

Regulatory Story

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Company	North American Banks Fund Ltd
TIDM	NAM
Headline	Half Yearly Report
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North American Banks Fund Ltd
03 September 2010

North American Banks Fund Limited

Unaudited Interim Results for the six months ended 30 June 2010

Investing policy

The investing policy of the Company is to invest in such a way as to achieve a superior capital appreciation over the long term to that available in markets as a whole. The Company intends to achieve this through investment in unquoted start-up banks, which intend to offer banking services to small and medium sized enterprises. The banks will be based in certain regions of the United States, for example Georgia, Florida, Texas, California and the South Carolina coast, where favourable economic, demographic and market factors are expected to contribute to the growth of the banks. The Investment Manager may also use its discretion to hold cash or cash equivalent investments from time to time.

Up to 100 per cent. of the Net Asset Value of the Company may be invested in securities which are not quoted on a recognised stock exchange. These investments are expected to include the provision of start-up capital and secondary financing.

The Company may, from time to time, use borrowings for short-term liquidity purposes and, if the Directors deem prudent, for longer term purposes. The Directors intend to restrict borrowing on a longer term basis to an amount equal to 20 per cent. of the issued share capital of the Company from time to time.

There will be one investment cycle and the Directors intend to return realised capital from investments to Shareholders, with returns denominated in US\$, shortly after the Company has exited its investments. The Company is likely to return this capital through share buy-backs, special dividends or liquidation.

Interim Management Report

North Atlantic Value LLP acts as the Investment Manager to the Company and has overall responsibility for the Company's day to day activities and investment decisions.

Portfolio Overview

Investment Portfolio	Cost US\$	Valuation as at 30 June 2010 US\$
Bank of Atlanta	4,000,003	1,000,000
DirecTex	150,000	-
First American Financial Holdings Inc. - Avenue Bank	3,882,500	4,000,000
FirstAtlantic Bank of Florida	3,500,000	3,100,000
Florida Capital Group	3,420,000	300,000
Magnet Bank	3,948,000	-
Metropolitan Bank	3,500,000	4,000,000
Midwest Financial Holdings	1,510,500	-
Mountain Commerce Bank (1)	2,300,000	2,300,000
NHB Holdings Inc.	4,000,000	1,000,000
TrustAtlantic Financial Corporation (2)	4,000,000	2,800,000
Investments	34,211,003	18,500,000
Cash	503,008	503,008
Total	34,714,011	19,003,008

(1) The Company holds 68,833 US\$10 warrants in this investment which are valued at nil.

(2) The Company holds 150,000 US\$10 warrants in this investment which are valued at nil.

As at 30 June 2010 the portfolio comprised eight unquoted start-up banks in the US, with an aggregate value of \$18,500,000. At the period end \$443,144 was invested in high interest cash deposits. The Company is fully invested and, in accordance with the business plan, \$503,008 of cash is available for the administration of the Company.

The Annual Report and Accounts for the year ended 31 December 2009 were posted to shareholders on 30 June 2010 and included a comprehensive Investment Manager's Report as at 16 June 2010. Further to that report, we are increasingly confident that five of your Company's investments will survive the downturn. Unfortunately however, our three troubled banks continue to experience major problems. NHB Holdings Inc., which we have already written down to \$1 million, from its original cost of \$4 million, is facing an expected Cease and Desist Order from the Federal Deposit Insurance Corporation ("FDIC"). Whilst it is possible they will be able to raise further capital or execute a spin off of its profitable relocation business, we have decided to write down this investment to zero. Florida Capital Group has already been written down to \$300,000 and it is currently trying to raise substantial amounts of capital. Taking account of current market conditions for raising capital, we have decided to write off the remaining \$300,000. Bank of Atlanta which we have written down from \$4million to \$1 million, has recently had an independent appraisal of its loan book which management believes will require it to raise \$5million of further capital at a price of \$1.5 per share. If it is successful in raising capital at this price we will be forced to make a further provision of \$142,856.50 and we have decided to reflect this and the above provisions for NHB Holdings Inc and Florida Capital Group in the month of August 2010.

Whilst it is regrettable to record further write offs, the Company is now in a position where it has five bank investments which are profitable and only one where further provisions seem likely. These further provisions against the above three investments will result in a 7.8% decline in the net asset value as at 31 July 2010.

North Atlantic Value LLP
Investment Manager
Date : 2 September 2010

Unaudited Condensed Statement of Comprehensive Income

		Six months ended 30 June 2010	Six months ended 30 June 2009	Year 31
	Notes	US\$	US\$	
Income				
Net loss on investments designated at fair value through profit or loss		(2,100,000)	-	(
Total investment loss		(2,100,000)	-	(
Expenses				
Administration fees	2	45,199	45,701	
Audit fees		12,666	14,953	
Bank charges		1,293	973	
Insurance		10,421	10,363	
Custody fees	2	3,363	4,268	
Listing fees		4,873	4,535	
Telegraph prices fees		1,112	2,289	
Directors' fees		58,764	59,723	
Disbursements		-	771	
Investment manager fees	2	140,118	168,240	
Printing costs		2,975	2,975	
Regulatory fees		3,210	2,399	
Registrar fees		9,267	8,703	
Travel costs		27,854	11,901	
Broker fees		11,882	11,838	
Legal fees		-	3,553	
Total expenses		332,997	353,185	
Loss for the period / year attributable to equity shareholders		(2,432,997)	(353,185)	(
Basic and diluted loss per share	3	(US\$0.640)	(US\$0.093)	(

All items in the above statement are derived from continuing operations. The loss attributable to equity shareholders is also the total comprehensive income.

Unaudited Condensed Statement of Changes in Equity

for the six months ended 30 June 2010

Share capital	Distributable reserve	Accumulated deficit
US\$	US\$	US\$

Equity at 1 January 2010	38,000	36,893,502	(16,050,974)	20
Loss for the period attributable to equity shareholders and total comprehensive loss for the period	-	-	(2,432,997)	(2)
Equity at 30 June 2010	38,000	36,893,502	(18,483,971)	(18)

Unaudited Condensed Statement of Changes in Equity

for the six months ended 30 June 2009

	Share capital US\$	Distributable reserve US\$	Accumulated deficit US\$	
Equity at 1 January 2009	38,000	36,893,502	(11,571,499)	25
Loss for the period attributable to equity shareholders and total comprehensive loss for the period	-	-	(353,185)	(1)
Equity at 30 June 2009	38,000	36,893,502	(11,924,684)	25

Condensed Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital US\$	Distributable reserve US\$	Accumulated deficit US\$	
Equity at 1 January 2009	38,000	36,893,502	(11,571,499)	25
Loss for the year attributable to equity shareholders and total comprehensive loss for the period	-	-	(4,479,475)	(4)
Equity at 31 December 2009	38,000	36,893,502	(16,050,974)	20

Unaudited Condensed Statement of Financial Position

		30 June 2010	30 June 2009
	Notes	US\$	US\$
Non-current assets			
Investments designated at fair value through profit or loss	4	18,500,000	24,350,000
Current assets			
Prepayments		34,546	7,365
Cash and cash equivalents	5	503,008	956,000
		537,554	963,365

Total assets		19,037,554	25,313,365
Current liabilities			
Creditors	6	590,023	306,547
		590,023	306,547
Net assets		18,447,531	25,006,818
Shareholders equity			
Share capital	7	38,000	38,000
Distributable reserve	8	36,893,502	36,893,502
Accumulated deficit		(18,483,971)	(11,924,684)
Total equity		18,447,531	25,006,818
Net Asset Value per Share	9	US\$4.85	US\$6.58

Unaudited Condensed Statement of Cash Flows

	Six months ended 30 June 2010 US\$	Six months ended 30 June 2009 US\$	Ye 31 Decem
Operating Activities			
Loss for the period / year attributable to equity shareholders	(2,432,997)	(353,185)	(4.
Unrealised losses on investments	2,100,000	-	3
(Increase) / decrease in receivables	(21,093)	3,641	
Increase in payables	120,365	165,460	
Cash flow from operating activities	(233,725)	(184,084)	(
Net decrease in cash and cash equivalents	(233,725)	(184,084)	(
Cash and cash equivalents at 1 January	736,733	1,140,084	1
Cash and cash equivalents at 30 June / 31 December	503,008	956,000	

Notes

North American Banks Fund Limited is a closed-ended investment company registered and incorporated in Guernsey. The Company has been established to invest predominantly in start-up banks based in the US.

The functional currency of the Company is US dollars because that is the currency of the primary economic environment in which the Company operates. These financial statements are presented in US Dollars.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, together with applicable legal and

regulatory requirements of Guernsey Law. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Company's latest annual audited financial statements.

The financial statements have been prepared on the historical cost basis except for the inclusion at fair value of certain financial instruments. The principal accounting policies are set out below. The preparation of financial statements in conformity with International Financial Reporting Standards requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies.

The basic and diluted earnings per share is based on the net loss for the period of US\$2,432,997 (six months ended 30 June 2009 - loss of US\$353,185, year ended 31 December 2009 - loss of US\$4,479,475) and a weighted average number of Ordinary Shares in issue during the period of 3,800,000 (six months ended 30 June 2009 & year ended 31 December 2009 - 3,800,000).

The net asset value per ordinary share is based on net assets at the period end and on 3,800,000 ordinary shares, being the number of ordinary shares in issue at the period end.

The Directors do not propose the payment of a dividend for the period.

The unaudited interim report and condensed set of financial statements are being posted to shareholders shortly and will be available on the Company's website in accordance with the AIM Rule 26:
www.northamericanbanksfund.co.uk.

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