

# Andrew Caldwell

*Independent Valuer appointed by HM Treasury under  
The Northern Rock plc Compensation Scheme Order 2008*

29 March 2010

Dear Sir or Madam

## **Assessment Notice issued pursuant to the Northern Rock Plc Compensation Scheme Order 2008**

This letter constitutes an Assessment Notice issued pursuant to paragraph 11 of the Schedule to the Northern Rock Plc Compensation Scheme Order 2008.

### **Valuation Assumptions**

I am required to determine the value of Northern Rock's shares, and the value of any right to receive shares, as the case may be, immediately before the transfer of Northern Rock into temporary public ownership at the beginning of 22 February 2008. I refer to this point in time as the "Valuation Date". I detail below the Valuation Assumptions that I am required by law to apply. I must assume that as at the Valuation Date:

- all financial assistance provided by the Bank of England or HM Treasury (the "Treasury") to Northern Rock has been withdrawn (whether by the making of a demand for repayment or otherwise);
- no financial assistance would in future be provided by the Bank of England or the Treasury to Northern Rock (apart from ordinary market assistance offered by the Bank of England subject to its usual terms);
- Northern Rock is unable to continue as a going concern; and
- Northern Rock is in administration.

### **Provisional Views**

On 7 December 2009, I wrote to you setting out: the approach I proposed to take to determine the amount of any compensation payable by the Treasury; my provisional views on the valuation of Northern Rock and the amount of any compensation payable, based on that approach; and the material I had reviewed and considered. In summary, the approach I proposed to take was to:

- determine the assets that would need to be realised immediately prior to the Valuation Date to raise sufficient funds to repay the Bank of England funding;
- on the basis that Northern Rock is unable to continue as a going concern and is in administration as at the Valuation Date, ascertain the amount of any surplus that would have been available for distribution to shareholders; and
- determine the amount of any compensation payable by the Treasury to persons affected by the transfer of Northern Rock into temporary public ownership.

My provisional view was that there would be no surplus of assets over liabilities available for distribution to shareholders at the end of the assumed administration. It therefore followed that there would be no value in the shares (or the right to receive shares) in Northern Rock as at the Valuation Date and that no compensation would be due to former shareholders or those whose rights to receive shares were extinguished when Northern Rock was taken into temporary public ownership.

Correspondence should be addressed to:  
**BDO LLP, 55 Baker Street, London W1U 7EU**  
Direct fax: 020 7893 2329  
e-mail: [northern.rock@bdo.co.uk](mailto:northern.rock@bdo.co.uk)  
Helpline number: 0800 3777353

## Consultation

A detailed explanation of my provisional views was set out in a Consultation Document placed on my website ([www.northernrockvaluer.org.uk](http://www.northernrockvaluer.org.uk)).

I invited written representations on the Consultation Document by 29 January 2010. Having carefully considered those representations, I have prepared another document, the Final Document, which has also been placed on my website. The Final Document sets out:

- a summary of the substantive points arising from the representations I received in response to the Consultation Document and my responses to them;
- the effect of those representations on my provisional views set out in the Consultation Document; and
- my final determination as to the amount of any compensation payable by the Treasury.

For the reasons set out in the Final Document, none of the representations made caused me to change my proposed approach to the valuation or my provisional views on the amount of any compensation payable by the Treasury.

## Compensation Payable

I am appointed to determine the amount of any compensation payable by the Treasury to:

- those who held ordinary, foundation or preference shares in Northern Rock immediately before it was transferred into temporary public ownership by the Northern Rock Plc Transfer Order ("Transfer Order");
- those whose rights to receive shares in Northern Rock (whether by subscription, conversion or otherwise) were extinguished by Article 4 of the Transfer Order; and
- those whose "consequential rights" were extinguished by Article 12 of the Transfer Order.

I have not received any claims for compensation by anyone who could show that they had been affected by Article 12 and it has therefore not been necessary for me to assess any entitlement to compensation in respect of Article 12.

Having applied the Valuation Assumptions, I have determined that at the end of the assumed administration there would be a net deficit of approximately £5.68 billion. There would therefore be no surplus at the end of the assumed administration for distribution to shareholders.

It follows that there is no value in the shares as at the Valuation Date and therefore that no compensation is payable to former shareholders. It further follows that as at the Valuation Date there is no value in the right to receive shares and therefore that no compensation is payable to those whose rights to receive shares were extinguished by Article 4 of the Transfer Order.

**Accordingly, for the reasons set out in the Final Document, I determine that the amount of compensation payable by the Treasury to former shareholders or to those whose rights to receive shares have been extinguished is Nil.**

## Next Steps

You may seek reconsideration of this Assessment Notice within five weeks from the date of this Assessment Notice, no later than 4 May 2010. You can submit your request for reconsideration to me:

- by post to Andrew Caldwell, Northern Rock Valuer, BDO LLP, 55 Baker Street, London, W1U 7EU; or
- by email to [northern.rock@bdo.co.uk](mailto:northern.rock@bdo.co.uk), noting your postal address.

Where a request for reconsideration is made, I shall reconsider my determination and then issue a Revised Assessment Notice to you (which I shall also send to the Treasury). The Revised Assessment Notice will contain details of the period within which and means by which you may refer the matter to the Tribunal if you are dissatisfied with the Revised Assessment Notice.

## Shareholder Register

Northern Rock's registrars, Capita Registrars maintain the database of names and addresses that I use for my mailings. It is therefore important that Affected Parties continue to update Capita Registrars about any change in their personal details at:

Capita Registrars Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

Telephone: 0871 664 0340  
Fax: 0871 664 0350  
E-mail: [northernrock@capitaregistrars.com](mailto:northernrock@capitaregistrars.com)

Yours faithfully



Andrew Caldwell