year period, to repay the £175 million loan plus interest to DETINI and if surplus realisations are made, to make further repayments to the remaining members, creditors and funders.

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Joint Supervisors' Report (in place of Directors' Report), continued

Results

The loan funds of £226 million were received from DETINI and PCI on 1 August 2011 and the payments to members and creditors described above, amounting to £232 million, were made on 2 August 2011, being £81,585,035 for members' share holdings and £150,099,962 for members' loan holdings.

There will be no further payments to members or other creditors until the £175 million loan from DETINI is completely repaid.

Although the Society entered into the Court Approved Scheme of Arrangement on 4 July 2011, the effective date for reporting adopted by the Joint Supervisors is 30 June 2011. This was determined on the basis that there were no material transactions arising between these two dates and DETINI accepted that all future accounts and reporting requirements were to be taken as from 30 June 2011.

These Financial Statements report the performance of the Society since it entered the Scheme of Arrangement over the nine month period from 30 June 2011 to 31 March 2012.

The ongoing results for the period are set out in the Profit & Loss Account on Page 8. The Joint Supervisors continually monitor the Society's position and do not at this time anticipate any significant change in the future activities.

Fixed Assets

The former office premises occupied by the Society are now predominately vacant and will be made available for letting. The Joint Supervisors consider that the property is now predominantly held for its' investment potential and the asset has been reclassified in the period as an investment rather than a fixed asset.

The Society's investment properties were independently valued by Colliers International on 31 December 2011.

**The Presbyterian Mutual Society Limited -
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Joint Supervisors' Report (in place of Directors' Report), continued

Directors and their interests

The Board of Directors are as listed below and in the Society information on page 2. The Board of Directors generally retired at the Annual General Meeting and were all eligible for re-election. There has been no AGM since the date of Administration on 17 November 2008 and consequently all of the directors remain in place but their powers have been suspended.

Board of Directors

Rev S Sidlow McFarland
Mr David J Clements
Rev Alistair Bill
Mr Philip Black
Mr John Boggs
Mr George E Burns
Rev Robert Cobain
Mr Colin Dougan
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

Under a Court Ruling, the disclosure of members' interests is prohibited in the interests of confidentiality and this extends to directors who are members.

**The Presbyterian Mutual Society Limited -
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Joint Supervisors' Report (in place of Directors' Report), continued

Statement of Joint Supervisors' Responsibilities

The Joint Supervisors acknowledge their responsibility for the following aspects of the preparation of the financial statements:

- a) The Joint Supervisors have prepared financial statements for this financial period which give a true and fair view of the state of affairs of the Society as at the end of the financial period and of the profit and loss of the Society for that period. In preparing those financial statements, the Supervisors are required to:
 - select suitable accounting policies and then apply them consistently;
 - make judgement and estimates that are reasonable and prudent;
 - state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
 - prepare the financial statements on the Going Concern basis unless it is inappropriate to presume that the company will continue in business.
- b) The Joint Supervisors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Arthur J Boyd
Joint Supervisor**

**John Hansen
Joint Supervisor**

IP00275

28 March 2013

Presbyterian Mutual Society Limited -
In Administration and Scheme of Arrangement

Consolidated Profit & Loss Account for the nine month period ended 31 March 2012

	9 months to 31.03.12
	£
Operating income	
Mortgage interest	1,501,379
Rental income	5,831,135
Other income	517,671
Total income from continuing operations	<u>7,850,185</u>
Property revaluation	(18,891,000)
Movement in work-in-progress	(518,586)
Write down of loans and advances	(1,429,775)
Administrative expenses	(2,288,658)
Net operating loss	<u>(15,277,834)</u>
Interest receivable and similar income	128,169
Interest payable and similar charges	(2,340,480)
Loss on ordinary activities before taxation	<u>(17,490,145)</u>
Taxation	-
Loss for the period after taxation	<u>(17,490,145)</u>

Continuing operations

The profit & loss account has been prepared on the basis that all operations are continuing operations.

Statement of total recognised gains or losses

There are no recognised gains or losses for the period other than those reported through the profit & loss account.

**The Presbyterian Mutual Society Ltd –
In Administration and Scheme of Arrangement**

Consolidated Balance Sheet as at 31 March 2012

	31.03.12	30.06.11
	£	£
Fixed assets		
Investment Property	75,715,000	94,006,000
Tangible fixed assets	<u>13,622</u>	<u>606,392</u>
	<u>75,728,622</u>	<u>94,612,392</u>
Current assets		
Work-in-progress	6,703,391	7,218,246
Advances on loans and mortgages:		
Falling due within one year	5,776,555	5,589,660
Falling due after one year	44,378,455	51,264,294
Trade debtors	111,714	-
Other debtors	246,003	148,162
Prepayments and accrued income	146,258	138,677
Cash at bank and deposits	<u>18,616,995</u>	<u>24,181,130</u>
	75,979,371	88,540,169
Creditors: amounts falling due within one year	<u>(14,298,801)</u>	<u>(153,078,891)</u>
Net current assets	<u>61,680,570</u>	<u>(64,538,722)</u>
Total assets less current liabilities	137,409,192	30,073,670
Creditors: amounts falling due after one year	<u>(254,248,358)</u>	<u>(27,868,991)</u>
Net deficit before members' interests	<u>(116,839,166)</u>	<u>2,204,679</u>
Members' interests		
Share capital repayable	<u>-</u>	<u>(101,553,700)</u>
Total deficit	<u>(116,839,166)</u>	<u>(99,349,021)</u>
Reserves		
Revenue deficit	<u>(116,839,166)</u>	<u>(99,349,021)</u>

These accounts were approved by the Joint Supervisors on 28 March 2013

Arthur Boyd
Joint Supervisor

John Hansen
Joint Supervisor

IP00275

**The Presbyterian Mutual Society Ltd –
In Administration and Scheme of Arrangement**

Company Balance Sheet as at 31 March 2012

	31.03.12	30.06.11
	£	£
Fixed assets		
Investment Property	75,715,000	94,006,000
Investment in subsidiary undertakings	2	2
Tangible fixed assets	8,296	600,000
	<u>75,723,298</u>	<u>94,606,002</u>
Current assets		
Advances on loans and mortgages:		
Falling due within one year	6,061,850	5,589,660
Falling due after one year	51,263,777	59,747,390
Other debtors	350,708	197,629
Prepayments and accrued income	135,992	130,675
Cash at bank and deposits	18,602,413	24,020,978
	<u>76,414,740</u>	<u>89,686,332</u>
Creditors: amounts falling due within one year	<u>(14,234,476)</u>	<u>(152,837,959)</u>
Net current assets	<u>62,180,264</u>	<u>(63,151,627)</u>
Total assets less current liabilities	137,903,562	31,454,375
Creditors: amounts falling due after one year	<u>(254,248,358)</u>	<u>(27,868,991)</u>
Net deficit before members' interests	<u>(116,344,796)</u>	<u>3,585,384</u>
Members' interests		
Share capital repayable	-	(101,553,700)
Total deficit	<u>(116,344,796)</u>	<u>(97,968,316)</u>
Reserves		
Revenue deficit	<u>(116,344,796)</u>	<u>(97,968,316)</u>

These accounts were approved by the Joint Supervisors on 28 March 2013

Arthur Boyd
Joint Supervisor

John Hansen
Joint Supervisor

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