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Registered number FC024762

Guinness Atkinson Asset Management, Inc.

Directors' report and financial statements

for the year ended 31 December 2013

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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.

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Guinness Atkinson Asset Management, Inc

Directors' report for the year ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013

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, (c) companies involved in energy, (d) high quality dividend growth companies. In addition the Company is currently developing the possibility of launching a range of ETFs under the SmartX brand name

Results

The profit for the year, after taxation, amounted to £6,450 (2012 loss of £74,942)

Directors

The directors who served during the year were

J Atkinson
T Guinness
E Harriss

Acquisition of Own Shares

On 16 September 2013, the company purchased 26 Ordinary Shares of \$0.01 each (0.7% of the issued Ordinary shares) from J Weir, on his resignation from the company, for a total of \$57,200. This has resulted in a transfer to the capital redemption reserve.

In the prior year, on 26th October 2012, the company purchased 28 Ordinary Shares of \$0.01 each (0.7% of the issued Ordinary shares) from T Nelson, on his resignation from the company, for a total of \$61,600. This resulted in a transfer to the capital redemption reserve.

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.

Guinness Atkinson Asset Management, Inc

**Directors' report
for the year ended 31 December 2013**

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 30th May 2014

Guinness Atkinson Asset Management, Inc

Strategic report for the year ended 31 December 2013

Business review

During 2013 the Company's principal clients were the Guinness Atkinson funds ("GA") an SEC registered no load mutual fund series. A contract to sub-advise the Apollo Tiger Fund, a Guernsey based offshore unit trust, (the Company's only other account) terminated in February 2013.

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	31-Dec-13
\$m	\$m	\$m	\$m	\$m	\$m	\$m
GA Mutual Funds						
China & Hong Kong	123.5	240.9	243.0	153.2	152.5	110.1
Asia Focus	21.8	112.4	63.8	45.8	44.7	21.9
Global Innovators	29.7	36.9	38.2	32.4	31.7	50.7
Global Energy	30.2	74.8	117.5	145.4	90.6	72.3
Alternative Energy	47.3	62.1	36.2	17.6	13.1	23.7
Asia Pacific Dividend	5.3	11.3	6.7	4.5	4.8	4.2
Renminbi Yuan & Bond	-	-	-	92.6	89.3	94.2
Inflation Managed Dividend	-	-	-	-	1.8	2.6
Total GA Mutual Funds	257.7	538.4	505.3	491.5	428.5	379.7
Apollo Tiger	9.0	17.2	21.0	11.7	11.8	
Total	266.7	555.6	526.3	503.2	440.3	379.7
<i>Exchange rate</i>	<i>1.438</i>	<i>1.615</i>	<i>1.566</i>	<i>1.554</i>	<i>1.626</i>	<i>1.656</i>
£m	185.5	344.0	336.1	323.8	270.8	229.3

It can be seen that funds, having plateaued at c \$500m in 2009-2011, have now fallen back to \$380m. We discuss the detail below. However, the big picture is that whilst this is frustrating it is mainly due to investor sentiment towards two of our sector specialisms. We know from experience what is out of favour today comes back into favour in due course!

Guinness Atkinson Asset Management, Inc.

**Strategic report
for the year ended 31 December 2013**

Net flows into and out of the funds during the year were as below

Fund	Net flow \$m
China & Hong Kong	-46.6
Asia Focus	-19.8
Global Innovators	+4.6
Global Energy	-35.1
Alternative Energy	+3.5
Asia Pacific Dividend	-0.5
Renminbi Yuan & Bond	+0.3
Inflation Managed Dividend	+0.1
Total net flow	-93.5

In 2013 the size of the GA mutual funds decreased by \$48.8m from \$428.5m (£270.8m) to \$379.7m (£229.3m), while net outflows were \$93.5m

This movement in funds under management was dominated by the reduction in the size of the Asian Funds by \$69.8m. They reduced from \$206m to \$136m, mainly due to net outflows of \$67m. The Global Energy fund also declined by \$18.3m, here \$35m of outflows were to an extent offset by investment appreciation. This reflected continued negative sentiment towards Asia and energy equities, as well as the underperformance of both Asian and energy equities versus the broad market since April 2011. The other funds all increased in size over the year.

Performance for 2013 against indices was as set out in the following table

Fund	Fund return	Index return	Index
Alternative Energy	+61.5%	+55.7%	Wilderhill New Energy Index
		+58.5%	Wilderhill Clean Energy Index
Global Innovators	+45.3%	+40.2%	NASDAQ Composite Index
		+32.4%	S&P 500 Index
Inflation Managed Dividend	+29.9%	+27.5%	MSCI World Index
Global Energy	+24.6%	+19.0%	MSCI World Energy Index
China & Hong Kong	+6.4%	+8.1%	Hang Seng Composite Index
Renminbi Yuan & Bond	+5.3%		
Asia Pacific Dividend	-2.0%	+4.5%	MSCI Pacific ex Japan Index
Asia Focus	-10.2%	+3.8%	MSCI Far East ex Japan

The top four funds in this list delivered strong investment performance absolutely and relative to benchmark. To illustrate this recently the Global Innovators Fund was the number one fund over 1, 3, 5, and 10 years in the Lipper large cap global growth category, the Inflation Managed Dividend fund has been on some recent dates the top performing fund in the Lipper global equity income growth category, the Alternative Energy Fund was on occasion last year the best performing mutual fund in the whole Lipper universe, and the Global Energy Fund won the Lipper 5 year 2013 Award for best Natural Resources Fund.

By contrast, the Asia and China & Hong Kong Funds had a further difficult year against their benchmarks. The large outflows from these funds have been mentioned. We believe the investment style we apply to managing this fund (a disciplined low turnover with value at a reasonable growth) worked well from 2003 to 2010 but has not worked well in the last three years of China economic slowdown. Rather than change style we continue to stick with it and believe that in due course this patience will be rewarded. In the meanwhile it is painful for us. We are not used to our funds underperforming!

Guinness Atkinson Asset Management, Inc

Strategic report for the year ended 31 December 2013

2014 has begun with a better feel to it. Sentiment towards energy equities is definitely improved and being 2013 Lipper Natural Resources Fund 5 year award winner cannot harm our cause, and the strong performance of Global Innovators, Inflation Managed Dividend, and Alternative Energy is catching an increasing number of investors' attention.

We remain optimistic about the themes that underlie our fund range and the company's growth in 2014.

Additionally, as part of our strategy of reducing business risk by broadening our product range, we have been working for two years on our SmartX project. We are exploring the possibility of entering the ETF space with a series of smart beta ETFs based around the universe we have developed for our active high quality dividend growth fund range. The first of a proposed range of indices went live on NASDAQ in February 2014. We are excited about the potential to successfully roll out a range of quality dividend builder indices. We have developed a detailed plan for achieving this, and have established an SEC registered series fund for the purpose with all service providers and authorised participants in place. Our business plan envisages a need for up to \$4m million of start-up costs over the first 3 years. We have decided for the time being to seek external funding for this, by way of raising additional equity. We will of course keep shareholders informed as to how this progresses.

As regards the profitability of the business the results for the year were a profit before tax of \$47k (£7k) (2012 \$26k (£73k) loss). These profits include \$112k (£71k) profits on movement in seed capital invested in Inflation Managed Dividend Fund, and exclude \$235k (£141k) of SmartX start-up which will be expensed in 2014.

Management fees on the Guinness Atkinson Funds were down \$905k (£533k) and fund expense reimbursements were up \$68k (£45k). However this was more than matched by reduced expenses of \$949k (£564k). Staff costs were reduced by \$455k (£264k), NTF fees by \$190k (£115k), advertising and marketing by \$322k (£200k).

Looking forward to 2014 the business is currently running at around breakeven 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 continue to be focused on tapping into the reviving confidence of US investors in equity investing.

We believe our active product range is becoming increasingly timely after a period where it was not.

We are also hoping to launch our SmartX ETF range and thereby 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.

Risks

The Firm's main categories of risk and its management objectives and policies for these categories are as follows:

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including legal risk. The directors are responsible for the day to day running of the business and have instituted procedures for monitoring and mitigating operational risk that are appropriate to the size and complexity of the business.

Business risk

The firm's risk appetite and its willingness to accept business risk is evaluated and documented by the directors. The risk management function is discussed at meetings of the Board of Directors. Business strategy is managed and updated on a day to day basis by the firm's directors.

Guinness Atkinson Asset Management, Inc

**Strategic report
for the year ended 31 December 2013**

Credit risk

Credit risk is the risk that losses may arise as a result of the Company's clients failing to meet their obligations to settle debts. A list of the firm's exposure to counterparties is maintained as part of the accounting function and monthly management accounts detail the firm's exposure to credit risk which is judged not to be material.

Market risk

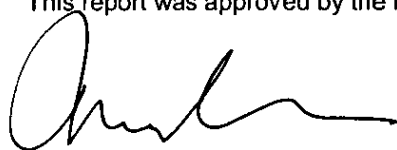
Market risk is limited to the Company's exposure to foreign exchange rate fluctuations due to income being earned in currencies other than sterling. Foreign exchange risk is monitored as part of the accounting function and currency balances are reviewed weekly. If a material foreign currency exposure were to arise then foreign currency hedges would be entered into if deemed appropriate.

Financial risk

Financial risk is the risk of the firm breaching regulatory capital requirements or falling short of its cash flow obligations. This is monitored as part of the accounting function and reviewed by the directors and where necessary external advice is sought from compliance consultants and/or accountants. Internal reporting to the Board of Directors is on a monthly basis and Regulatory reporting to the FCA is on a biannual basis. A potential deficit would be identified at an early stage and appropriate action taken.

This report was approved by the board on 30th May 2014

and signed on its behalf



**T Guinness
Director**

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 2013, set out on pages 9 to 26. 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 Directors' responsibilities statement, 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 and express an opinion on the financial statements in accordance with applicable law and 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 Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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



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 *2nd June, 2014*

Guinness Atkinson Asset Management, Inc

**Profit and loss account
for the year ended 31 December 2013**

	Note	2013 £	\$	2012 £	\$
Turnover	1,2	2,057,704	3,218,678	2,583,427	4,113,869
Cost of sales		<u>(1,462,726)</u>	<u>(2,286,620)</u>	<u>(1,831,305)</u>	<u>(2,915,278)</u>
Gross profit		594,978	932,058	752,122	1,198,591
Distribution expenses		(201,667)	(315,493)	(402,430)	(637,545)
Administrative expenses		(452,915)	(710,040)	(401,716)	(639,882)
Other operating income	3	<u>70,932</u>	<u>111,597</u>	<u>15,313</u>	<u>25,447</u>
Operating (loss)/profit before foreign exchange movements		11,328	18,122	(36,711)	(53,389)
Difference on foreign exchange		<u>(13,544)</u>	<u>14,699</u>	<u>(49,552)</u>	<u>7,146</u>
Operating (loss)/profit	4	(2,216)	32,821	(86,263)	(46,243)
Other income		8,089	12,704	10,911	17,611
Interest receivable		<u>1,105</u>	<u>1,752</u>	<u>1,590</u>	<u>2,534</u>
Profit/ (Loss) on ordinary activities before taxation		6,978	47,277	(73,762)	(26,098)
Tax on profit on ordinary activities	8	<u>(528)</u>	<u>(802)</u>	<u>(1,180)</u>	<u>(1,879)</u>
Profit/ (Loss) for the financial year	15	<u>6,450</u>	<u>46,475</u>	<u>(74,942)</u>	<u>(27,977)</u>

All amounts relate to continuing operations

The notes on pages 13 to 26 form part of these financial statements

Guinness Atkinson Asset Management, Inc

**Statement of total recognised gains and losses
for the year ended 31 December 2013**

	Note	2013 £	\$	£	2012 \$
Profit/(loss) for the financial year		<u>6,450</u>	<u>46,475</u>	<u>(74,942)</u>	<u>(27,977)</u>
Total recognised gains and losses to the year		6,450	46,475	<u>(74,942)</u>	<u>(27,977)</u>
Prior year adjustment	15,16	<u>20,265</u>	<u>32,951</u>		
Total gains and losses recognised since last financial statements		<u>26,715</u>	<u>79,426</u>		

The notes on pages 13 to 26 form part of these financial statements

Guinness Atkinson Asset Management, Inc

Registered number FC024762
Balance sheet
as at 31 December 2013

	Note	2013 £	\$	2012 £	\$
Fixed assets					
Tangible fixed assets	9	12,255	20,293	10,850	17,643
Investments	10	<u>651,135</u>	<u>1,078,280</u>	<u>119,407</u>	<u>194,159</u>
		663,390	1,098,573	130,257	211,802
Current assets					
Debtors	11	314,715	521,163	213,587	347,292
Investments	12	56,368	93,346	524,702	853,165
Cash at bank and in hand		<u>346,260</u>	<u>573,406</u>	<u>668,150</u>	<u>1,086,411</u>
		717,343	1,187,915	1,406,439	2,286,868
Creditors: amounts falling due within one year	13	<u>(154,836)</u>	<u>(256,405)</u>	<u>(308,375)</u>	<u>(501,422)</u>
Net current assets		<u>562,507</u>	<u>931,510</u>	<u>1,098,064</u>	<u>1,785,446</u>
Net assets		<u>1,225,897</u>	<u>2,030,083</u>	<u>1,228,321</u>	<u>1,997,248</u>
Capital and reserves					
Called up share capital	14	22	37	22	37
Share premium account	15	356,011	656,514	329,707	612,954
Profit and loss account	15	<u>869,863</u>	<u>1,373,532</u>	<u>898,592</u>	<u>1,384,257</u>
Shareholders' funds	17	<u>1,225,897</u>	<u>2,030,083</u>	<u>1,228,321</u>	<u>1,997,248</u>

The notes on pages 13 to 26 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 30th May 2014

Guinness Atkinson Asset Management, Inc

**Cash flow statement
for the year ended 31 December 2013**

	Note	2013 £	\$	2012 £	\$
Net cash flow from operating activities	18	(242,634)	(378,991)	(15,819)	46,679
Returns on investments and servicing of finance	19	9,194	14,456	12,501	20,145
Taxation		(528)	(802)	(1,180)	(1,879)
Capital expenditure and financial investment	19	(544,008)	(900,804)	(127,399)	(205,859)
Cash outflow before financing		(777,976)	(1,266,141)	(131,897)	(140,914)
Management of liquid resources	19	462,855	733,606	(196,934)	(320,214)
Financing	19	<u>(8,236)</u>	<u>(13,640)</u>	<u>13,874</u>	<u>21,560</u>
Decrease in cash in the year		<u>(323,357)</u>	<u>(546,175)</u>	<u>(314,957)</u>	<u>(439,568)</u>

**Reconciliation of net cash flow to movement in net funds/debt
for the year ended 31 December 2013**

		2013 £	\$	2012 £	\$
Decrease in cash in the year		(323,357)	(546,175)	(314,957)	(439,568)
Cash (inflow)/ outflow from (increase)/ decrease in liquid resources		(462,855)	(733,606)	196,934	320,214
Movement in net cash resulting from cash flows		(786,212)	(1,279,781)	(118,023)	(119,354)
Other non-cash changes	20	(4,012)	6,957	6,101	31,313
Movement in net cash in the year		(790,224)	(1,272,824)	(111,922)	(88,041)
Net funds at 1 January 2013		<u>1,192,852</u>	<u>1,939,576</u>	<u>1,304,774</u>	<u>2,027,617</u>
Net funds at 31 December 2013	20	<u>402,628</u>	<u>666,752</u>	<u>1,192,852</u>	<u>1,939,576</u>

The notes on pages 13 to 26 form part of these financial statements

Guinness Atkinson Asset Management, Inc

Notes to the financial statements for the year ended 31 December 2013

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

Current asset investments are held at fair value with revaluations being taken to the profit and loss account. Fair value has been determined as the stock market value at the balance sheet date

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 2013**

1 Accounting policies (continued)

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 Other operating income

	2013 £	\$	2012 £	\$
Profit on current asset investments	<u>70,932</u>	<u>111,597</u>	<u>15,313</u>	<u>25,447</u>

4 Operating (loss)/profit

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

	2013 £	\$	2012 £	\$
Depreciation of tangible fixed assets - owned by the company	8,695	14,482	7,873	12,534
Difference on foreign exchange	<u>13,544</u>	<u>(14,699)</u>	<u>49,552</u>	<u>(7,146)</u>

5 Auditors' remuneration

	2013 £	\$	2012 £	\$
Fees payable to the company's auditor for the audit of the company's annual accounts	5,800	9,089	5,200	8,216
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>3,134</u>	<u>2,000</u>	<u>3,252</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

6 Staff costs

Staff costs, including directors' remuneration, were as follows

	2013 £	\$	2012 £	\$
Wages and salaries	1,087,893	1,700,580	1,314,519	2,092,214
Social security costs	<u>112,097</u>	<u>175,075</u>	<u>149,936</u>	<u>238,778</u>
	<u>1,199,990</u>	<u>1,875,655</u>	<u>1,464,455</u>	<u>2,330,992</u>

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

	2013 No.	2012 No
Employees	<u>11</u>	<u>11</u>

7 Directors' remuneration

	2013 £	\$	2012 £	\$
Emoluments	<u>477,581</u>	<u>747,408</u>	<u>656,359</u>	<u>1,043,952</u>

The highest paid director received remuneration of £177,468, \$243,072 (2012 £239,736, \$381,870)

8 Taxation

	2013 £	\$	2012 £	\$
UK & US taxation on profit for the year	528	802	646	1,029
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>	<u>534</u>	<u>850</u>
	<u>528</u>	<u>802</u>	<u>1,180</u>	<u>1,879</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

8 Taxation (continued)

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 2013 the UK branch made a loss before tax of £27,677 (2012 £209,261).

The company has UK trade losses of £944,722 (2012 £915,214) carried forward to utilise against future profits.

	2013 £	\$	2012 £	\$
Profit/(Loss) on ordinary activities before tax	<u>6,978</u>	<u>47,277</u>	<u>(73,762)</u>	<u>(26,098)</u>
Tax charges				
	2013 £	\$	2012 £	\$
US Federal corporation tax	-	-	-	-
California corporation tax	528	802	646	1,029
UK corporation tax	-	-	534	850
Current tax charge for the year (see note above)	<u>528</u>	<u>802</u>	<u>1,180</u>	<u>1,879</u>
Factors affecting UK tax charge				
UK corporation tax on UK branch profits at 20%	(5,535)	(8,425)	(41,852)	(68,051)
Expenses not deductible for tax purposes	308	469	30	49
Accelerated capital allowances for the year	(684)	(1,041)	(149)	(242)
Adjustment to tax charge in respect of prior period	-	-	534	850
Unrelieved tax losses carried forward	5,911	8,997	41,971	68,244
Other tax adjustments	-	-	-	-
UK corporation tax	<u>-</u>	<u>-</u>	<u>534</u>	<u>850</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

9 Tangible fixed assets (£)

	Plant and machinery £	Furniture, fittings and equipment £	Total £
Cost			
At 1 January 2013	100,479	5,651	106,130
Additions	5,413	4,704	10,117
Foreign exchange movement	(189)	(55)	(244)
At 31 December 2013	<u>105,703</u>	<u>10,300</u>	<u>116,003</u>
Depreciation			
At 1 January 2013	89,629	5,651	95,280
Charge for the year	7,647	1,048	8,695
Foreign exchange movement	(172)	(55)	(227)
At 31 December 2013	<u>97,104</u>	<u>6,644</u>	<u>103,748</u>
Net book value			
At 31 December 2013	<u>8,599</u>	<u>3,656</u>	<u>12,255</u>
At 31 December 2012	<u>10,850</u>	<u>-</u>	<u>10,850</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

9 Tangible fixed assets (\$)

	Plant and machinery \$	Furniture, fittings and equipment \$	Total \$
Cost			
At 1 January 2013	163,379	9,189	172,568
Additions	8,926	7,757	16,683
Foreign exchange movement	2,078	60	2,138
	<u>174,383</u>	<u>17,006</u>	<u>191,389</u>
At 31 December 2013			
Depreciation			
At 1 January 2013	145,736	9,189	154,925
Charge for the year	12,754	1,728	14,482
Foreign exchange movement	1,629	60	1,689
	<u>160,119</u>	<u>10,977</u>	<u>171,096</u>
At 31 December 2013			
Net book value			
At 31 December 2013	<u>14,264</u>	<u>6,029</u>	<u>20,293</u>
At 31 December 2012	<u>17,643</u>	<u>-</u>	<u>17,643</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

10 Fixed asset investments (£)

	Listed investments £
Cost	
At 1 January 2013	119,407
Additions	684,857
Disposals	(150,966)
Foreign exchange movement	(2,163)
	<hr/>
At 31 December 2013	651,135
	<hr/>
Net book value	
At 31 December 2013	651,135
	<hr/>
At 31 December 2012	<u>119,407</u>

Listed investments comprise of capital invested in the following funds

	Book Cost £	Market Value £
First America Prime Obligation Fund	651,135	651,135
	<hr/>	<hr/>
Total	651,135	651,135
	<hr/>	<hr/>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

10 Fixed asset investments (\$)

	Listed investments \$
Cost	
At 1 January 2013	194,159
Additions	1,134,121
Disposals	(250,000)
	<hr/>
At 31 December 2013	1,078,280
	<hr/>
Net book value	
At 31 December 2013	1,078,280
	<hr/>
At 31 December 2012	<u>194,159</u>

Listed investments comprise of capital invested in the following funds

	Book Cost	Market Value
	\$	\$
First America Prime Obligation Fund	1,078,280	1,078,280
	<hr/>	<hr/>
Total	1,078,280	1,078,280
	<hr/>	<hr/>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

11 Debtors

	2013		2012	
	£	\$	£	\$
Trade debtors	136,801	226,544	185,111	300,990
Other debtors	16,397	27,147	7,852	12,768
Prepayments and accrued income	<u>161,517</u>	<u>267,472</u>	<u>20,624</u>	<u>33,534</u>
	<u>314,715</u>	<u>521,163</u>	<u>213,587</u>	<u>347,292</u>

12 Current asset investments

	2013		2012	
	£	\$	£	\$
Listed investments	<u>56,368</u>	<u>93,346</u>	<u>524,702</u>	<u>853,165</u>

13 Creditors

Amounts falling due within one year

	2013		2012	
	£	\$	£	\$
Trade creditors	2,076	3,433	92,585	150,544
Social security and other taxes	29,127	48,235	31,867	51,816
Other creditors	9,337	15,463	3,695	6,011
Accruals and deferred income	114,296	189,274	180,228	293,051
	<u>154,836</u>	<u>256,405</u>	<u>308,375</u>	<u>501,422</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

14 Share capital

	2013 £	\$	2012 £	\$
Allotted and called up				
3,636 (2012 - 3,640) - Ordinary fully paid shares of \$0.01 each	21	36	21	36
111 (2012 - 133) - Ordinary partly paid shares of \$0.01 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>22</u>	<u>37</u>	<u>22</u>	<u>37</u>

During the year, 22 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, 26 Ordinary shares of \$0.01 were repurchased by the company and cancelled.

15 Reserves

	Share premium account		Profit and loss account	
	£	\$	£	\$
At 1 January 2013 (as previously stated)	329,707	612,954	878,327	1,351,306
Prior year adjustment (Note 16)			20,265	32,951
At 1 January 2013 (as restated)			898,592	1,384,257
Profit for the financial year			6,450	46,475
Premium on shares issued during the year	26,304	43,560		
Purchase of own shares			(34,541)	(57,200)
Foreign exchange movement on opening shareholders' funds			(637)	
At 31 December 2013	<u>356,011</u>	<u>656,514</u>	<u>869,864</u>	<u>1,373,532</u>

As at 31 December 2013, there was a capital redemption reserve of £0.33 / \$0.54 (2012: £0.18 / \$0.28).

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

16 Prior year adjustment

The financial statements include a prior year adjustment of £20,265, \$32,951. This is in relation to the reclassification of seed capital investments from fixed asset investments to current asset investments. This adjustment was deemed necessary to reflect the trading nature and intended use of the seed capital. The current asset investments are now accounted for as fair value through the profit and loss account trading investments. The effect of this adjustment on the profit and loss account for the year ended 31 March 2013 was an increase in profits of £3,659, \$6,667 (2012 £20,266, \$33,029). The effect on the net assets of the company is a decrease in opening reserves as at 1 January 2012 of £20,265, \$32,951.

17 Reconciliation of movement in shareholders' funds

	2013 £	\$	2012 £	\$
Opening shareholders' funds	1,208,056	1,964,297	1,288,694	2,002,866
Prior period adjustment (note 16)	20,265	32,951	515	800
Opening shareholders' funds (as restated)	1,228,321	1,997,248	1,289,209	2,003,666
Profit/ (loss) for the year	6,450	46,475	(74,762)	(27,977)
Shares redeemed/ cancelled during the year	(34,541)	(57,200)	(39,640)	(61,600)
Share premium on shares issued (net of expenses)	26,304	43,560	53,514	83,159
Foreign exchange movement on opening shareholders' funds	(637)	-	-	-
Closing shareholders' funds	<u>1,225,897</u>	<u>2,030,083</u>	<u>1,228,321</u>	<u>1,997,248</u>

18 Net cash flow from operating activities

	2013 £	\$	2012 £	\$
Operating (loss)/profit	(2,216)	32,821	(86,263)	(46,243)
Depreciation of tangible fixed assets	8,770	13,743	7,873	12,534
(Increase)/ Decrease in debtors	(101,128)	(173,871)	190,398	289,992
Decrease in creditors	(153,539)	(245,017)	(121,809)	(176,575)
Foreign exchange movements on current asset investments	9,138	-	14,247	-
Revaluation of current asset investments	(3,659)	(6,667)	(20,265)	(33,029)
Net cash (outflow)/inflow from operating activities	<u>(242,634)</u>	<u>(378,991)</u>	<u>(15,819)</u>	<u>46,679</u>

Guinness Atkinson Asset Management, Inc

**Notes to the financial statements
for the year ended 31 December 2013**

19 Analysis of cash flows for headings netted in cash flow statement

	2013 £	\$	2012 £	\$
Returns on investments and servicing of finance				
Interest received	1,105	1,752	1,590	2,534
Income from investments in related companies	8,089	12,704	10,911	17,611
Net cash inflow from returns on investment and servicing of finance	<u>9,194</u>	<u>14,456</u>	<u>12,501</u>	<u>20,145</u>
	2013 £	\$	2012 £	\$
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(10,117)	(16,683)	(7,992)	(11,700)
Purchase of listed and other investments	(684,857)	(1,134,121)	(119,407)	(194,159)
Sale of listed and other investments	150,966	250,000	-	-
Net cash outflow from capital expenditure	<u>(544,008)</u>	<u>(900,804)</u>	<u>(127,399)</u>	<u>(205,859)</u>
	2013 £	\$	2012 £	\$
Management of liquid resources				
Purchase of current asset listed investments	(158,604)	(262,648)	(1,003,445)	(1,631,598)
Sale of current asset listed investments	621,459	996,254	806,511	1,311,384
Net cash inflow/ (outflow) from management of liquid resources	<u>462,855</u>	<u>733,606</u>	<u>(196,934)</u>	<u>(320,214)</u>

Guinness Atkinson Asset Management, Inc

Notes to the financial statements
for the year ended 31 December 2013

19 Analysis of cash flows for headings netted in cash flow statement (continued)

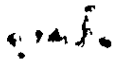
	2013 £	\$	2012 £	\$
Financing				
Purchase of own shares	(34,540)	(57,200)	(39,640)	(61,600)
Receipt to fully pay shares	26,304	43,560	53,514	83,160
Net cash (outflow)/inflow from financing	(8,236)	(13,640)	13,874	21,560

20 Analysis of changes in net debt (£)

	1 January 2013 £	Cash flow £	Other non-cash changes £	31 December 2013 £
Cash at bank and in hand	668,150	(321,890)	-	346,260
Liquid resources				
Current asset investments	524,702	(464,322)	(4,012)	56,368
Net funds	1,192,852	(786,212)	(4,013)	402,628

20 Analysis of changes in net debt (\$)

	1 January 2013 \$	Cash flow \$	Other non-cash changes \$	31 December 2013 \$
Cash at bank and in hand	1,086,411	(513,005)	-	573,406
Liquid resources				
Current asset investments	853,165	(766,776)	6,957	93,346
Net funds	1,939,576	(1,279,781)	6,957	666,752



Guinness Atkinson Asset Management, Inc.

Notes to the financial statements for the year ended 31 December 2013

21 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 were £107,807 (2012 £74,313) and the company repaid £86,960 (2012 £73,682) during the year. The total recharges to Guinness Asset Management Limited in regard to salaries and administrative expenses were £77,964 (2012 £755,745) and the company received £62,759 (2012 £600,297) from Guinness Asset Management Limited during the year. At the balance sheet date Guinness Asset Management Limited was due from the company £9,337 (2012 £3,695). This balance has been included within 'Other creditors' in Note 13 to the financial statements.

22 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.

23 Financial Instruments

(i) Risk management

The company's activities expose it to a variety of financial risks, including foreign exchange risk.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk with respect to the US dollar. Market risk arising from movements in foreign exchange rates is identified and monitored on a daily basis. Such risks are managed by operating bank accounts in foreign currencies.

(ii) Fair value

The company's financial assets and liabilities comprise, investment in seed capital, debtors, creditors and cash at bank. The book values and fair values of the company's financial assets and liabilities are identical and are disclosed on the balance sheet and related notes.