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Registered number
FC024762
Branch number
BR007242

GUINNESS ATKINSON ASSET MANAGEMENT LLC

Report and Accounts

Period ended 31 December 2003



GUINNESS ATKINSON ASSET MANAGEMENT LLC
Report and accounts
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GUINNESS ATKINSON ASSET MANAGEMENT LLC
Company Information

Directors

T Guinness
E Harriss
J Atkinson

Secretary

J Atkinson

Auditors

FW Stephens
10 Charterhouse Square
London EC1M 6LQ

Registered office

2020 East Financial Way
Suite 100 Glendora
CA91741
USA

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GUINNESS ATKINSON ASSET MANAGEMENT LLC

Directors' Report

The directors present their report and accounts for the period ended 31 December 2003.

Principal activities and review of the business

The company's principal activity following incorporation in November 2002, authorisation by the US Securities and Exchange Commission in December 2002 and subsequent authorisation by the UK Financial Services Authority on 24th April 2003 is investment management with a specialisation in Asian equities notably those giving exposure to China and Hong Kong and the Asian tiger economies and also in equities of companies that are at the forefront of their industries in their adoption of innovation and advances in communications technology. The company's first clients were the Guinness Atkinson China & Hong Kong Fund, Asia Focus Fund and the Global Innovators Fund, all funds in the Guinness Atkinson Funds series (previously the Investec Funds Series). The company became the investment manager to these funds on 25th April 2003. At that date the aggregate value of the funds was \$122.0m and during the period to 31st December 2003 the value grew to \$209.7m. The performance over the eight months from 1st May 2003 to 31st December 2003 was 67.3%; 66.3% and 26.6% for the China & Hong Kong Fund, Asia Focus Fund & Global Innovators fund respectively. This compared respectably with the performance of the benchmark indices for each of these markets. The directors are pleased with the results achieved in the company's first period of operation. The company achieved a profit of £103,465 after staff costs (including directors remuneration) of £275,416; UK corporate and US State taxes; and the amortisation of all start up costs, which were £105,977. The directors believe that the prospects for the investment areas in which the company specialises are good and are confident that 2004 will see further progress for the company's business.

Results and dividends

The profit for the year, after taxation, amounted to £103,465. The directors do not recommend payment of a dividend.

Directors

The directors who served during the period and their interests in the share capital of the company were as follows:

	\$1 Ordinary shares 27th January 2003	\$1 Ordinary shares 31st December 2003
T Guinness (appointed 21 November 2002)	-	162,500
E Harriss (appointed 1 April 2003)	-	*
J Atkinson (appointed 21 November 2002)	-	162,500

* E Harriss has options over 36,100 shares in the company.

Directors' responsibilities

The FSA requires that the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors have sought to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with UK regulatory and filing requirements. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

FW Stephens were appointed as auditors during the period.

This report was approved by the board on 30 April 2004.

Edna Harriss 25 June 2004

E Harriss
Director

GUINNESS ATKINSON ASSET MANAGEMENT LLC
Profit and Loss Account
for the period from 21 November 2002 to 31 December 2003

	Notes	2003 £
Turnover	2	628,643
Cost of sales		(332,205)
Gross profit		296,438
Administrative expenses		(187,959)
Operating profit	3	108,479
Interest receivable		2,144
Profit on ordinary activities before taxation		110,623
Tax on profit on ordinary activities	5	(7,158)
Profit for the period		103,465
Retained profit for the period	10	<u>103,465</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above period.

The company has no recognised gains or losses other than the profit for the period.

GUINNESS ATKINSON ASSET MANAGEMENT LLC**Balance Sheet**

as at 31 December 2003

	Notes	2003 £
Fixed assets		
Tangible assets	6	4,057
Current assets		
Debtors	7	140,142
Cash at bank and in hand		230,484
		<u>370,626</u>
Creditors: amounts falling due within one year	8	(89,227)
Net current assets		<u>281,399</u>
		<u>285,456</u>
Capital and reserves		
Called up share capital	9	181,991
Profit and loss account	10	103,465
Shareholders' funds:		
Equity		<u>285,456</u>
	11	<u>285,456</u>

E Harriss
Director
Approved by the board on 30 April 2004

Edred Harriss

GUINNESS ATKINSON ASSET MANAGEMENT LLC
Cash Flow Statement
for the period from 21 November 2002 to 31 December 2003

	Notes	2003 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit		108,479
Depreciation charges		1,164
Increase in debtors		(140,142)
Increase/(decrease) in creditors		82,069
Net cash inflow/(outflow) from operating activities		<u>51,570</u>

CASH FLOW STATEMENT

Net cash inflow/(outflow) from operating activities		51,570
Returns on investments and servicing of finance	12	2,144
Capital expenditure	12	<u>(5,221)</u> 48,493
Financing	12	181,991
Increase/(decrease) in cash		<u>230,484</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the period		230,484
Change in net debt	13	<u>230,484</u>
Net funds at 21 November 2002		<u>-</u>
Net funds at 31 December 2003		<u>230,484</u>

GUINNESS ATKINSON ASSET MANAGEMENT LLC
Notes to the Accounts
for the period from 21 November 2002 to 31 December 2003

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Computers and Office Equipment	over 3 years
Fixtures and Fittings	over 3 years

Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2 Turnover

Turnover represents the invoiced value of services supplied by the company, net of value added tax.

3 Operating profit **2003**
£

This is stated after charging:

Depreciation of owned fixed assets	1,164
Non-audit services paid to auditors	5,500
Auditors' remuneration	3,800
Start up costs *	<u>105,977</u>

And after crediting:

Gain on foreign exchange translations	<u>14,906</u>
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* Start up costs include, pre 25th April 2003 professional fees, authorisation fees and marketing expenses.

4 Staff costs **2003**
£

Wages and salaries	250,117
Social security costs	20,993
US employee costs	<u>4,306</u>
	<u>275,416</u>

Average number of employees during the year **Number**

Fund Management	<u>3</u>
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GUINNESS ATKINSON ASSET MANAGEMENT LLC
Notes to the Accounts
for the period from 21 November 2002 to 31 December 2003

5 Taxation	2003
	£
UK corporation tax and US tax charge	<u>7,158</u>
Factors affecting the tax charge for the year	-
Profit on ordinary activities before taxation	<u>110,623</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19%	<u>21,018</u>
	-
Marginal relief	(632)
Capital allowances for period in excess of depreciation	(672)
US branch profits not liable to UK corporation tax	(16,364)
US California taxes	<u>3,808</u>
Current tax charge	<u>7,158</u>

6 Tangible fixed assets

	Fixtures and Fittings £	Office Equipment £	Total £
Cost			
Additions	845	4,376	5,221
At 31 December 2003	<u>845</u>	<u>4,376</u>	<u>5,221</u>
Depreciation			
Charge for the period	70	1,094	1,164
At 31 December 2003	<u>70</u>	<u>1,094</u>	<u>1,164</u>
Net book value			
At 31 December 2003	<u>775</u>	<u>3,282</u>	<u>4,057</u>

7 Debtors	2003
	£
Trade debtors	107,624
Other debtors	305
Prepayments and accrued income	<u>32,213</u>
	<u>140,142</u>

8 Creditors: amounts falling due within one year	2003
	£
Trade creditors	28,012
Corporation tax	7,158
Other taxes and social security costs	50,257
Accruals and deferred income	<u>3,800</u>
	<u>89,227</u>

GUINNESS ATKINSON ASSET MANAGEMENT LLC

Notes to the Accounts

for the period from 21 November 2002 to 31 December 2003

9 Share capital 2003

	2003 No	2003 \$	2003 £
Allotted, called up and fully paid:			
Ordinary shares of \$1 each	325,000	325,000	<u>181,991</u>

Movement in share capital	2003 No	2003 \$	2003 £
Shares issued	325,000	325,000	181,991
At 31 December			<u>181,991</u>

During the period 325,000 ordinary shares were issued for a consideration of \$325,000

10 Profit and loss account 2003 £

Retained profit	103,465
At 31 December 2003	<u>103,465</u>

11 Reconciliation of movement in shareholders' funds 2003 £

Profit for the financial period	103,465
Shares issued	181,991
At 31 December 2003	<u>285,456</u>

12 Gross cash flows 2003 £

Returns on investments and servicing of finance	
Interest received	<u>2,144</u>
Capital expenditure	
Payments to acquire tangible fixed assets	<u>(5,221)</u>
Financing	
Issue of share capital	<u>181,991</u>

13 Analysis of changes in net debt

	At 21 Nov 2002 £	Cash flows £	Non-cash changes £	At 31 Dec 2003 £
Cash at bank and in hand	-	<u>230,484</u>		230,484
Total	<u>-</u>	<u>230,484</u>	<u>-</u>	<u>230,484</u>

GUINNESS ATKINSON ASSET MANAGEMENT LLC**Schedule to the Profit and Loss Account****for the period from 21 November 2002 to 31 December 2003***for the information of the directors only*

	2003 £
Sales	
Sales	628,643
Cost of sales	
Employee costs:	
Wages and salaries	145,069
Bonuses	130,347
Distribution costs	56,789
	332,205
Administrative expenses	
Marketing and Advertising costs:	
Marketing and Advertising	50,932
	50,932
Premises costs:	
Office facilities	1,617
	1,617
General administrative expenses:	
Telephone and fax	2,788
Postage	134
Stationery and printing	3,357
Courier services	604
Information systems	1,860
Depreciation	1,164
Travel, entertaining & subsistence	8,643
	18,550
Legal and professional costs:	
Audit fees	3,800
Accountancy fees	2,625
Compliance fees	7,246
FSA fees	5,587
Bank charges	216
Consultancy fees	1,465
Expense Reimbursement	824
Start up costs	105,977
Legal fees	3,622
Other legal and professional	404
	131,766
	202,865
Currency gain:	(14,906)
	187,959