

IP00275

**The Presbyterian Mutual Society Limited -
In Administration and Scheme of Arrangement
Group Consolidated Financial Statements
for the year ended 31 March 2013**

**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 November 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.

In October 2008, as a result of the banking crisis which resulted in an unprecedented increase in demand for repayment of members loan and share capital holdings, the Board of Directors sought professional advice and as a result of that advice, subsequently froze the repayments to members and in order to protect the assets of the Society, placed the company into Administration in November 2008, with Arthur Boyd being appointed as Administrator.

In the ensuing period, a number of approaches were made to the Administrator from various financial institutions. In addition, the prospect of a loan being made available from DETINI to assist those affected by the Society's Administration was pursued. It became clear in March 2010 that sale of the Society to a lending institution was very unlikely and so a formal proposal was made 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

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

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.

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 (together with interest) from DETINI is completely repaid.

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.

Results

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 was 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.

These Financial Statements report the performance of the Society since it entered the Scheme of Arrangement over the twelve month period from 1 April 2012 to 31 March 2013 and the comparative nine month period from 1 July 2011 to 31 March 2012.

The ongoing results for the period are set out in the Profit & Loss Account on Page 7. 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 Society's investment properties were independently valued by Colliers International on 31 December 2011. There have been no formal valuations since this time, however the Joint Supervisors are about to release an invitation to tender for formal valuations, to be carried out before 30 June 2013, the outcome of which will be incorporated into next years' financial statements. In the meantime, for the purposes of these accounts, the Joint Supervisors have provided for a further drop of 5% based on advice from Lisney, the Society's Property Advisers.

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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.

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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

21 June 2013

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

Consolidated Profit & Loss Account for the year ended 31 March 2013

	12 months to 31.03.13	9 months to 31.03.12
	£	£
Operating income		
Mortgage interest	2,059,435	1,501,379
Rental income	6,610,320	5,831,135
Other income	570,039	517,671
Total income from continuing operations	<u>9,239,794</u>	<u>7,850,185</u>
Property revaluation	(3,785,750)	(18,891,000)
Movement in work-in-progress and stock	(505,064)	(518,586)
Write down of loans and advances	(3,003,063)	(1,429,775)
Administrative expenses	(2,138,450)	(2,288,658)
Net operating loss	<u>(192,533)</u>	<u>(15,277,834)</u>
Interest receivable and similar income	299,676	128,169
Interest payable and similar charges	<u>(3,284,228)</u>	<u>(2,340,480)</u>
Loss on ordinary activities before taxation	(3,177,085)	(17,490,145)
Taxation	-	-
Loss for the period after taxation	<u><u>(3,177,085)</u></u>	<u><u>(17,490,145)</u></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 2013

	31.03.13	31.03.12
	£	£
Fixed assets		
Investment Property	71,929,250	75,715,000
Tangible fixed assets	<u>22,727</u>	<u>13,622</u>
	<u>71,951,977</u>	<u>75,728,622</u>
Current assets		
Work-in-progress and stock	17,042,325	6,703,391
Advances on loans and mortgages:		
Falling due within one year	3,691,340	5,776,555
Falling due after one year	30,297,635	44,378,455
Trade debtors	-	111,714
Other debtors	80,636	246,003
Prepayments and accrued income	198,289	146,258
Cash at bank and deposits	<u>15,502,058</u>	<u>18,616,995</u>
	66,812,283	75,979,371
Creditors: amounts falling due within one year	<u>(17,530,603)</u>	<u>(14,298,801)</u>
Net current assets	<u>49,281,680</u>	<u>61,680,570</u>
Total assets less current liabilities	121,233,657	137,409,192
Creditors: amounts falling due after one year	<u>(241,249,908)</u>	<u>(254,248,358)</u>
Net deficit before members' interests	(120,016,251)	(116,839,166)
Members' interests		
Share capital repayable	<u>-</u>	<u>-</u>
Total deficit	<u>(120,016,251)</u>	<u>(116,839,166)</u>
Reserves		
Revenue deficit	<u>(120,016,251)</u>	<u>(116,839,166)</u>

These accounts were approved by the Joint Supervisors on 21 June 2013

Arthur J 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 2013

	31.03.13	31.03.12
	£	£
Fixed assets		
Investment Property	71,929,250	75,715,000
Investment in subsidiary undertakings	2	2
Tangible fixed assets	18,466	8,296
	<u>71,947,718</u>	<u>75,723,298</u>
Current assets		
Work-in-progress and stock	10,752,042	-
Advances on loans and mortgages:		
Falling due within one year	3,832,396	6,061,850
Falling due after one year	36,786,244	51,263,777
Other debtors	372,045	350,708
Prepayments and accrued income	186,799	135,992
Cash at bank and deposits	15,454,394	18,602,413
	<u>67,383,920</u>	<u>76,414,740</u>
Creditors: amounts falling due within one year	<u>(17,448,051)</u>	<u>(14,234,476)</u>
Net current assets	<u>49,935,869</u>	<u>62,180,264</u>
Total assets less current liabilities	121,883,587	137,903,562
Creditors: amounts falling due after one year	<u>(241,249,908)</u>	<u>(254,248,358)</u>
Net deficit before members' interests	<u>(118,590,518)</u>	<u>(116,344,796)</u>
Members' interests		
Share capital repayable	<u>-</u>	<u>-</u>
Total deficit	<u>(119,366,321)</u>	<u>(116,344,796)</u>
Reserves		
Revenue deficit	<u>(119,366,321)</u>	<u>(116,344,796)</u>

These accounts were approved by the Joint Supervisors on 21 June 2013

Arthur J Boyd
Joint Supervisor

John Hansen
Joint Supervisor

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