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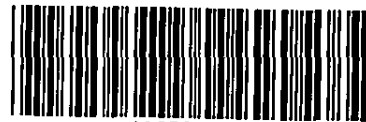
Registered number: FC024762

Guinness Atkinson Asset Management Inc

Directors' report and financial statements

for the year ended 31 December 2012

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Guinness Atkinson Asset Management Inc

Company Information

Directors

J Atkinson
T Guinness
E Harriss

Company secretary

J Atkinson

Company number

FC024762

Registered office

Suite 750
21550 Oxnard Street
Woodland Hills
U S A
CA91367

Auditors

Reeves & Co LLP
Chartered Accountants and Statutory Auditors
Third Floor
24 Chiswell Street
London
EC1Y 4YX

• **Guinness Atkinson Asset Management Inc**

Contents

	Page
Directors' report	1 – 4
Independent auditors' report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 21

Guinness Atkinson Asset Management Inc

Directors' report for the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The company's principal activity is investment management with a specialisation in investing in (a) companies active in Asia, (b) companies involved in innovation, and (c) companies involved in energy

Business review

During 2012 the Company's principal clients remained the Guinness Atkinson Funds Inc ("GA") an SEC registered no load mutual fund series, and Apollo Tiger Fund, a Guernsey based offshore unit trust

Throughout the year it managed eight funds for GA - the GA China & Hong Kong Fund (ICHKX), the GA Asia Focus Fund (IASMX), the GA Global Innovators Fund (IWIRX), the GA Global Energy Fund (GAGEX), the GA Alternative Energy Fund (GAAEX), the GA Asia Pacific Dividend Fund (GAADX), the GA Renminbi Yuan & Bond Fund (GARBX) and the new GA Inflation Managed Dividend Fund (GAINX), which was launched in April 2012

Since 2008 the Funds under management have evolved as set out in the following table

Fund	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12
\$m	\$m	\$m	\$m	\$m	\$m
GA Mutual Fund					
China & Hong Kong	123.5	240.9	243.0	153.2	152.5
Asia Focus	21.8	112.4	63.8	45.8	44.7
Global Innovators	29.7	36.9	38.2	32.4	31.7
Global Energy	30.2	74.8	117.5	145.4	90.6
Alternative Energy	47.3	62.1	36.2	17.6	13.1
Asia Pacific Dividend	5.3	11.3	6.7	4.5	4.8
Renminbi Yuan & Bond	-	-	-	92.6	89.3
Inflation Managed Dividend	-	-	-	-	1.8
Sub-total	257.7	538.4	505.3	491.5	428.5
Apollo Tiger	9.0	17.2	21.0	11.7	11.8
Total	266.7	555.6	526.3	503.2	440.3
Exchange rate	1.438	1.615	1.566	1.554	1.626
£m	185.5	344.0	336.1	323.8	270.8

Flows during the year were as set out below

Fund	Net Flow \$m	Fund	Net Flow \$m
GA Global Energy Fund	-56.6	GA Renminbi Yuan & Bond Fund	-6.5
GA China & Hong Kong Fund	-21.5	GA Alternative Energy Fund	-2.0
GA Asia Focus Fund	-7.5	GA Asia Pacific Dividend Fund	-0.7
GA Global Innovators Fund	-6.7	GA Inflation Managed Fund	1.6
		Total Net Flow	-99.8

It can be seen that in 2012 the size of these funds decreased by \$62.9m from \$503.2m (£323.8m) to \$440.3m (£270.8m) while net outflows were c \$100m

Guinness Atkinson Asset Management Inc

Directors' report for the year ended 31 December 2012

This movement in funds under management and flows was dominated by the reduction in the size of the Energy Fund of c \$55m mainly from net outflows of \$57m. This reflected a significant outflow from one investor and a deterioration in sentiment towards energy equities and their marked underperformance versus the broad market in the period April 2011 to June 2012. Changes in the sizes of the other funds were relatively minor - down \$8m - \$346m to \$338m - and here flows of \$43m were to a good extent offset by market appreciation. The fact all funds bar one experienced out flows to a large extent reflected the fact this was a period generally of significant outflows from US actively managed mutual funds.

Performance in 2012 against indices was as set out in the following table

Fund	\$ Return 2012	Benchmark return	Benchmark Index
GA Mutual Fund			
GA Alternative Energy Fund	-15.20%	-4.20%	<i>Wilderhill New Energy</i>
		-17.60%	<i>Wilderhill Clean Energy</i>
GA Global Energy Fund	3.50%	2.50%	<i>MSCI World/Energy</i>
GA Asia Focus Fund	15.70%	22.10%	<i>MSCI AC Far East Ex Japan</i>
GA Asia Pacific Dividend Fund	23.40%	22.80%	<i>MSCI Gross Pacific Ex Japan</i>
GA China & Hong Kong Fund	14.40%	26.60%	<i>HANG SENG Composite</i>
GA Renminbi Yuan & Bond Fund	3.90%	n/a	n/a
GA Global Innovators Fund	19.90%	17.70%	<i>NASDAQ Composite</i>
		16.00%	<i>S&P 500</i>
GA Inflation Managed Dividend	4.90%	4.40%	<i>MSCI World (9 months from launch)</i>
Marlborough Tiger Fund	12.40%	21.10%	<i>MSCI Gross Asia FR Ex Japan</i>

As can be seen all the funds except the Global Alternative Energy Fund produced positive total returns during the period. Against their benchmarks the funds' performance, other than the Asia funds, was respectable. Global Energy, Global Innovators, Inflation Managed Dividend and Asia Pacific Dividend outperformed their benchmarks. Alternative Energy outperformed the Clean Energy Index but not New Energy Index. The Asia and China & Hong Kong Funds, whilst returning good absolute returns, had difficult years against their benchmarks reflecting the managers particular value at a reasonable growth style which led the funds to avoid many of the index constituents which did not meet the required criteria but performed strongly.

2013 has begun with a better feel to it. Sentiment towards equities including energy equities and Asia is definitely improved. We remain optimistic about the themes that underlie our fund range and for the company's growth in 2013.

As regards the profitability of the business the results for the year were a loss of some £93k (\$60k), before taking into account interest income, tax, and foreign exchange, compared with a profit on the same basis of £124k (\$211k) in 2011. Management fees down £432k (\$745k) and expenses only down £255k (\$453k) were the cause. Expenses would have been lower, however, except for two factors. One was the costs incurred in launching the Inflation Managed Dividend Fund which amounted to roughly £104k (\$166k) (including expense reimbursement), the second was an issue involving one of the Platforms which involved unexpected charges (£69k(\$110)) in respect of multiple small accounts invested in the funds through that Platform.

Looking forward to 2013 the business is currently running at breakeven or thereabouts on a monthly basis. It is the intention that expenses will be managed to ensure on an ongoing basis costs remain below ongoing revenues. Business development effort will be focused on tapping into the reviving confidence by US investors in equity investing where we have excellent specialist (energy, alternative energy, global innovators, renminbi bond), asian and global (inflation managed dividend) fund offerings.

We believe our product range is becoming increasingly timely.

Guinness Atkinson Asset Management Inc

Directors' report for the year ended 31 December 2012

We will also be looking at ways to translate some of our investment and mutual fund industry experience and expertise into developing products that can go head to head with the challenge posed by ETFs to the active managed mutual fund industry. Products that are as good value but smarter.

Results

The loss for the year, after taxation, amounted to £93,680 (2011 – profit of £103,339)

Directors

The directors who served during the year were

J Atkinson
T Guinness
E Harriss

Principal risks and uncertainties

Business

- Decline in funds under management due to market movements or outflows of funds under management. Outflows can be due to poor performance, changing client needs, or changing perception of investment product attractiveness by clients.
- Loss of key personnel which adversely affects new client generation or client retention.
- Failure of a market counterparty to complete transactions for the company or clients in a manner that significantly prejudices the company's or clients' affairs.
- Default by a client's custodian to properly safeguard its assets leading to significant loss.

Operational

- Failure to comply with applicable regulatory or legal requirements (capital, liquidity, conduct of business) which leads to significant fines or licenses being revoked.
- Dealing errors which require significant compensation to clients.
- Failure of the company's accounting or compliance systems or those of its outsource service providers relating to maintenance of adequate records of the company's or clients' affairs of a serious nature.

Acquisition of Own Shares

On 26 October 2012, the company purchased 28 Ordinary Shares of \$0.01 each (0.7% of the issued Ordinary shares) from Tom Nelson, on his resignation from the company, for a total of \$61,600.

Guinness Atkinson Asset Management Inc

Directors' report for the year ended 31 December 2012

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

The company is a Delaware incorporated company. The directors have elected (in order to comply with requirements of the UK Financial Conduct Authority) to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). For this purpose the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors have elected to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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

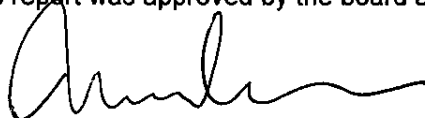
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. The directors have also elected to ensure that the financial statements comply with requirements for similar UK companies set out in the Companies Act 2006 and to be responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

This report was approved by the board and signed on its behalf



**T Guinness
Director**

Date **30 April 2013**

Guinness Atkinson Asset Management Inc

Independent auditors' report to the shareholders of Guinness Atkinson Asset Management Inc

We have audited the financial statements of Guinness Atkinson Asset Management Inc for the year ended 31 December 2012, set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Guinness Atkinson Asset Management Inc

Independent auditors' report to the shareholders of Guinness Atkinson Asset Management Inc

Matters on which we are required to report by exemption

We have nothing to report in respect of the following matters if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- the normal disclosures of directors' remuneration specified by UK law are not made, or
- we have not received all the information and explanations we require for our audit

Reeves & Co LLP

Stephen Tanner BSc (Econ) FCA (Senior Statutory Auditor)

for and on behalf of

Reeves & Co LLP

Chartered Accountants and Statutory Auditors

Third Floor

24 Chiswell Street

London

EC1Y 4YX

Date *14 May, 2012*

Guinness Atkinson Asset Management Inc

**Profit and loss account
for the year ended 31 December 2012**

	Note	2012 £	\$	2011 £	\$
Turnover	1,2	2,583,427	4,113,869	3,014,358	4,857,335
Cost of sales		<u>(1,831,305)</u>	<u>(2,915,278)</u>	<u>(2,157,020)</u>	<u>(3,468,774)</u>
Gross profit		752,122	1,198,591	857,338	1,388,561
Distribution expenses		<u>(402,430)</u>	<u>(637,545)</u>	<u>(415,586)</u>	<u>(666,040)</u>
Administrative expenses		<u>(401,687)</u>	<u>(639,882)</u>	<u>(317,431)</u>	<u>(509,218)</u>
Operating (loss)/profit before foreign exchange movements		(51,995)	(78,836)	124,321	213,303
Difference on foreign exchange		<u>(48,569)</u>	<u>7,142</u>	<u>20,273</u>	<u>5,744</u>
Operating (loss)/profit	3	(100,564)	(71,694)	144,594	219,047
Other income		10,911	17,611	50	80
Interest receivable		1,590	2,534	2,844	4,579
Loss on disposal of investment		<u>(4,437)</u>	<u>(6,704)</u>	-	-
(Loss)/ Profit on ordinary activities before taxation		(92,500)	(58,253)	147,488	223,706
Tax on profit on ordinary activities	7	<u>(1,180)</u>	<u>(1,879)</u>	<u>(44,149)</u>	<u>(75,245)</u>
(Loss)/ Profit for the financial year	13	<u>(93,680)</u>	<u>(60,132)</u>	<u>103,339</u>	<u>148,461</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 10 to 21 form part of these financial statements

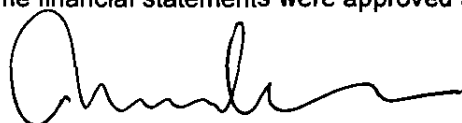
Guinness Atkinson Asset Management Inc

Registered number: FC024762
Balance sheet
as at 31 December 2012

	Note	2012 £	\$	2011 £	\$
Fixed assets					
Tangible fixed assets	8	10,850	17,643	9,802	16,766
Investments	9	623,844	1,014,373	321,750	500,000
Current assets					
Debtors	10	213,587	347,292	403,985	637,284
Cash at bank and in hand		<u>668,150</u>	<u>1,086,411</u>	<u>982,509</u>	<u>1,526,817</u>
		881,737	1,433,703	1,386,494	2,164,101
Creditors: amounts falling due within one year	11	<u>(308,375)</u>	<u>(501,422)</u>	<u>(430,184)</u>	<u>(677,997)</u>
Net current assets		<u>573,362</u>	<u>932,281</u>	<u>956,310</u>	<u>1,486,104</u>
Total assets less current liabilities		<u>1,208,056</u>	<u>1,964,300</u>	<u>1,287,862</u>	<u>2,002,870</u>
Net assets		<u>1,208,056</u>	<u>1,964,297</u>	<u>1,287,862</u>	<u>2,002,870</u>
Capital and reserves					
Called up share capital	12	22	37	22	38
Share premium account	13	329,707	612,954	276,193	529,794
Profit and loss account	13	<u>878,327</u>	<u>1,351,306</u>	<u>1,011,647</u>	<u>1,473,038</u>
Shareholders' funds	14	<u>1,208,056</u>	<u>1,964,297</u>	<u>1,287,862</u>	<u>2,002,870</u>

The notes on pages 10 to 21 form part of these financial statements

The financial statements were approved and authorised for issue by the board and were signed on its behalf



T Guinness
Director

Date 30 April 2013

Guinness Atkinson Asset Management Inc

**Cash flow statement
for the year ended 31 December 2012**

	Note	2012 £	\$	2011 £	\$
Net cash flow from operating activities	15	(24,131)	54,477	(145,561)	(237,187)
Returns on investments and servicing of finance	16	12,501	20,145	2,894	4,659
Taxation		(1,180)	(1,879)	(44,149)	(75,245)
Capital expenditure and financial investment	16	(315,423)	(534,708)	(331,115)	(514,552)
Cash outflow before financing		(328,233)	(461,965)	(517,931)	(822,325)
Financing	16	<u>13,874</u>	<u>21,559</u>	<u>46,009</u>	<u>71,500</u>
Decrease in cash in the year		<u>(314,359)</u>	<u>(440,406)</u>	<u>(471,922)</u>	<u>(750,825)</u>

**Reconciliation of net cash flow to movement in net funds/debt
for the year ended 31 December 2012**

	2012 £	\$	2011 £	\$
Decrease in cash in the year	(314,359)	(440,406)	(471,922)	(750,825)
Movement in net debt in the year	(314,359)	(440,406)	(471,922)	(750,825)
Net funds at 1 January 2012	982,509	1,526,817	1,454,431	2,277,642
Net funds at 31 December 2012	668,150	1,086,411	982,509	1,526,817

The notes on pages 10 to 21 form part of these financial statements

**Notes to the financial statements
for the year ended 31 December 2012**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice

These financial statements have been prepared as dual currency accounts on the basis that the company operates equally in the United Kingdom and the United States of America, and management therefore consider it appropriate to have two functional currencies

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of investment management and performance fees, exclusive of Value Added Tax

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant & machinery	-	33%	straight line
Fixtures, fittings and equipment	-	33%	straight line

1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Guinness Atkinson Asset Management Inc

Notes to the financial statements for the year ended 31 December 2012

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the reporting currency at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into the reporting currency at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

2. Turnover

The total turnover of the company for the year has been derived from its principal activity undertaken within the United Kingdom and the United States of America

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)

	2012 £	\$	2011 £	\$
Depreciation of tangible fixed assets				
- owned by the company	7,844	12,534	10,822	15,895
Difference on foreign exchange	<u>48,569</u>	<u>(7,142)</u>	<u>(20,273)</u>	<u>(5,744)</u>

4. Auditors' remuneration

	2012 £	\$	2011 £	\$
Fees payable to the company's auditor for the audit of the company's annual accounts	5,200	8,216	5,000	8,049
Fees payable to the company's auditor and its associates in respect of Remuneration of auditors for non audit work	<u>2,000</u>	<u>3,252</u>	<u>2,000</u>	<u>3,222</u>

Guinness Atkinson Asset Management Inc

Notes to the financial statements for the year ended 31 December 2012

5. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	\$	2011 £	\$
Wages and salaries	1,314,519	2,092,214	1,622,368	2,607,414
Social security costs	<u>149,936</u>	<u>238,778</u>	<u>156,270</u>	<u>252,157</u>
	<u>1,464,455</u>	<u>2,330,992</u>	<u>1,778,638</u>	<u>2,859,571</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No.
Employees	<u>18</u>	<u>14</u>

6. Directors' remuneration

	2012 £	\$	2011 £	\$
Emoluments	<u>650,707</u>	<u>1,034,977</u>	<u>930,903</u>	<u>1,496,719</u>

The highest paid director received remuneration of £239,736, \$381,870 (2011 - £430,711, \$670,054)

7. Taxation

	2012 £	\$	2011 £	\$
UK & US taxation on profit for the year	646	1,029	44,149	75,245
Adjustments in respect of prior periods	<u>534</u>	<u>850</u>	<u>-</u>	<u>-</u>
	<u>1,180</u>	<u>1,879</u>	<u>44,149</u>	<u>75,245</u>

Guinness Atkinson Asset Management Inc

Notes to the financial statements for the year ended 31 December 2012

Factors affecting tax charge for the year

As a US corporation with a registered office in California and a branch in the UK, the company is subject to US Federal, California State and UK corporation taxes. UK corporation tax is chargeable only on profits arising in the UK branch. In 2012 the UK branch made a loss before tax of £209,261 (2011 – £73,047).

The company has UK trade losses of £915,214 (2011 – £704,893) carried forward to utilise against future profits.

	2012 £	\$	2011 £	\$
(Loss)/Profit on ordinary activities before tax	<u>(92,500)</u>	<u>(56,800)</u>	<u>147,488</u>	<u>223,706</u>
Tax charges:				
	2012 £	\$	2011 £	\$
US Federal corporation tax	-	-	38,905	66,449
California corporation tax	646	1,029	5,244	8,796
UK corporation tax	<u>534</u>	<u>850</u>	-	-
Current tax charge for the year (see note above)	<u>1,180</u>	<u>1,879</u>	<u>44,149</u>	<u>75,245</u>
Factors affecting UK tax charge:				
UK corporation tax on UK branch profits at 20%	(18,500)	(11,360)	14,609	23,160
Expenses not deductible for tax purposes	-	-	1,822	2,888
Accelerated capital allowances for the year	-	-	(1,678)	(2,660)
Adjustment to tax charge in respect of prior period	534	850	-	-
Unrelieved tax losses carried forward	18,500	11,360	-	-
Other tax adjustments	<u>-</u>	<u>-</u>	<u>(14,753)</u>	<u>(23,388)</u>
UK corporation tax	<u>534</u>	<u>850</u>	<u>-</u>	<u>-</u>

Guinness Atkinson Asset Management Inc

**Notes to the financial statements
for the year ended 31 December 2012**

8. Tangible fixed assets (£)

	Plant and machinery £	Furniture, fittings and equipment £	Total £
Cost			
At 1 January 2012	92,936	5,792	98,728
Additions	7,992	-	7,992
Foreign exchange movement	(449)	(141)	(590)
	<u>100,479</u>	<u>5,651</u>	<u>106,130</u>
At 31 December 2012	100,479	5,651	106,130
Depreciation			
At 1 January 2012	83,134	5,792	88,926
Charge for the year	7,844	-	7,844
Foreign exchange movement	(1,349)	(141)	(1,490)
	<u>89,629</u>	<u>5,651</u>	<u>95,280</u>
At 31 December 2012	89,629	5,651	95,280
Net book value			
At 31 December 2012	<u>10,850</u>	<u>-</u>	<u>10,850</u>
At 31 December 2011	<u>9,802</u>	<u>-</u>	<u>9,802</u>

Guinness Atkinson Asset Management Inc

**Notes to the financial statements
for the year ended 31 December 2012**

8. Tangible fixed assets (\$)

	Plant and machinery \$	Furniture, fittings and equipment \$	Total \$
Cost			
At 1 January 2012	144,421	9,001	153,422
Additions	11,700	-	11,700
Disposal	-	-	-
Foreign exchange movement	7,258	188	7,446
At 31 December 2012	<u>163,379</u>	<u>9,189</u>	<u>172,568</u>
Depreciation			
At 1 January 2012	127,655	9,001	136,656
Charge for the year	12,754	-	12,754
Disposal	-	-	-
Foreign exchange movement	5,327	188	5,515
At 31 December 2012	<u>145,736</u>	<u>9,189</u>	<u>154,925</u>
Net book value			
At 31 December 2012	<u>17,643</u>	<u>-</u>	<u>17,643</u>
At 31 December 2011	<u>16,766</u>	<u>-</u>	<u>16,766</u>

Guinness Atkinson Asset Management Inc

Notes to the financial statements for the year ended 31 December 2012

9 Fixed asset investments (£)

	Listed investments £
Cost	
At 1 January 2012	321,750
Additions	1,122,852
Disposals	(806,511)
Foreign exchange movement	(14,247)
	<hr/>
At 31 December 2012	623,844
	<hr/>
Net book value	
At 31 December 2012	623,844
	<hr/>
At 31 December 2011	<u>321,750</u>

Listed investments comprise of capital invested in the following funds

	Book Cost	Market Value
	£	£
GA Renminbi Yuan & Bond Fund	2,748	2,791
GA Inflation Managed Dividend Fund	501,689	521,911
First America Prime Obligation Fund	119,407	117,971
	<hr/>	<hr/>
Total	623,844	642,673
	<hr/>	<hr/>

Guinness Atkinson Asset Management Inc

**Notes to the financial statements
for the year ended 31 December 2012**

9. Fixed asset investments (\$)

	Listed investments \$
Cost	
At 1 January 2012	500,000
Additions	1,825,757
Disposals	(1,311,384)
Foreign exchange movement	-
	<hr/>
At 31 December 2012	1,014,373
	<hr/>
Net book value	
At 31 December 2012	1,014,373
	<hr/>
At 31 December 2011	<u>500,000</u>

Listed investments comprise of capital invested in the following funds

	Book Cost	Market Value
	\$	\$
GA Renminbi Yuan & Bond Fund	4,468	4,538
GA Inflation Managed Dividend Fund	815,746	848,626
First America Prime Obligation Fund	194,159	190,680
	<hr/>	<hr/>
Total	1,014,373	1,043,845
	<hr/>	<hr/>

Guinness Atkinson Asset Management Inc

Notes to the financial statements for the year ended 31 December 2012

10. Debtors

	2012 £	\$	2011 £	\$
Trade debtors	185,111	300,990	221,145	346,171
Other debtors	7,852	12,768	161,604	258,112
Prepayments and accrued income	<u>20,624</u>	<u>33,534</u>	<u>21,236</u>	<u>33,001</u>
	<u>213,587</u>	<u>347,292</u>	<u>403,985</u>	<u>637,284</u>

11 Creditors: Amounts falling due within one year

	2012 £	\$	2011 £	\$
Trade creditors	92,585	150,544	35,506	64,668
Social security and other taxes	31,867	51,816	29,370	45,641
Other creditors	3,695	6,011	-	-
Accruals and deferred income	180,228	293,051	365,308	567,688
	<u>308,375</u>	<u>501,422</u>	<u>430,184</u>	<u>677,997</u>

12. Share capital

	2012 £	\$	2011 £	\$
Allotted and called up				
3,640 (2011 - 3,626) - Ordinary fully paid shares of \$0.01 each	21	36	21	36
133 (2011 - 175) - Ordinary partly paid shares of \$0.01 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>
	<u>22</u>	<u>37</u>	<u>22</u>	<u>38</u>

During the year, 42 Ordinary shares of \$0.01 were fully paid under the terms of The Guinness Atkinson Asset Management Deferred Share Purchase Plan ("DSPP"). Under the terms of the DSPP, the subscription price was \$2,200 per share. Participants paid \$0.01 per share on the issue of the shares and the uncalled balance is payable in accordance with the terms of the DSPP agreement.

During the year, 28 Ordinary shares of \$0.01 were repurchased by the company and cancelled.

Guinness Atkinson Asset Management Inc

**Notes to the financial statements
for the year ended 31 December 2012**

13. Reserves

	Share premium account		Profit and loss account	
	£	\$	£	\$
At 1 January 2012	276,193	529,794	1,011,647	1,473,038
Loss for the year	-	-	(93,680)	(60,132)
Premium on shares issued during the year	53,514	83,160	-	-
Purchase of own shares	-	-	(39,640)	(61,600)
	<u>329,707</u>	<u>612,954</u>	<u>878,327</u>	<u>1,351,306</u>
At 31 December 2012				

As at 31 December 2012, there was a capital redemption reserve of £0 18/ \$0 28 (2011 £Nil/ \$Nil)

14. Reconciliation of movement in shareholders' funds

	2012		2011	
	£	\$	£	\$
Opening shareholders' funds	1,287,862	2,002,870	1,138,591	1,783,043
(Loss)/Profit for the year	(93,680)	(60,132)	103,339	148,461
Shares issued during the year	-	-	1	2
Shares redeemed/ cancelled during the year	(39,640)	(61,600)	-	-
Share premium on shares issued (net of expenses)	53,514	83,159	46,008	71,498
Foreign exchange movement on opening shareholders' funds	-	-	(77)	(134)
Closing shareholders' funds	<u>1,208,056</u>	<u>1,964,297</u>	<u>1,287,862</u>	<u>2,002,870</u>

15. Net cash flow from operating activities

	2012		2011	
	£	\$	£	\$
Operating profit	(100,564)	(71,694)	144,594	219,047
Depreciation of tangible fixed assets	7,844	12,754	10,822	15,895
Decrease/(Increase) in debtors	190,398	289,992	(89,164)	(144,229)
(Decrease)/Increase in creditors	(121,809)	(176,575)	(211,813)	(327,900)
Net cash inflow from operating activities	<u>(24,131)</u>	<u>54,477</u>	<u>(145,561)</u>	<u>(237,187)</u>

Notes to the financial statements
for the year ended 31 December 2012

16. Analysis of cash flows for headings netted in cash flow statement

	2012 £	\$	2011 £	\$
Returns on investments and servicing of finance				
Interest received	1,590	2,534	2,844	4,579
Income from investments in related companies	10,911	17,611	50	80
Net cash inflow from returns on investment and servicing of finance	12,501	20,145	2,894	4,659
	2012 £	\$	2011 £	\$
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(8,892)	(13,631)	(9,365)	(14,552)
Purchase of unlisted and other investments	(1,108,605)	(1,825,757)	(321,750)	(500,000)
Sale of unlisted and other investments	802,074	1,304,680	-	-
Net cash outflow from capital expenditure	(315,423)	(534,708)	(331,115)	(514,552)
	2012 £	\$	2011 £	\$
Financing				
Issue of ordinary shares	13,874	21,559	46,009	71,500
Net cash inflow from financing	13,874	21,562	46,009	71,500

Guinness Atkinson Asset Management Inc

Notes to the financial statements for the year ended 31 December 2012

17. Analysis of changes in net debt (£)

	1 January 2012 £	Cash flow £	Other non-cash changes £	31 December 2012 £
Cash at bank and in hand	982,509	(314,359)	-	668,150
Net funds	982,509	(314,359)	-	668,150

17. Analysis of changes in net debt (\$)

	1 January 2012 \$	Cash flow \$	Other non-cash changes \$	31 December 2012 \$
Cash at bank and in hand	1,526,817	(440,406)	-	1,086,411
Net funds	1,526,817	(440,406)	-	1,086,411

18. Related party transactions

During the year, the company transacted with Guinness Asset Management Ltd, a company under common control. The total recharges from Guinness Asset Management Ltd in regard to salaries and office rental were £74,313 (2011 - £326,312) and the company repaid £73,682 (2011 - £331,882) during the year. The total recharges to Guinness Asset Management Ltd in regard to salaries and administrative expenses were £600,297 (2011 - £56,648) and the company received £755,745 (2011 - £787,354) from Guinness Asset Management Ltd during the year. At the balance sheet date Guinness Asset Management Ltd was due from the company £3,695 (2011 - owed £152,382 to the company). This balance has been included within 'Creditors: Amounts falling due within one year' in note 11 (2011 - note 10) to the financial statements.

During the year, the company charged Orbis Marketing, a company controlled by Jim Atkinson, a director of the company, £Nil (2011 - £6,435) for administration expenses incurred by the company on Orbis Marketing's behalf.

19. Controlling party

The company is under the control of T Guinness and J Atkinson, both directors of the company, who between them own 85% of the issued share capital.