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Registered number: FC024762

## GUINNESS ATKINSON ASSET MANAGEMENT INC

### DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010



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## **GUINNESS ATKINSON ASSET MANAGEMENT INC**

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### **COMPANY INFORMATION**

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**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

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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## GUINNESS ATKINSON ASSET MANAGEMENT INC

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements for the year ended 31 December 2010

#### 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 2010 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 six 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) and the GA Asia Pacific Dividend Fund (GAADX)

Funds under management since the company started business in April 2003 have evolved as set out in the following table

Fund	25 Apr 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008	31 Dec 2009	31 Dec 2010
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>GA Mutual Fund</b>									
China & Hong Kong	62.3	116.5	112.3	111.1	142.9	293.5	123.5	240.9	243.0
Asia Focus	14.8	35.9	30.7	36.5	49.3	78.4	21.8	112.4	63.8
Global Innovators	44.9	49.9	42.2	36.4	39.4	72.6	29.7	36.9	38.2
Global Energy	-	-	1.6	99.2	65.1	69.7	30.2	74.8	117.5
Alternative Energy	-	-	-	-	15.6	159.5	47.3	62.1	36.2
Asia Pacific Dividend	-	-	-	-	1.1	31.8	5.3	11.3	6.7
Sub-total	122.0	202.3	186.8	283.2	313.4	705.5	257.8	538.4	505.4
Apollo Tiger	-	-	-	-	-	-	9.0	17.2	21.0
<b>Total</b>	<b>122.0</b>	<b>202.3</b>	<b>186.8</b>	<b>283.3</b>	<b>313.4</b>	<b>705.5</b>	<b>266.8</b>	<b>555.6</b>	<b>526.4</b>
<i>Exchange rate</i>	<i>1.5915</i>	<i>1.7858</i>	<i>1.9181</i>	<i>1.7170</i>	<i>1.9570</i>	<i>1.9910</i>	<i>1.4380</i>	<i>1.6150</i>	<i>1.5660</i>
<b>£m</b>	<b>76.7</b>	<b>113.3</b>	<b>97.4</b>	<b>165.0</b>	<b>160.1</b>	<b>354.3</b>	<b>185.5</b>	<b>344.0</b>	<b>336.1</b>

It can be seen that in 2010 the size of these funds decreased by 5.3% in dollars (2.3% in sterling) from \$555.6m (£344.0m) to \$526.4m (£336.1m)

The rise in funds from market movement was c\$51m offset by net outflows over the period for the GA funds of c\$80m

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## GUINNESS ATKINSON ASSET MANAGEMENT INC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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Performance in 2010 against indices was as set out in the following table

<b>Fund</b>	<b>\$ Return 2010</b>	<b>Benchmark return</b>	<b>Benchmark</b>
<b>GA Mutual Fund</b>			
China & Hong Kong	+15.4%	+9.0%	Hang Seng Composite
Asia Focus	+20.4%	+19.5%	MSCI FE Ex Japan
Global Innovators	+17.0%	+15.1%	S&P500
		+18.2%	NASDAQ
Global Energy	+16.6%	+12.7%	MSCI World Energy
Alternative Energy	-21.9%	-4.8%	Wilderhill Clean Energy
		-13.7%	Wilderhill New Energy
Asia Pacific Dividend	+23.7%	+18.5%	MSCI Pacific Ex Japan

Performance of our funds both absolutely and relatively against their benchmarks was again generally good. The Asia Funds and the Global Energy Fund were satisfactorily ahead versus their benchmarks and the Global Innovators Fund ended up between the NASDAQ and S&P500 indices. The Alternative Energy Fund struggled against its indices, reflecting a greater exposure to pure-play wind and solar stocks than the benchmarks.

Although year end funds were lower, average funds over the year were higher than the previous year, resulting in an increase in management fees to \$4.7m (2009: \$3.6m) and profit before staff remuneration to \$3.3m (2009: \$2.4m).

### RESULTS

The profit for the year, after taxation, amounted to £157,703 (2009: £81,395).

### DIRECTORS

The directors who served during the year were

J Atkinson  
T Guinness  
E Harriss

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## **GUINNESS ATKINSON ASSET MANAGEMENT INC**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 Services 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

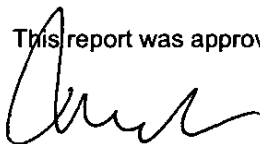
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. The directors have also elected to ensure that the financial statements comply 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 25 May 2011

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## **GUINNESS ATKINSON ASSET MANAGEMENT INC**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS ATKINSON ASSET MANAGEMENT INC**

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We have audited the financial statements of Guinness Atkinson Asset Management Inc for the year ended 31 December 2010, set out on pages 6 to 17. 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.

#### **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 2010 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 MATTER 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.

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS ATKINSON ASSET  
MANAGEMENT INC**

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**MATTERS ON WHICH WE REPORT BY EXCEPTION**

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 *6<sup>th</sup> June, 2011*

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	\$	2009 £	\$
<b>TURNOVER</b>	1,2	<b>3,069,533</b>	<b>4,742,528</b>	<b>2,306,484</b>	<b>3,661,667</b>
Cost of sales		<u><b>(2,308,621)</b></u>	<u><b>(3,569,145)</b></u>	<u><b>(1,562,728)</b></u>	<u><b>(2,496,115)</b></u>
<b>GROSS PROFIT</b>		<b>760,912</b>	<b>1,173,383</b>	<b>743,756</b>	<b>1,165,552</b>
Distribution expenses		<u><b>(266,736)</b></u>	<u><b>(412,108)</b></u>	<u><b>(148,272)</b></u>	<u><b>(235,058)</b></u>
Difference on foreign exchange		<b>41,801</b>	<b>20,829</b>	<u><b>(116,037)</b></u>	<u><b>(23,544)</b></u>
Administrative expenses		<u><b>(307,279)</b></u>	<u><b>(474,124)</b></u>	<u><b>(326,452)</b></u>	<u><b>(501,929)</b></u>
<b>OPERATING PROFIT</b>	3	<b>228,698</b>	<b>307,980</b>	<b>152,995</b>	<b>405,021</b>
Other income		<b>37</b>	<b>58</b>	<b>852</b>	<b>1,268</b>
Interest receivable		<b>2,980</b>	<b>4,650</b>	<b>7,743</b>	<b>11,989</b>
Interest payable		<u><b>-</b></u>	<u><b>-</b></u>	<u><b>(5,418)</b></u>	<u><b>(8,750)</b></u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>231,715</b>	<b>312,688</b>	<b>156,172</b>	<b>409,528</b>
Tax on profit on ordinary activities	7	<u><b>(74,012)</b></u>	<u><b>(113,780)</b></u>	<u><b>(74,777)</b></u>	<u><b>(118,859)</b></u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<u><b>157,703</b></u>	<u><b>198,908</b></u>	<u><b>81,395</b></u>	<u><b>290,669</b></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account

The notes on pages 9 to 17 form part of these financial statements

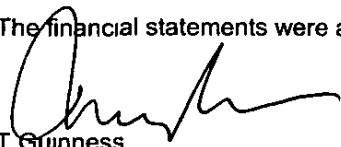
**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**BALANCE SHEET  
AS AT 31 DECEMBER 2010**

	Note	2010 £	\$	2009 £	\$
<b>FIXED ASSETS</b>					
Tangible fixed assets	8	11,309	17,713	20,679	33,399
<b>CURRENT ASSETS</b>					
Debtors	9	314,848	493,055	297,486	480,440
Cash at bank and in hand		<u>1,454,431</u>	<u>2,277,642</u>	<u>1,182,608</u>	<u>1,909,910</u>
		1,769,279	2,770,697	1,480,094	2,390,350
<b>CREDITORS:</b> amounts falling due within one year	10	<u>(641,997)</u>	<u>(1,005,367)</u>	<u>(519,885)</u>	<u>(839,614)</u>
<b>NET CURRENT ASSETS</b>		<u>1,127,282</u>	<u>1,765,330</u>	<u>960,209</u>	<u>1,550,736</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,138,591	1,783,043	980,888	1,584,135
<b>NET ASSETS</b>		<u>1,138,591</u>	<u>1,783,043</u>	<u>980,888</u>	<u>1,584,135</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11	21	36	21	36
Share premium account	12	230,185	458,296	230,185	458,296
Profit and loss account	12	<u>908,385</u>	<u>1,324,711</u>	<u>750,682</u>	<u>1,125,803</u>
<b>SHAREHOLDERS' FUNDS</b>	13	<u>1,138,591</u>	<u>1,783,043</u>	<u>980,888</u>	<u>1,584,135</u>

The notes on pages 9 to 17 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 25 May 2011

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	\$	2009 £	\$
Net cash flow from operating activities	14	347,399	482,648	93,310	360,705
Returns on investments and servicing of finance	15	3,017	4,708	3,177	4,507
Taxation		(74,139)	(112,649)	(210,412)	(318,379)
Capital expenditure and financial investment	15	(4,454)	(6,975)	(6,728)	(11,009)
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>271,823</b>	<b>367,732</b>	<b>(120,653)</b>	<b>35,824</b>
Financing	15	-	-	(121,696)	(175,000)
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>		<b>271,823</b>	<b>367,732</b>	<b>(242,349)</b>	<b>(139,176)</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £	\$	2009 £	\$
Increase/(decrease) in cash in the year	271,823	367,732	(242,349)	(139,176)
Movement on preference shares treated as debt	-	-	121,696	175,000
<b>CHANGE IN NET CASH RESULTING FROM CASH FLOWS</b>	<b>271,823</b>	<b>367,732</b>	<b>(120,653)</b>	<b>35,824</b>
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>271,823</b>	<b>367,732</b>	<b>(120,653)</b>	<b>35,824</b>
Net funds at 1 January 2010	1,182,608	1,909,910	1,303,261	1,874,086
<b>NET FUNDS AT 31 DECEMBER 2010</b>	<b>1,454,431</b>	<b>2,277,642</b>	<b>1,182,608</b>	<b>1,909,910</b>

The notes on pages 9 to 17 form part of these financial statements

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## GUINNESS ATKINSON ASSET MANAGEMENT INC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 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 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

##### 1.5 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

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	2010 £	\$	2009 £	\$
Depreciation of tangible fixed assets - owned by the company	13,951	21,530	16,070	25,258
Difference on foreign exchange	<u>(41,801)</u>	<u>(20,829)</u>	<u>116,037</u>	<u>23,544</u>

**4. AUDITORS' REMUNERATION**

	2010 £	\$	2009 £	\$
Fees payable to the company's auditor for the audit of the company's annual accounts	4,600	7,103	4,800	7,535
Fees payable to the company's auditor and its associates in respect of Remuneration of auditors for non audit work	<u>2,150</u>	<u>3,322</u>	<u>2,413</u>	<u>10,803</u>

**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2010 £	\$	2009 £	\$
Wages and salaries	1,740,778	2,691,618	1,151,948	1,843,422
Social security costs	<u>176,765</u>	<u>273,440</u>	<u>117,902</u>	<u>188,587</u>
	<u>1,917,543</u>	<u>2,965,058</u>	<u>1,269,850</u>	<u>2,032,009</u>

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

2010 No.	2009 No
<u>12</u>	<u>12</u>

**6. DIRECTORS' REMUNERATION**

	2010 £	\$	2009 £	\$
Emoluments	<u>1,107,942</u>	<u>1,608,061</u>	<u>654,103</u>	<u>1,047,863</u>

The highest paid director received remuneration of £378,583, \$585,532 (2009 - £270,888, \$432,210)

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**7. TAXATION**

	2010 £	\$	2009 £	\$
UK & US taxation on profit for the year	71,364	111,744	91,477	147,724
Adjustments in respect of prior periods	<u>2,648</u>	<u>2,036</u>	<u>(16,700)</u>	<u>(28,865)</u>
	<u>74,012</u>	<u>113,780</u>	<u>74,777</u>	<u>118,859</u>

**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 2010 the UK branch made a profit before tax of £442,320 (2009 – loss before tax of £284,007)

	2010 £	\$	2009 £	\$
Profit on ordinary activities before tax	<u>231,715</u>	<u>312,688</u>	<u>156,172</u>	<u>409,528</u>

**TAX CHARGES:**

	2010 £	\$	2009 £	\$
US Federal corporation tax	66,381	102,065	68,741	110,785
California corporation tax	7,631	11,715	8,375	11,327
UK corporation tax	—	—	<u>(2,339)</u>	<u>(3,253)</u>

**CURRENT TAX CHARGE FOR THE  
YEAR (see note above)**

	<u>74,012</u>	<u>113,780</u>	<u>74,777</u>	<u>118,859</u>
<b>Factors affecting UK tax charge:</b>				
UK corporation tax on UK branch profits at 20%	88,464	140,383	(56,801)	(91,346)
Expenses not deductible for tax purposes	2,405	3,816	50	81
Accelerated capital allowances for the year	(1,212)	(1,923)	(5,270)	(8,475)
Non-taxable income	(161,220)	(255,839)	—	—
Other tax adjustments	<u>71,563</u>	<u>113,563</u>	<u>59,682</u>	<u>96,487</u>
UK corporation tax	—	—	<u>(2,339)</u>	<u>(3,253)</u>

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**GUINNESS ATKINSON ASSET MANAGEMENT INC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**8 TANGIBLE FIXED ASSETS (£)**

	Plant and machinery £	Furniture, fittings and equipment £	Total £
<b>COST</b>			
At 1 January 2010	84,935	5,672	90,607
Additions	4,454	-	4,454
Foreign exchange movement	427	96	523
	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>89,816</u>	<u>5,768</u>	<u>95,584</u>
<b>DEPRECIATION</b>			
At 1 January 2010	64,575	5,353	69,928
Charge for the year	13,632	319	13,951
Foreign exchange movement	300	96	396
	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>78,507</u>	<u>5,768</u>	<u>84,275</u>
<b>NET BOOK VALUE</b>			
At 31 December 2010	<u>11,309</u>	<u>-</u>	<u>11,309</u>
At 31 December 2009	<u>20,360</u>	<u>319</u>	<u>20,679</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**8 TANGIBLE FIXED ASSETS (\$)**

	Plant and machinery \$	Furniture, fittings and equipment \$	Total \$
<b>COST</b>			
At 1 January 2010	137,169	9,161	146,330
Additions	6,975	-	6,975
Foreign exchange movement	(3,492)	(128)	(3,620)
	<u>140,652</u>	<u>9,033</u>	<u>149,685</u>
At 31 December 2010			
	<u>140,652</u>	<u>9,033</u>	<u>149,685</u>
<b>DEPRECIATION</b>			
At 1 January 2010	104,284	8,647	112,931
Charge for the year	21,038	492	21,530
Foreign exchange movement	(2,383)	(106)	(2,489)
	<u>122,939</u>	<u>9,033</u>	<u>131,972</u>
At 31 December 2010			
	<u>122,939</u>	<u>9,033</u>	<u>131,972</u>
<b>NET BOOK VALUE</b>			
At 31 December 2010	<u>17,713</u>	<u>-</u>	<u>17,713</u>
At 31 December 2009	<u>32,885</u>	<u>514</u>	<u>33,399</u>

**9. DEBTORS**

	2010 £	\$	2009 £	\$
Trade debtors	272,181	426,235	263,556	425,643
Other debtors	4,672	7,320	3,436	5,549
Prepayments and accrued income	<u>37,995</u>	<u>59,500</u>	<u>30,494</u>	<u>49,248</u>
	<u>314,848</u>	<u>493,055</u>	<u>297,486</u>	<u>480,440</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**10. CREDITORS:  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2010 £	\$	2009 £	\$
Trade creditors	50,450	79,005	17,069	27,566
Social security and other taxes	18,526	29,012	23,035	37,202
Other creditors	140,259	219,645	141,690	228,829
Accruals and deferred income	432,762	677,705	338,091	546,017
	<u>641,997</u>	<u>1,005,367</u>	<u>519,885</u>	<u>839,614</u>

**11. SHARE CAPITAL**

	2010 £	\$	2009 £	\$
<b>AUTHORISED</b>				
4,000- Ordinary shares of \$0.01 each	24	40	24	40
1,000- Preference shares of \$0.01 each	6	10	6	10
	<u>30</u>	<u>50</u>	<u>30</u>	<u>50</u>

**ALLOTTED, CALLED UP AND FULLY  
PAID**

3,611 - Ordinary shares of \$0.01 each	21	36	21	36
	<u>21</u>	<u>36</u>	<u>21</u>	<u>36</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**12. RESERVES**

	Share premium account		Profit and loss account	
	£	\$	£	\$
At 1 January 2010	230,185	458,296	750,682	1,125,803
Profit for the year	-	-	157,703	198,908
At 31 December 2010	<u>230,185</u>	<u>458,296</u>	<u>908,385</u>	<u>1,324,711</u>

**13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2010		2009	
	£	\$	£	\$
Opening shareholders' funds	980,888	1,584,135	899,493	1,293,466
Profit for the year	<u>157,703</u>	<u>198,908</u>	<u>81,395</u>	<u>290,669</u>
Closing shareholders' funds	<u>1,138,591</u>	<u>1,783,043</u>	<u>980,888</u>	<u>1,584,135</u>

**14 NET CASH FLOW FROM OPERATING ACTIVITIES**

	2010		2009	
	£	\$	£	\$
Operating profit	228,698	307,980	152,995	405,021
Depreciation of tangible fixed assets	13,951	21,530	16,070	25,258
Increase in debtors	(17,362)	(12,615)	(128,629)	(237,624)
Increase in creditors	<u>122,112</u>	<u>165,753</u>	<u>52,874</u>	<u>168,050</u>
<b>NET CASH INFLOW FROM OPERATIONS</b>	<u>347,399</u>	<u>482,648</u>	<u>93,310</u>	<u>360,705</u>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2010 £	\$	2009 £	\$
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received	2,980	4,650	7,743	11,989
Non-equity dividends paid	-	-	(5,418)	(8,750)
Income from investments in related companies	37	58	852	1,268
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>3,017</b>	<b>4,708</b>	<b>3,177</b>	<b>4,507</b>
	2010 £	\$	2009 £	\$
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Purchase of tangible fixed assets	(4,454)	(6,975)	(6,728)	(11,009)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>(4,454)</b>	<b>(6,975)</b>	<b>(6,728)</b>	<b>(11,009)</b>
	2010 £	\$	2009 £	\$
<b>FINANCING</b>				
Shares treated as debt - redeemed	-	-	(121,696)	(175,000)
<b>NET CASH INFLOW FROM FINANCING</b>	<b>-</b>	<b>-</b>	<b>(121,696)</b>	<b>(175,000)</b>

**GUINNESS ATKINSON ASSET MANAGEMENT INC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**16. ANALYSIS OF CHANGES IN NET DEBT (£)**

	1 January 2010 £	Cash flow £	Other non-cash changes £	31 December 2010 £
Cash at bank and in hand	1,182,608	271,823	-	1,454,431
<b>NET FUNDS</b>	<b>1,182,608</b>	<b>271,823</b>	<b>-</b>	<b>1,454,431</b>

**16. ANALYSIS OF CHANGES IN NET DEBT (\$)**

	1 January 2010 \$	Cash flow \$	Other non-cash changes \$	31 December 2010 \$
Cash at bank and in hand	1,909,910	367,732	-	2,277,642
<b>NET FUNDS</b>	<b>1,909,910</b>	<b>367,732</b>	<b>-</b>	<b>2,277,642</b>

**17 RELATED PARTY TRANSACTIONS**

During the year the company transacted with Guinness Asset Management Limited, a company under common control. The total recharges from Guinness Asset Management Limited in regard to salaries and office rental was £104,839 (2009 £112,034) and at the year end a balance of £11,617 (2009 £8,780) remained outstanding and is included within trade creditors. The total recharges to Guinness Asset Management Limited in regard to salaries and administrative expenses was £9,933 (2009 £9,888) and at the year end a balance of £1,005 (2009 £804) remained outstanding and is included within trade debtors.

During the year, the company was charged marketing costs of £Nil (2009 £16,266) by Orbis Marketing Limited, a company controlled by J Atkinson, a director of the company.

**18. CONTROLLING PARTY**

The company is under the control of T Guinness and J Atkinson, both directors of the company, who between them own 90% of the issued share capital.