

Aberdeen Asian Smaller Companies Investment Trust PLC

A total return investment trust with a concentrated portfolio, comprised predominantly of smaller listed Asian companies, excluding Japan.

Annual Report

31 July 2017



Aberdeen Asian Smaller Companies is an investor in Bank OCBC NISP, the Indonesian subsidiary of Singapore-based OCBC Bank.



Raffles Place, Singapore

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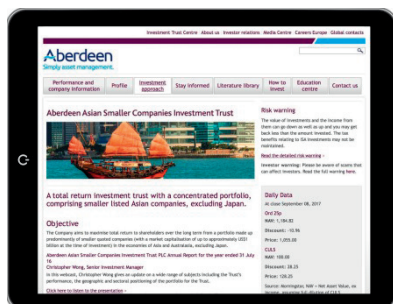
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Visit our website

To find out more about Aberdeen Asian Smaller Companies Investment Trust PLC, please visit: asian-smaller.co.uk

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in Aberdeen Asian Smaller Companies Investment Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Company Overview

Launched in October 1995, Aberdeen Asian Smaller Companies Investment Trust PLC (the "Company") is an investment company with its Ordinary shares and Convertible Unsecured Loan Stock (CULS) listed on the premium segment of the London Stock Exchange. The Company is an approved investment trust and aims to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$1 billion at the time

of investment) in the economies of Asia and Australasia, excluding Japan.

The Company is governed by a board of non-executive directors, the majority of whom are independent, and has no employees. Like other investment companies, it outsources its investment management and administration to an investment management group, the Standard Life Aberdeen group of companies, and other third party providers. The Company does not have a fixed life.

Financial Highlights

Share price total return^A

+16.2%

2016 +19.4%

Net asset value capital return (diluted)^A

+14.3%

2016 +16.4%

Net asset value total return (diluted)^A

+15.4%

2016 +18.4%

Discount to net asset value (diluted)^A

10.9%

2016 11.4%

MSCI AC Asia Pacific ex Japan Index capital return^B

+22.1%

2016 +13.8%

MSCI AC Asia Pacific ex Japan Small Cap Index capital return^B

+11.5%

2016 +16.1%

Earnings per share (revenue)

+109.4%

2016 -49.4%

Ordinary dividend per share^C

16.00p

2016 10.50p

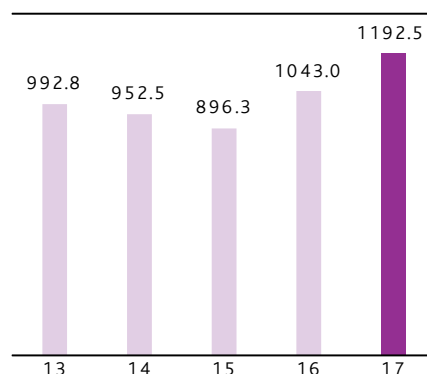
^A Alternative Performance Measures (see Glossary on page 83 for more information).

^B Currency adjusted, capital gains basis

^C Dividends are subject to shareholder approval at the Annual General Meeting.

Net asset value per share

At 31 July – pence



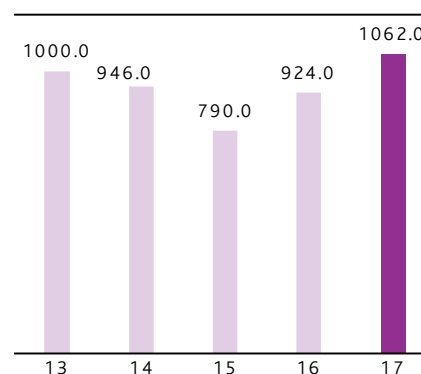
Dividends per share

Year ended 31 July - pence



Mid-market price per share

At 31 July – pence



Investment Objective

The Company's revised Investment Objective and Investment Policy was approved by shareholders at the Annual General Meeting held on 29 November 2016.

The Company aims to maximise total return to shareholders over the long term from a portfolio made up predominantly of smaller quoted companies (with a market capitalisation of up to approximately US\$1 billion at the time of investment) in the economies of Asia and Australasia, excluding Japan by following the investment policy described below. When it is in shareholders' interests to do so, the Company reserves the right to participate in the rights issue of an investee company notwithstanding that the market capitalisation of that investee may exceed the stated ceiling. The Directors do not envisage any change in this activity in the foreseeable future.

Investment Policy

The Company's assets are invested in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) predominantly in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Korea, Laos, Malaysia, Myanmar, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam, together with such other countries in Asia as the Directors may from time to time determine, (collectively, the "Investment Region"). Investments may also be made through collective investment schemes, in unquoted equities (up to 10% of the net assets of the Company, calculated at the time of investment) and in

companies traded on stock markets outside the Investment Region provided that over 75% of their consolidated revenue, operating income or pre-tax profit is earned from trading in the Investment Region or they hold more than 75% of their consolidated net assets in the Investment Region.

Risk Diversification

The Company does not invest more than 15% of its gross assets at the time of investment either in other listed investment companies (including listed investment trusts), or in the shares of any one company. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock.

Gearing

The Board is responsible for determining the gearing strategy for the Company. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Gearing is subject to a maximum gearing level of up to 25% of adjusted NAV at the time of draw down.

Management

The Company has appointed Aberdeen Fund Managers Limited (the "Alternative Investment Fund Manager" or "AIFM") as its alternative investment fund manager, which has in turn delegated certain responsibilities, including investment management, to Aberdeen Asset Management Asia Limited ("AAM Asia" or the "Investment Manager").

Financial Calendar

24 October 2017	Announcement of annual results for the year ended 31 July 2017
2 November to 30 November 2017	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
1 December 2017	Annual General Meeting at 11.30 a.m. in London
30 November 2017	CULS Conversion Date
7 December 2017	Payment of final and special dividends for year ended 31 July 2017
March 2018	Announcement of half yearly results for the six months ending 31 January 2018
3 May to 31 May 2018	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
31 May 2018	CULS Conversion Date
October 2018	Announcement of annual results for the year ending 31 July 2018

Chairman's Statement



Nigel Cayzer
Chairman

Results

I am pleased to report that your Company's net asset value (NAV) increased by 15.4% on a total return basis, which is ahead of the MSCI Asia Pacific ex Japan Small Cap Index's return of 14.3%. For UK-based investors the weakness in sterling following the UK's referendum to leave the European Union boosted investment returns. The share price rose by 16.2% to 1062.0p, while the discount narrowed to 10.9% as at 31 July 2017, from 13.1% reported in the Interim Board Report, reflecting investors' renewed interest in smaller companies.

Overview

During the year under review strong global economic news and an improved outlook in earnings has driven asset prices across all markets. The Company's focus on smaller companies in Asia benefited the portfolio as many of these domestically-focused businesses are rooted within the region's higher-growth economies.

In China, the government's moderate but sustained credit and monetary policy tightening appear to have yielded the economic stability that the leadership desired ahead of the key October party congress. Concerns over a sharp slowdown in the mainland, which were prevalent last year, have eased. Economic growth of 6.9% in the first-half was better than expected and the currency has strengthened steadily against the US dollar. A combination of improved trade and economic performance, as well as tighter capital controls, has meant money and investment are returning to the mainland. In addition, the structure of the economy has continued to improve, with the economy rebalancing towards more consumer-led growth. While China is an exciting growth story, your Manager remains circumspect when investing in the mainland, owing to concerns over corporate governance and quality of smaller companies there.

In contrast, India remains the place where your Manager sees good opportunities. Since Prime Minister Narendra Modi took office three years ago, he has not only ushered in an acceleration in economic growth but also pushed

through stalled reforms, including the nationwide sales tax. While the effects of the levy are still unfolding, the economy is expected to benefit in the long run as it will simplify the tax regime, boost tax revenues and make it easier to do business. Modi is expected to push even harder on reforms after the ruling party's victory in recent key state elections consolidated his position. Meanwhile, the pain from the surprise demonetisation in November receded, as the effects were less damaging than initially feared.

Consumption in Asia is another bright spot. It is a long-term structural driver, and the portfolio is well positioned in this aspect. A growing middle class and relatively youthful population, particularly within South-East Asia and India, offer tremendous potential. A new generation of younger consumers, who are increasingly affluent and digitally sophisticated, are not only fuelling consumption growth but also transforming traditional consumption patterns. The Company's bias towards these economies makes it well placed to benefit from these trends, alongside the broader based economic recovery.

Dividend

As advised in previous years and subject to market conditions, it is your Company's aim to maintain or increase the Ordinary dividend so that shareholders can rely on a consistent stream of income. Since its launch in 1995, with the exception of the 1997 and 1998 years when the Asian Crisis gripped much of Asia, the Company has maintained or increased level of final dividend every year.

In the current year, we have seen a significant increase in both the ordinary income and the income that we receive as special dividends. In view of this, the Board is recommending a final dividend of 12.0p per share, an increase of 14.3% from 2016 and a special dividend of 4.0p per share (2016 no special dividend). The payments will allow for a small surplus to be transferred to the brought forward revenue reserves which can be used in future years in the event of any temporary shortfalls in

revenue. If approved by shareholders at the Annual General Meeting of the Company on 1 December 2017, the final dividend will be paid on 7 December 2017 to shareholders on the register on 3 November 2017.

Gearing and Share Capital Management

The Company's year-end net gearing was 8.8%. The majority of the gearing is provided by the Convertible Unsecured Loan Stock of which approximately £32.9 million remains outstanding. On 9 June 2017 the Company agreed a new three year multicurrency revolving loan facility and a term loan facility in an aggregate amount of \$25 million with The Royal Bank of Scotland plc. Under the term loan facility \$12.5 million was drawn down and fixed for three years at an all-in rate of 2.506%. On the same date a maturing loan of \$9 million was repaid to State Street. Up to \$12.5 million remains available for drawing in the future under the new revolving loan facility. At the year end \$12.5 million had been drawn down under the Company's \$25m million multi currency loan facility.

During the year the Company purchased for treasury 1,091,750 Ordinary shares at a discount to the prevailing NAV (exclusive of income). Subsequent to the period end a further 390,500 Ordinary shares have been purchased into treasury. Share buy backs can reduce the volatility of any discount as well as modestly enhancing the NAV for shareholders.

Annual General Meeting

The Annual General Meeting is scheduled to be held on 1 December 2017 at 11.30 a.m. In addition to the usual ordinary business, as special business the Board is seeking to renew the authority to issue new shares and sell treasury shares for cash at a premium without pre-emption rules applying and to renew the authority to buy back shares and either hold them in treasury for future resale (at a premium to the prevailing NAV per share) or cancel them.

The Board is happy to take general questions on the Annual Report and financial statements at the meeting but would advise that questions of a technical nature should be addressed in writing to the Company Secretary, in advance.

We look forward to seeing as many shareholders as possible and very much hope that any, who wish, will stay for lunch afterwards.

Aberdeen Merger Update

The Board notes the completion of the merger between Aberdeen and Standard Life. The Board observes that the

merger process to date has not created any issues for the Company but we shall continue to ensure that the management team remain focussed upon looking after the interests of the Company and its shareholders during the integration of the two businesses.

Outlook

Asian equity markets have been resilient so far, but could face a pullback amid the still uncertain environment. Geopolitical tensions are simmering in the Korean peninsula. China's high debt level remains a risk. In the US Donald Trump's election as president has been tempered by concerns over his policy unpredictability and the administration's ability to deliver the agenda. All that market noise does not dim the appeal of smaller companies in Asia, however. Rising affluence, healthy consumption, as well as structural reforms and economic liberalisation create opportunities, and the smaller businesses stand to benefit. Many of them are nimble and can evolve their strategy to exploit niches unexplored by their larger counterparts. In addition, your Company's greater exposure to domestic market growth makes them less vulnerable to global macroeconomic developments. These factors, along with your Manager's focus on seeking out holdings with solid fundamentals, should underpin returns for long term investors.

Nigel Cayzer

Chairman

24 October 2017



Strategic Report

The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of Asian smaller companies. It is an investment trust and its Ordinary Shares and Convertible Unsecured Loan Stock are listed on the premium section of the London Stock Exchange. It does not have a benchmark.

1995

The Company was launched on the
London Stock Exchange 22 years ago

Shangri-La Hotel

Pacific Place, Hong Kong Island.

Shangri-La Hotels Malaysia is one of the top twenty investments of
Aberdeen Asian Smaller Companies.

Overview of Strategy

Business Model

The business of the Company is that of an investment company which seeks to qualify as an investment trust for UK capital gains tax purposes.

Investment Objective

The Company's revised Investment Objective and Investment Policy was approved by shareholders at the Annual General Meeting held on 29 November 2016.

The Company aims to maximise total return to shareholders over the long term from a portfolio made up predominantly of smaller quoted companies (with a market capitalisation of up to approximately US\$1 billion at the time of investment) in the economies of Asia and Australasia, excluding Japan by following the investment policy described below. When it is in shareholders' interests to do so, the Company reserves the right to participate in the rights issue of an investee company notwithstanding that the market capitalisation of that investee may exceed the stated ceiling. The Directors do not envisage any change in this activity in the foreseeable future.

Investment Policy

The Company's assets are invested in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) predominantly in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Korea, Laos, Malaysia, Myanmar, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam, together with such other countries in Asia as the Directors may from time to time determine, (collectively, the "Investment Region"). Investments may also be made through collective investment schemes, in unquoted equities (up to 10% of the net assets of the Company, calculated at the time of investment) and in companies traded on stock markets outside the Investment Region provided that over 75% of their consolidated revenue, operating income or pre-tax profit is earned from trading in the Investment Region or they hold more than 75% of their consolidated net assets in the Investment Region. In order to provide further flexibility to the Manager, the revenue qualification outlined above has been modified to include 'operating income or pre-tax profit' with effect from 1 August 2017.

Risk Diversification

The Company does not invest more than 15% of its gross assets at the time of investment either in other listed investment companies (including listed investment trusts), or in the shares of any one company. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock.

Gearing

The Board is responsible for determining the gearing strategy for the Company. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Gearing is subject to a maximum gearing level of up to 25% of adjusted NAV at the time of draw down.

Delivering the Investment Policy

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day to day management of the Company's assets has been delegated, via the AIFM, to the Investment Manager, AAM Asia. AAM Asia invests in a diversified range of companies throughout the Investment Region in accordance with the investment policy. AAM Asia follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value. No stock is bought without the fund managers having first met management. The Investment Manager estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Top-down investment factors are secondary in the Investment Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. Except for the maximum market capitalisation limit, little regard is paid to market capitalisation.

A detailed description of the investment process and risk controls employed by the Investment Manager is disclosed on page 75. A comprehensive analysis of the Company's portfolio is disclosed on pages 20 to 25 including a description of the ten largest investments, the portfolio investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 76 holdings.

Comparative Indices

The Company does not have a benchmark. The Investment Manager utilises two general regional indices, the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted), as well as peer group comparisons for Board reporting. It is likely that performance will diverge, possibly quite dramatically in either direction, from these or any other indices. The Investment Manager seeks to minimise risk by using in depth research and does not see divergence from an index as risk.

Key Performance Indicators (KPIs)

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determine the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company which are considered at each Board meeting are as follows:

KPI	Description
NAV Return (per share)	The Board considers the Company's NAV total return figures to be the best indicator of performance over time and is therefore the main indicator of performance used by the Board. The figures for this year and for the past 1, 3, 5, 10 years and since inception are set out on page 13.
Performance against comparative indices	The Board also measures performance against a combination of two regional indices – the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted) together with comparison against its peers. Graphs showing performance are shown on pages 14 and 15. The Board also monitors share price performance relative to competitor investment trusts over a range of time periods, taking into consideration the differing investment policies and objectives employed by those companies.
Share price (on a total return basis)	The Board also monitors the price at which the Company's shares trade relative to the MSCI Asia Pacific ex Japan Index (sterling adjusted) on a total return basis over time. A graph showing the total NAV return and the share price performance against the comparative index is shown on page 14.
Discount/Premium to NAV	The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount relative to similar investment companies investing in the region by the use of share buy backs subject to market conditions. A graph showing the share price premium/(discount) relative to the NAV is also shown on page 14.
Dividend	The Board's aim is to maintain or increase the Ordinary dividend so that shareholders can rely on a consistent stream of income. Dividends paid over the past 10 years are set out on page 13.

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of these risks, in the table below together with a description of the mitigating actions taken by the Board. The principal risks associated with an investment in the Company's shares are published monthly on the Company's factsheet or they can be found in the pre-investment disclosure document published by the Manager, both of which are on the Company's website. The Board reviews the risks and uncertainties faced by the Company in the form of a risk matrix and heat map at its annual Audit Committee and a summary of the principal risks are set out below.

Description

Investment strategy and objectives – the setting of an unattractive strategic proposition to the market and the failure to adapt to changes in investor demand may lead to the Company becoming unattractive to investors, a decreased demand for shares and a widening discount.

Mitigating Action

The Board keeps the level of discount at which the Company's shares trade as well as the investment objective and policy under review and in particular holds an annual strategy meeting where the Board reviews updates from the Investment Manager, investor relations reports and the Broker on the market. In particular, the Board is updated at each board meeting on the make up of and any movements in the shareholder register.

Description (continued)

Investment portfolio, investment management – investing outside of the investment restrictions and guidelines set by the Board could result in poor performance and inability to meet the Company's objectives, as well as a weakening discount.

Mitigating Action (continued)

The Board sets, and monitors, its investment restrictions and guidelines, and receives regular board reports which include performance reporting on the implementation of the investment policy, the investment process and application of the guidelines. The Investment Manager attends all Board meetings. The Board also monitors the Company's share price relative to the NAV.

Financial obligations - the ability of the Company to meet its financial obligations, or increasing the level of gearing, could result in the Company becoming over-gearred or unable to take advantage of potential opportunities and result in a loss of value to the Company's shares. It could also result in the Company being unable to meet the interest repayments due on the CULS.

The Board sets a gearing limit and receives regular updates on the actual gearing levels the Company has reached from the Investment Manager together with the assets and liabilities of the Company and reviews these at each Board meeting. In addition, Aberdeen Fund Managers Limited, as alternative investment fund manager, has set an overall leverage limit of 2x on a commitment basis (2.5x on a gross notional basis) and includes updates in its reports to the Board.

Financial and Regulatory – the financial risks associated with the portfolio could result in losses to the Company. In addition, failure to comply with relevant regulation (including the Companies Act, the Financial Services and Markets Act, the Alternative Investment Fund Managers Directive, Accounting Standards and the listing rules, disclosure and prospectus rules) may have an impact on the Company.

The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated by the Investment Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 18 to the financial statements. The Board relies upon the Standard Life Aberdeen Group to ensure the Company's compliance with applicable regulations and from time to time employs external advisers to advise on specific concerns.

Operational – the Company is dependent on third parties for the provision of all systems and services (in particular, those of Aberdeen Asset Management) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.

The Board receives reports from the Manager on internal controls and risk management at each board meeting. It receives assurances from all its significant service providers, as well as back to back assurances where activities are themselves sub-delegated to other third party providers with which the Company has no direct contractual relationship. Further details of the internal controls which are in place are set out in the Directors' Report on pages 35 and 36.

Investing in unlisted securities – since shareholder approval at the 2016 AGM, the Company has had the ability to invest in unlisted securities, although no such investments have yet been made. Unquoted investments are long-term in nature and they may take a considerable period to be realised. Unquoted investments are less readily realisable than quoted securities. Such investments may therefore carry a higher degree of risk than quoted securities. In valuing investments the Company may rely to a significant extent on the accuracy of financial and other information provided to the Manager. Furthermore, unquoted valuations are subject to the economic performance of the countries that the companies are based in or trade with, wider global economic trends and the performance of listed peer multiples which may influence valuations significantly. If public markets decline or economic growth falters then this will impact negatively.

The Board recognises that investing in unlisted securities carries a higher risk/reward profile. Accordingly it seeks to mitigate this risk by limiting investment into such securities to 10% of the Company's net assets (calculated at the time of investment).

Promoting the Company

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by the Manager on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the Manager. The Manager reports quarterly to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

The purpose of the programme is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of your Company is key and therefore the Company also supports the Manager's investor relations programme which involves regional roadshows, promotional and public relations campaigns.

Board Diversity

The Board recognises the importance of having a range of skilled and experienced individuals with the right knowledge in order to allow the Board to fulfill its obligations and notes that gender is only one aspect of diversity. At 31 July 2017, there were five male Directors and one female Director on the Board.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated day to day management and administrative functions to Aberdeen Fund Managers Limited. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined below.

Socially Responsible Investment Policy

The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and has noted the Manager's policy on social responsibility. The Investment Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments as part of its investment process. In particular, the Investment Manager encourages companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate

objective, however, is to deliver superior investment return for its shareholders. Accordingly, whilst the Investment Manager will seek to favour companies which pursue best practice in the above areas, this must not be to the detriment of the return on the investment portfolio.

Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Viability Statement

The Company does not have a formal fixed period strategic plan but the Board formally considers risks and strategy at least annually. The Board considers the Company, with no fixed life, to be a long term investment vehicle, but for the purposes of this viability statement has decided that a period of three years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than three years.

In assessing the viability of the Company over the review period the Directors have conducted a robust review of the principal risks focussing upon the following factors:

- The principal risks detailed in the Strategic Report;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's Shares evidenced by the historical level of premium and or discount;
- The level of income generated by the Company;
- The liquidity of the Company's portfolio; and,
- The flexibility of the Company's bank facilities.

Accordingly, taking into account the Company's current position, the fact that the Company's investments are mostly liquid and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years

from the date of this Report. In making this assessment, the Board has considered that matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

Future

Many of the non-performance related trends likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, the impact of regulatory changes (including MiFID II and Packaged Retail Investment and Insurance Products) and the recent changes to the pensions and savings market in the UK. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in my Chairman's statement on page 5 whilst the Investment Manager's views on the outlook for the portfolio are included on page 17.

Nigel Cayzer

Chairman

24 October 2017

Financial Highlights

	31 July 2017	31 July 2016	% change
Total assets (see definition on page 84)	£472,028,000	£427,725,000	+10.4
Total equity shareholders' funds (net assets)	£430,105,000	£383,735,000	+12.1
Net asset value per share (basic)	1,235.45p	1,068.92p	+15.6
Net asset value per share (diluted)	1,192.49p	1,042.99p	+14.3
Share price (mid market)	1,062.00p	924.00p	+14.9
Market capitalisation	£369,722,000	£331,710,000	+11.5
Discount to net asset value (diluted)	10.9%	11.4%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	751.08	615.34	+22.1
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis)	1,473.25	1,321.89	+11.5
Net gearing ^A	-8.8%	-7.9%	
Dividends and earnings			
Total return per share (basic) ^B	172.29p	165.38p	
Revenue return per share (basic)	19.31p	9.22p	+109.4
Dividends per share ^C	16.00p	10.50p	+52.4
Dividend cover	1.21	0.88	+37.4
Revenue reserves ^D	£11,426,000	£8,347,000	+36.9
Operating costs			
Ongoing charges ratio ^E	1.16%	1.69%	

^A Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see method of calculation in note 20).

^B Measures the total earnings for the year divided by the weighted average number of Ordinary shares in issue (see note 8).

^C The figures for dividends per share reflect the dividends for the year in which they were earned.

^D Prior to payment of final dividends.

^E Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year. Management fees are charged on the basis of the average net asset value of the Company over a rolling 24 month period.

Performance (total return)

	1 year % return	3 year % return	5 year % return	10 year % return	Since inception
Share price ^A	+16.2	+17.4	+53.8	+290.9	+1496.6
Net asset value per Ordinary share – diluted ^A	+15.4	+30.3	+71.1	+281.0	+1544.2
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+25.7	+46.0	+74.5	+131.2	+350.1
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted)	+14.3	+35.1	+63.4	+80.6	n/a

^A Alternative Performance Measures (see Glossary on page 83 for more information).

Source: Standard Life Aberdeen PLC, Morningstar, Lipper & MSCI

Dividends

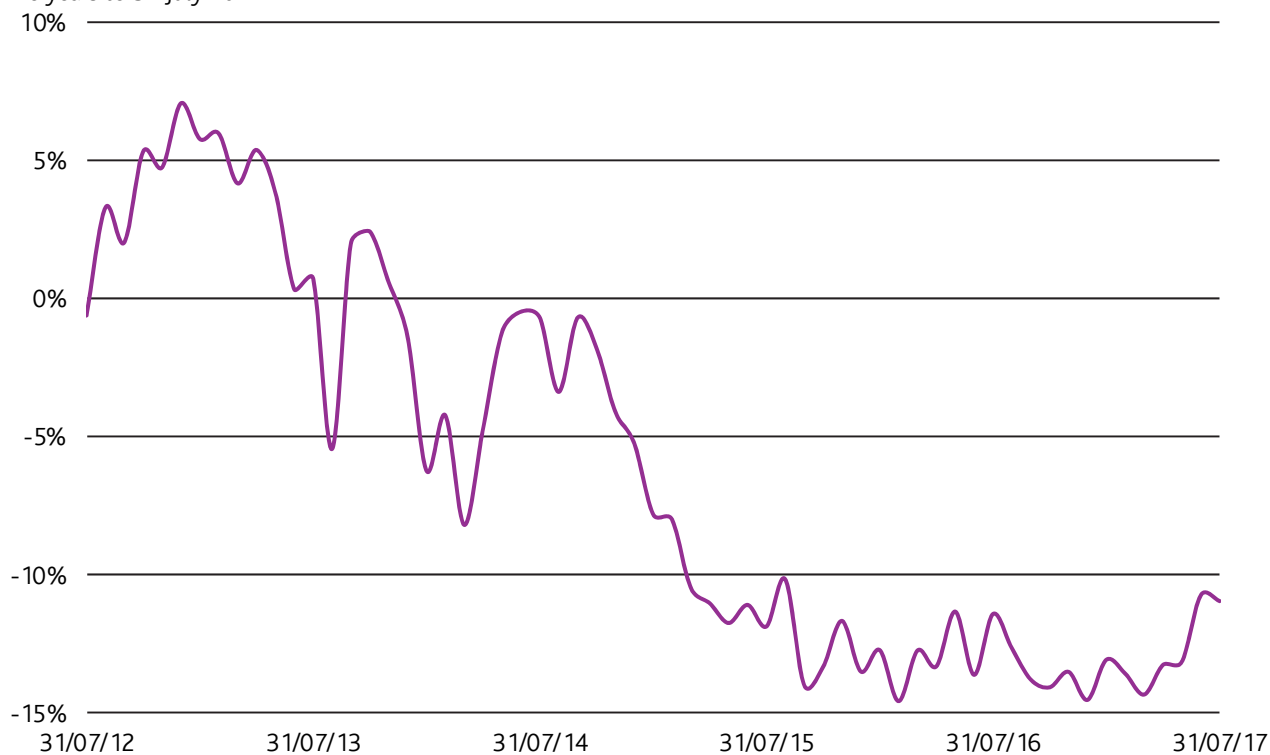
	Rate	xd date	Record date	Payment date
Proposed final 2017	12.00p	2 November 2017	3 November 2017	7 December 2017
Proposed special 2017	4.00p	2 November 2017	3 November 2017	7 December 2017
	16.00p			
Final 2016	10.50p	5 November 2016	6 November 2016	2 December 2016

Ten Year Financial Record

Year to 31 July	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total revenue (£'000)	5,021	4,954	6,103	8,380	9,168	11,512	11,427	14,746	10,992	13,896
Per share (p)										
Net revenue return	5.88	6.75	12.85	15.42	13.18	13.84	11.43	18.21	9.22	19.31
Total return	(50.80)	48.21	236.82	137.91	68.56	275.43	(31.46)	(50.13)	165.38	172.29
Net ordinary dividends paid/proposed	4.00	5.00	8.20	9.50	9.50	10.00	10.00	10.50	10.50	12.00
Net special dividends paid/proposed	1.00	–	1.90	2.80	3.00	3.00	3.00	4.50	–	4.00
Net asset value per share (p)										
Basic	347.24	390.96	619.37	686.39	746.55	1,013.82	968.89	906.16	1,068.92	1,235.45
Diluted	316.46	355.95	562.57	n/a	n/a	992.81	952.52	896.31	1,042.99	1,192.49
Shareholders' funds (£'000)	109,829	121,963	192,851	239,965	260,994	382,932	369,118	343,967	383,735	430,105

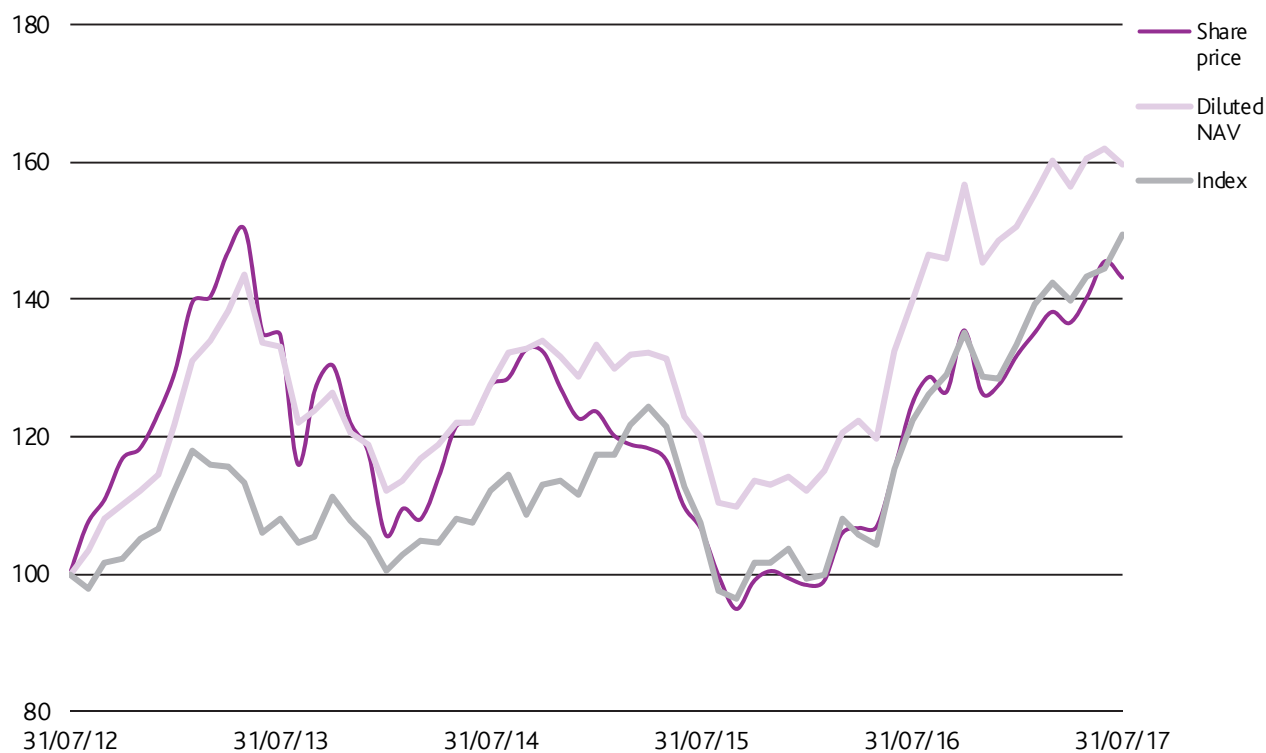
Share Price Premium/(Discount) to Diluted Net Asset Value

Five years to 31 July 2017



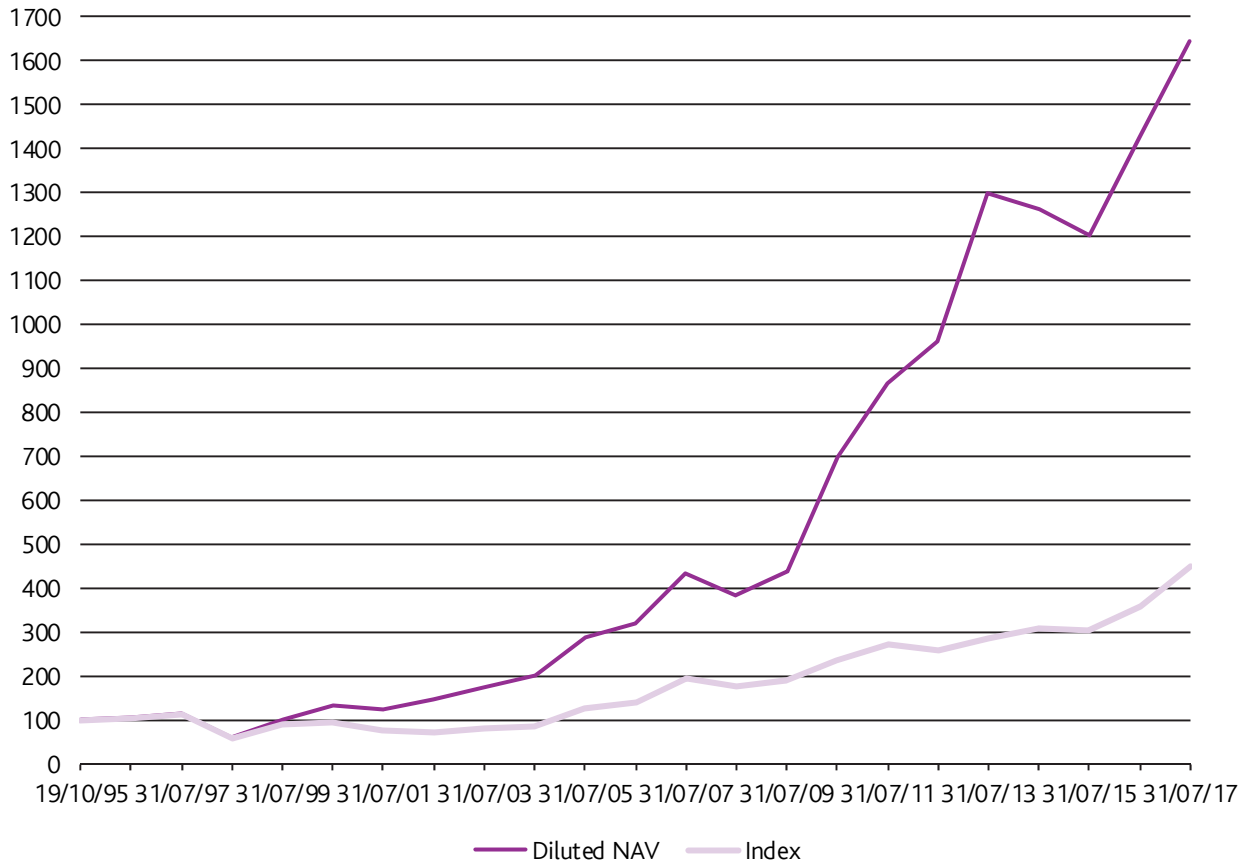
Capital Return of Diluted NAV and Share Price vs MSCI AC Asia Pacific ex Japan Index (sterling adjusted)

Five years to 31 July 2017 (rebased to 100 as at 31/07/11)



Diluted NAV Total Return Since Inception vs MSCI AC Asia Pacific ex Japan Index (sterling adjusted)

19 October 1995 to 31 July 2017 (rebased to 100 as at 19/10/95)



Investment Manager's Review

Overview

Asian markets maintained their upward trajectory in the year under review amid renewed interest in the region. Returns were further flattered by sterling's bouts of weakness, especially in the wake of the UK's surprise decision to leave the European Union and the subsequent aftershocks from the Conservative Party's political missteps, including the call for a snap election that ended in a hung parliament.

In Asia, risk appetite improved on the back of a recovery in commodity prices, aided by steadier oil prices, as well as better economic data from China. Leading the region higher were markets in India, Taiwan and China, while laggards included Indonesia, the Philippines and South Korea. The small-cap sector also benefited from liquidity inflows driven by investors' search for growth.

Portfolio Review

For the year under review, the portfolio did well both in absolute and relative terms, outperforming the MSCI AC Asia Pacific ex Japan Small Cap Index.

At the stock level, financial-sector holdings were at the forefront in contributing to relative performance. Making up the top-performing names were India's City Union Bank and Thailand's Tisco Financial. They were helped in part by prospects of higher interest rates that could result in better profit margins, but also driven by very local factors. For instance, City Union Bank benefited from Prime Minister Narendra Modi's demonetisation policy that drove consumers holding cash to place them in bank deposits instead; and Tisco Financial was lifted by improving asset quality that outpaced that of the larger lenders. Separately, Tisco bought Standard Chartered's Thai retail operations which will be integrated into the group. The move, which we view positively, is in line with its long-term strategy.

Several portfolio holdings saw their share prices rise because they were rumoured to be, or were actual targets of mergers and acquisitions. This included MP Evans, which faced a hostile takeover. The company successfully fought off the unsolicited bid from KL Kepong, which had undervalued its plantations portfolio. We had engaged with the Boards of both parties during the offer process and welcomed the outcome, as MP Evans has shown that it has a clear strategy for growth. In addition, management has since started divesting non-core assets to improve shareholders' returns, which have supported its share price. Indonesia's Bank OCBC Nisp was also buoyed by market rumours about a possible takeover, which fuelled a spike in its share price at the end of 2016. In Singapore, small-cap property companies were also the subject of speculation amid a flurry of deals. In particular, property developer Bukit Sembawang was bandied about as a possible target, given its valuable and highly sought-after land bank. It also enjoyed a re-rating after a moderate

relaxation of government measures lifted stocks in the real estate sector.

Other underlying holdings that did well included Millennium and Copthorne Hotels, which was boosted by good fundamentals and New Zealand's upbeat tourism sector; as well as Pacific Basin Shipping, which is seeing a recovery in freight rates amid a rosier operating backdrop and is well positioned to capitalise on industry consolidation. We had supported its earlier rights issue that helped strengthen its balance sheet, which will allow it to pick up bargains from among distressed shipping assets.

Conversely, we missed out to an extent on the technology sector's strong performance. This was largely because of the portfolio's lack of exposure to the tech-heavy Taiwanese stockmarket, which did well as share prices of Apple suppliers rose ahead of the iPhone 8 launch. We remain cautious about investing in this export-oriented economy that offers a relatively narrow selection of companies, many of which lack market leadership, in terms of both technology and branding, and are subject to the pricing whims of their large global customers. However, we do have exposure to Hana Microelectronics, which benefited the portfolio as its shares gained from brighter sales prospects underpinned by a strengthening US economy.

Portfolio Activity

Since the interim report, we continued to find attractive opportunities as we scoured the small-cap universe for potential additions to the portfolio. We initiated four new holdings: Taiwanese power-tools maker Basso, Korean contact-lens maker Interojo, attractively-valued Pakistani cement company Maple Leaf and Thailand's Mega Life Sciences.

We like Basso for its focus on maintaining profitability through vertical integration and investments in innovation. The company has a diversified clientele, including Hong Kong-listed Techtronic Industries, which also makes such tools.

Interojo's attractiveness lies in its high entry barriers, thanks to its manufacturing capability, distribution and products that are approved by regulators. It has a solid balance sheet and an operating margin of around 30%, with growth driven by an expanding product portfolio at home and a broadening distribution presence in China and Japan.

We found Maple Leaf appealing, given its solid niche in northern Pakistan, as well as a firm commitment to establishing a sound brand and a good distribution network that will allow it to improve its long-term profitability.

Finally, Mega Life Sciences manufactures and sells pharmaceutical and nutraceutical products domestically and across frontier markets. We like the company because its earnings continue to be resilient. It is also well positioned to benefit from its growing exposure to key frontier markets that are structurally attractive over the longer term.

Against this, we sold Hong Kong's casual-dining restaurant chain Café De Coral, which faces a tough operating environment. Holding this company over the long term has proven beneficial, as we made a tidy profit when we exited the position.

Outlook

We are cautiously optimistic about Asian small-cap equities in the months ahead, with positive momentum in the global economy providing the underpinning for growth within the region. China's increased pragmatism, backed by Beijing's desire to keep the economy on a sustainable growth path, while holding in check its reform agenda ahead of leadership changes, should also bode well for market sentiment. As such, each economy within Asia is likely to maintain their current trajectories, backed by the broad recovery in exports, which will benefit smaller companies dependent on the domestic sector. In addition, inflation is expected to remain benign, with oil prices penned in by a significant oversupply and record US shale production.

However, risks to this global backdrop persist too, particularly with a combative Trump administration and its penchant for brinksmanship, uncertainties surrounding the Brexit negotiations, federal elections in Germany and the direction of monetary policy among the world's major central banks, as well as geopolitical developments on the Korean peninsula and the Middle East, all of which will play a part in shaping investor sentiment. However, we are confident that the portfolio's underlying holdings, backed by healthy balance sheets and helmed by experienced management, should be able to overcome these challenges and keep their businesses on course, achieving their strategic goals.

Aberdeen Asset Management Asia Limited

Investment Manager

24 October 2017

Portfolio

For the Managers a benchmark is for measurement not a portfolio construction tool. Aberdeen are buy-and-hold investors meaning in theory a good company is one they may hold forever. They invest in companies that they believe they understand and can value. Companies in the portfolio are held for the longer term; the average holding period for example is eight years. Aberdeen's investment style is characterised by fundamental, first hand research, patience in taking time to build positions and its commitment to engage companies, which as active shareholders is a normal part of their relationship with companies.

Aeon Mall

Makuhari Shintoshin shopping mall, Chiba, Japan





Ten Largest Investments

As at 31 July 2017

Company	Industry	Country	Valuation 2017 £'000	Total assets %	Valuation 2016 £'000
Bank OCBC NISP Indonesian subsidiary of Singapore-based OCBC Bank.	Banks	Indonesia	15,204	3.2	11,988
Bukit Sembawang Estates Singapore-based residential property developer with a large land bank.	Real Estate Management & Development	Singapore	14,822	3.1	10,979
Millennium & Copthorne Hotels New Zealand^A Owns and operates a chain of hotels across New Zealand and also active in property development there. It is majority owned by London-listed Millennium & Copthorne Hotels.	Hotels, Restaurants & Leisure	New Zealand	13,849	2.9	8,550
Hana Microelectronics (Foreign) Thai company with diversified product lines in IC packaging and microelectronics, proven management ability to manage through cycles, debt-free balance sheet and strong cash flow.	Electronic Equipment, Instruments & Components	Thailand	13,582	2.9	10,299
Dah Sing Financial Holdings A conservative medium-sized Hong Kong based bank with exposure to both Hong Kong and China. The bank offers appealing valuation and strong asset quality.	Banks	Hong Kong	13,340	2.8	12,547
Multi Bintang Indonesia A well-run Indonesian brewery which has good long-term prospects and steady cash flow.	Beverages	Indonesia	12,986	2.8	11,890
Ramco Cements A mid-sized cement manufacturer in India with a leading market share in the southern region.	Construction Materials	India	12,605	2.7	10,745
M.P. Evans Group Owns and operates plantations, both directly and through associated undertakings, with plantation interests in Indonesia and Malaysia.	Food Products	United Kingdom	12,573	2.7	6,387
Yoma Strategic Holdings Singapore-listed conglomerate with businesses in property, agriculture and tourism in Myanmar.	Real Estate Management & Development	Singapore	11,431	2.4	10,961
LPI Capital Malaysia-based insurance company involved in underwriting fire, motor, marine, aviation, transit and miscellaneous insurance.	Insurance	Malaysia	11,030	2.3	14,228
Top ten investments			131,422	27.8	

^A Holding includes investment in both common and preference lines.

Other Investments

As at 31 July 2017

Company	Industry	Country	Valuation 2017 £'000	Total assets %	Valuation 2016 £'000
Kansai Nerolac Paints	Chemicals	India	10,566	2.2	7,569
Cebu Holdings	Real Estate Management & Development	Philippines	10,175	2.2	10,100
AEON Co (M)	Multiline Retail	Malaysia	10,135	2.1	11,654
AEON Credit Service (M)	Consumer Finance	Malaysia	10,088	2.1	7,401
City Union Bank	Banks	India	9,811	2.1	6,101
Tisco Financial Group (Foreign)	Banks	Thailand	9,750	2.1	12,075
AEON Thana Sinsap Thailand (Foreign)	Consumer Finance	Thailand	9,671	2.0	10,437
First Sponsor Group	Real Estate Management & Development	Singapore	9,231	2.0	9,915
Gujarat Gas	Gas Utilities	India	8,758	1.9	8,103
Jollibee Foods Corporation	Hotels, Restaurants & Leisure	Philippines	8,635	1.9	10,437
Top twenty investments			228,242	48.4	
Eastern Water Resources Development and Management (Foreign)	Water Utilities	Thailand	8,630	1.8	8,316
Thai Stanley Electric (Foreign)	Auto Components	Thailand	8,558	1.8	6,713
Shangri-La Hotels Malaysia	Hotels, Restaurants & Leisure	Malaysia	8,366	1.8	9,126
United International Enterprises	Food Products	Denmark	8,327	1.8	7,457
Asian Terminals	Transportation Infrastructure	Philippines	8,168	1.7	8,890
Sanofi India	Pharmaceuticals	India	7,989	1.7	8,074
Public Financial Holdings	Banks	Hong Kong	7,888	1.7	7,101
ARB Corporation	Auto Components	Australia	7,811	1.6	8,445
Convenience Retail Asia	Food & Staples Retailing	Hong Kong	7,498	1.6	4,957
Pacific Basin Shipping	Marine	Hong Kong	7,278	1.5	3,658
Top thirty investments			308,755	65.4	
Kingmaker Footwear Holdings	Textiles, Apparel & Luxury Goods	Hong Kong	7,193	1.5	6,001
Heineken Malaysia	Beverages	Malaysia	7,167	1.5	7,494
Giordano International	Specialty Retail	Hong Kong	6,923	1.5	6,426
United Plantations	Food Products	Malaysia	6,614	1.4	6,642
Straits Trading Company	Metals & Mining	Singapore	6,260	1.4	5,107
Hong Kong Economic Times Holdings	Media	Hong Kong	6,210	1.3	6,629
Castrol India	Chemicals	India	5,732	1.2	6,042
AEON Stores Hong Kong	Multiline Retail	Hong Kong	5,683	1.2	4,723
AEON Credit Service (Asia)	Consumer Finance	Hong Kong	5,391	1.1	4,709
Commercial Bank of Ceylon	Banks	Sri Lanka	5,246	1.1	4,609
Top forty investments			371,174	78.6	

Other Investments *continued*

As at 31 July 2017

Company	Industry	Country	Valuation 2017 £'000	Total assets %	Valuation 2016 £'000
Wheelock Properties Singapore	Real Estate Management & Development	Singapore	5,198	1.1	4,094
Ultrajaya Milk Industry & Trading	Food Products	Indonesia	5,058	1.1	–
Basso Industry Corporation	Household Durables	Taiwan	4,914	1.0	–
The Hong Kong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	4,904	1.0	2,906
YNH Property	Real Estate Management & Development	Malaysia	4,521	1.0	6,229
Interjojo	Health Care Equipment & Supplies	South Korea	4,295	0.9	–
John Keells Holdings	Industrial Conglomerates	Sri Lanka	4,244	0.9	3,458
Thaire Life Assurance (Foreign)	Insurance	Thailand	4,231	0.9	4,992
Tasek Corporation	Construction Materials	Malaysia	4,123	0.9	4,975
Aegis Logistics	Oil, Gas & Consumable Fuels	India	4,014	0.9	–
Top fifty investments			416,676	88.3	
Cabcharge Australia	Commercial Services & Supplies	Australia	3,728	0.8	6,134
SBS Transit	Road & Rail	Singapore	3,704	0.8	3,397
Concepcion Industrial Corp	Building Products	Philippines	3,555	0.7	2,482
United Malacca	Food Products	Malaysia	3,381	0.7	3,239
Riverstone Holdings	Commercial Services & Supplies	Singapore	3,003	0.6	2,090
Haad Thip (Foreign)	Beverages	Thailand	2,956	0.6	2,275
Hong Leong Finance	Consumer Finance	Singapore	2,656	0.6	2,290
CDL Hospitality Trusts	Equity Real Estate Investment Trusts	Singapore	2,629	0.6	2,020
Mega Lifesciences (Foreign)	Pharmaceuticals	Thailand	2,467	0.5	–
DFCC Bank	Banks	Sri Lanka	2,394	0.5	2,622
Top sixty investments			447,149	94.7	
Holcim Indonesia	Construction Materials	Indonesia	2,371	0.5	3,393
Maple Leaf Cement	Construction Materials	Pakistan	2,197	0.5	–
Goodyear Thailand (Foreign)	Auto Components	Thailand	2,188	0.5	2,126
ORIX Leasing Pakistan	Consumer Finance	Pakistan	2,072	0.4	1,448
Oriental Holdings	Automobiles	Malaysia	1,926	0.4	2,015
Asia Satellite Telecommunications Holdings	Diversified Telecommunication Services	Hong Kong	1,848	0.4	2,600
MayAir Group	Machinery	United Kingdom	1,839	0.4	484
National Development Bank	Banks	Sri Lanka	1,210	0.3	1,418
Manulife Holdings	Insurance	Malaysia	1,154	0.2	1,032
Aitken Spence & Co	Industrial Conglomerates	Sri Lanka	1,095	0.2	1,265
Top seventy investments			465,049	98.5	

Company	Industry	Country	Valuation	Total	Valuation
			2017 £'000	assets %	2016 £'000
Green Dragon Gas	Oil, Gas & Consumable Fuels	China	850	0.2	3,406
Chevron Lubricants Lanka	Chemicals	Sri Lanka	835	0.2	983
Wintermar Offshore Marine	Energy Equipment & Services	Indonesia	715	0.2	538
CDL Investments New Zealand	Real Estate Management & Development	New Zealand	708	0.2	574
FJ Benjamin Holdings	Specialty Retail	Singapore	235	–	314
Mustika Ratu	Personal Products	Indonesia	222	–	254
Total investments			468,614	99.3	
Net current assets (before deducting prior charges^B)			3,414	0.7	
Total assets^B			472,028	100.0	

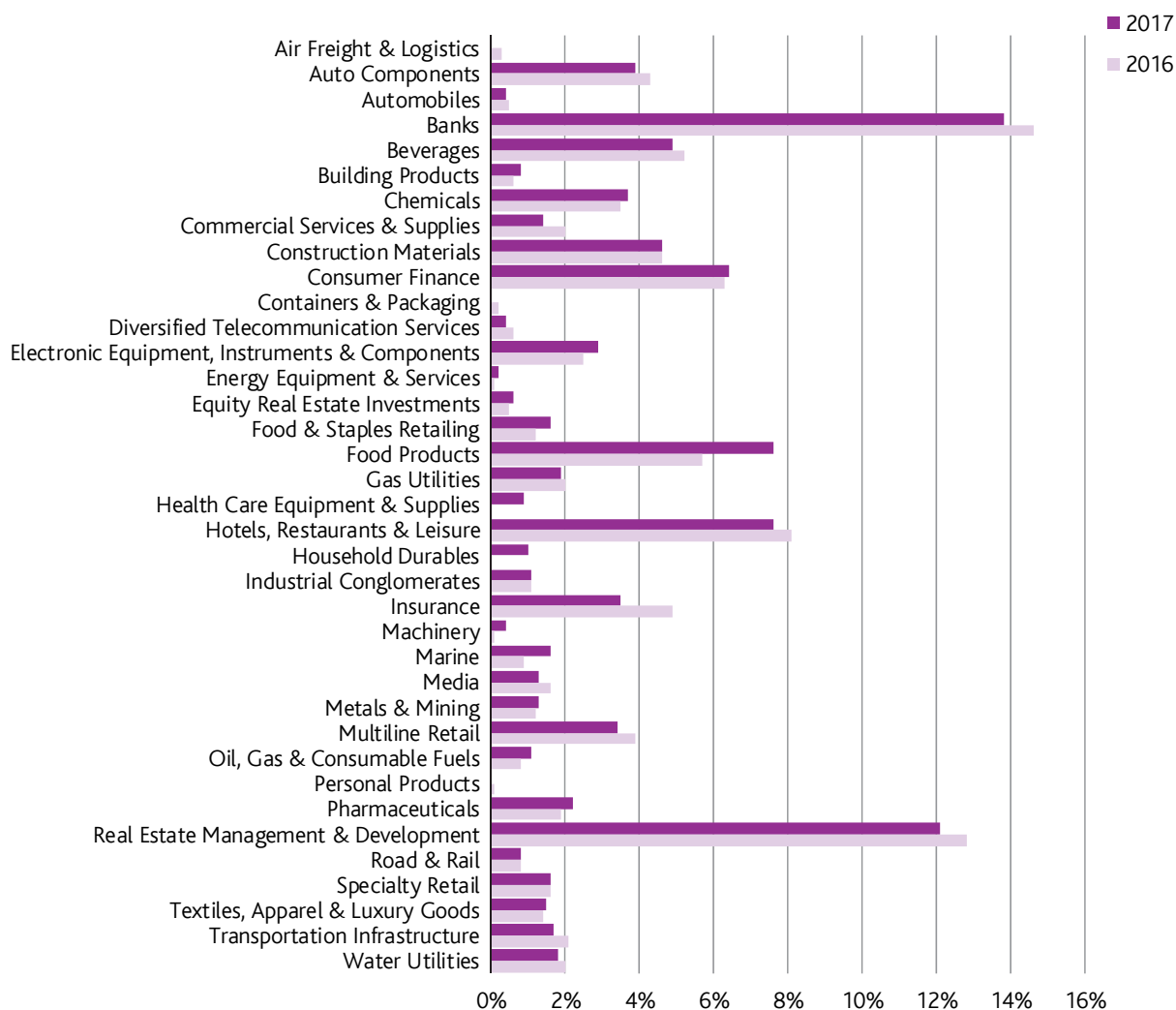
^B See definition on page 84.

All investments are in equities.

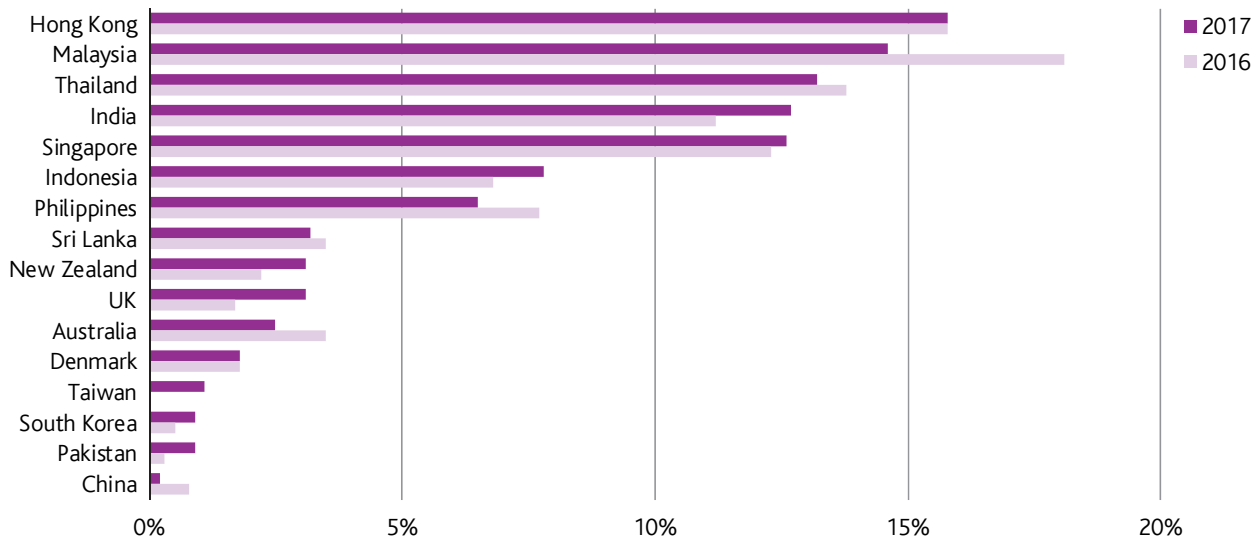
Sector/Geographical Analysis

As at 31 July 2017

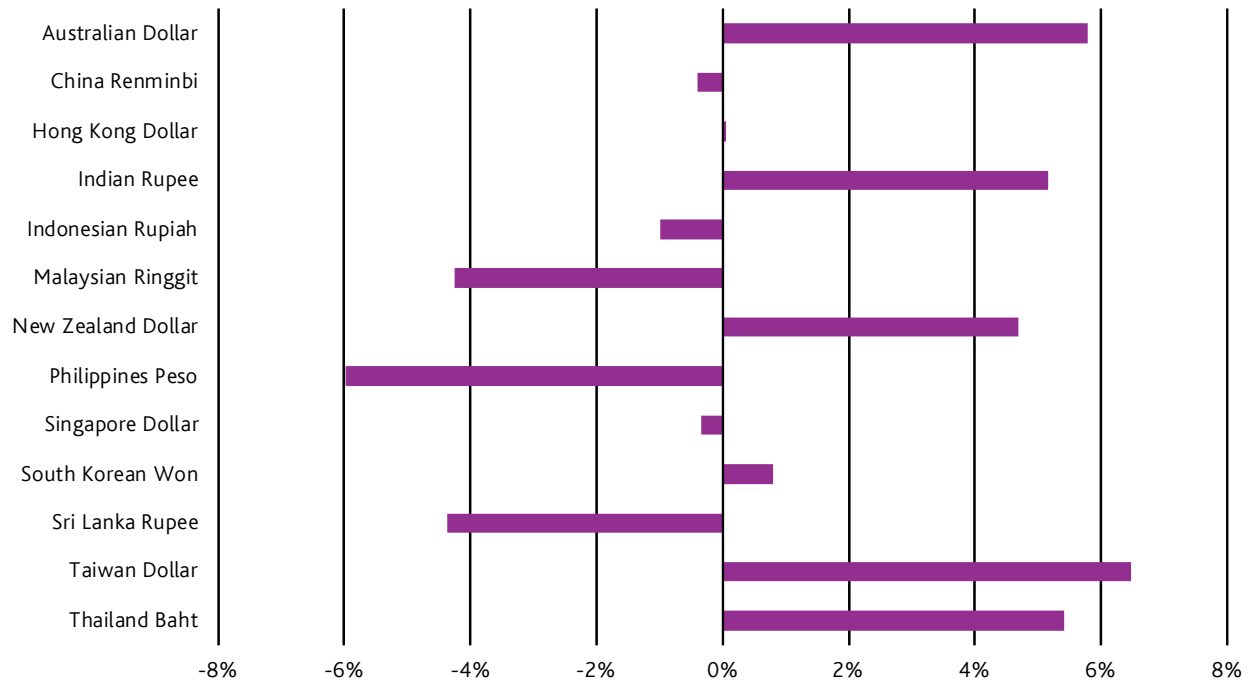
Sector Breakdown



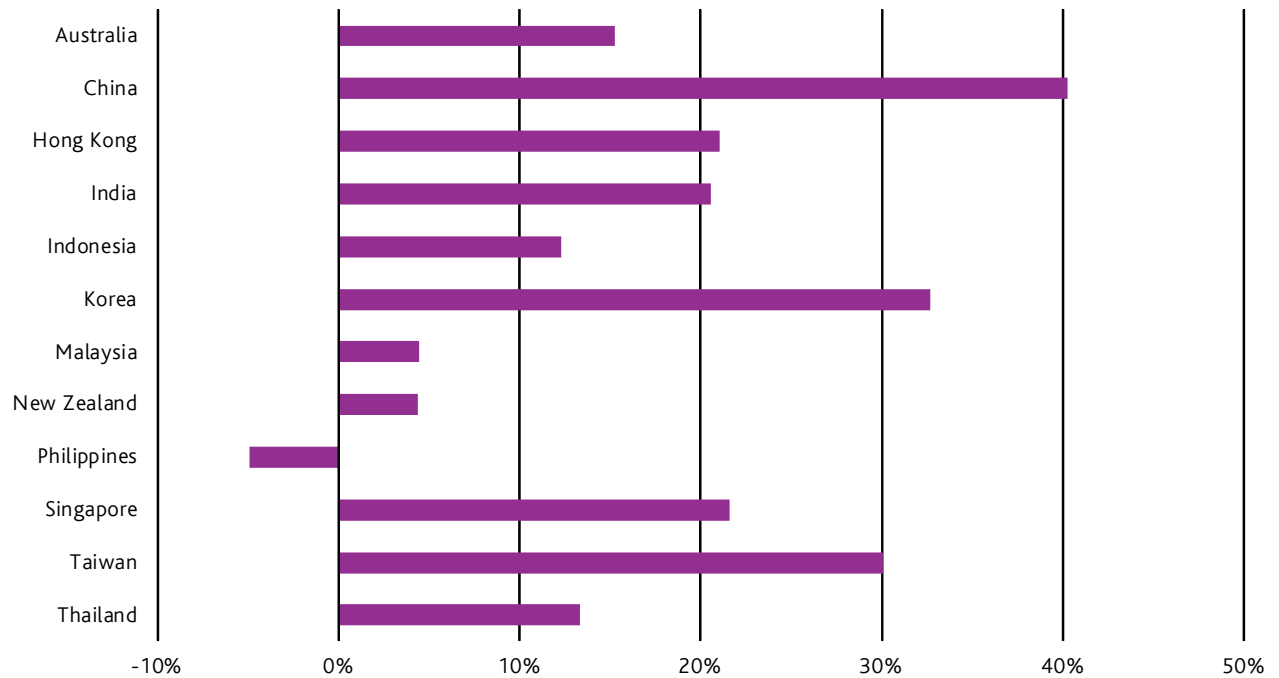
Geographic Breakdown



Currency Returns (in sterling terms)



MSCI Country Index Total Returns (in sterling terms)



Governance

The Directors, all of whom are non-executive and the majority of whom are independent of the Manager and Investment Manager supervise the management of the Company and represent the interests of shareholders.

The business of the Company is that of an investment trust investing in the economies of Asia and Australasia excluding Japan. The Directors do not envisage any change in this activity in the foreseeable future. The Company is registered as a public limited company in England and Wales and is an investment company as defined by Section 833 of the Companies Act 2006. The Company is also a member of the Association of Investment Companies.



Your Board of Directors

The details of the current Directors, all of whom are non-executive and the majority of whom are independent of the Manager and Investment Manager, are set out below. The Directors supervise the management of Aberdeen Asian Smaller Companies Investment Trust PLC and represent the interests of shareholders.



Nigel Cayzer

Status:

Independent Non-Executive Chairman

Length of service:

22 years, appointed Chairman on 28 September 1995

Experience:

Chairman of Oryx International Growth Fund Limited and a director of a number of other investment companies.

Last re-elected to the Board:

29 November 2016

Committee membership:

Nomination Committee (Chairman) and Management Engagement Committee

Remuneration:

£35,000 per annum

All other public company directorships:

Oryx International Growth Fund Limited

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

Nil



Randal Alexander McDonnell, Viscount Dunluce

Status:

Independent Non-Executive Director

Length of service:

4 years, appointed a Director on 1 July 2013

Experience:

A Partner of Sarasin & Partners LLP responsible for the management of private client and charity portfolios as well as self-invested personal pension schemes. He is chairman of Sarasin's London partnership. He is also a non-executive director of a number of other private companies.

Last re-elected to the Board:

29 November 2016

Committee membership:

Management Engagement Committee, Nomination Committee and Audit Committee

Remuneration:

£27,000

All other public company directorships:

None

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

800 Ordinary shares and £400 of CULS



Haruko Fukuda OBE

Status:

Independent Non-Executive Director

Length of service:

14 years, appointed a Director on 30 January 2003

Experience:

Previously chief executive of the World Gold Council. She was vice chairman of Nikko Europe PLC and a Partner of James Capel & Co. She was a non-executive director of the Foreign & Colonial Investment Trust PLC for seventeen years until May 2005 and has been a director of several other investment trust companies.

Last re-elected to the Board:

29 November 2016

Committee membership:

Management Engagement Committee and Nomination Committee

Remuneration:

£27,000 per annum

All other public company directorships:

Global Resources Investment Trust plc

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

3,515 Ordinary shares



Martin Gilbert

Status:

Non-Executive Director

Length of service:

22 years, appointed a Director on 20 September 1995

Experience:

Qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management.

Last re-elected to the Board:

29 November 2016

Committee membership:

Nomination Committee

Remuneration: £27,000 per annum

All other public company directorships: Standard Life Aberdeen PLC, Aberdeen Global Income Fund Inc., Aberdeen Asia-Pacific Income Investment Company Ltd, Aberdeen Asia Pacific Income Fund Inc., Aberdeen Latin American Income Fund Limited, Sky plc, Glencore plc, The India Fund, Inc. and The Asia Tigers Fund, Inc.

Employment by the Manager:

Chief executive of Standard Life Aberdeen PLC

Other connections with Trust or Manager:

Director of a number of other Aberdeen-managed investment companies

Shared Directorships with any other Trust Directors: None

Shareholding in Company:

106,250 Ordinary shares

Alternate Director: Hugh Young



Chris Maude

Status:

Independent Non-Executive Director

Length of service:

10 years, appointed a Director on 16 May 2007

Experience:

Co-founded RWC Partners Limited, an independent asset management company, in 2000 where he was the finance director. He spent the previous eleven years in Asia initially as finance director at James Capel in Hong Kong before being recruited by UBS Securities (East Asia) Limited as regional finance director in Singapore. Mr Maude is a chartered accountant and holds a degree in Engineering from Cambridge University.

Last re-elected to the Board:

29 November 2016

Committee membership:

Audit Committee (Chairman), Management Engagement Committee (Chairman) and Nomination Committee

Remuneration:

£30,000 per annum

All other public company directorships:

None

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

37,300 Ordinary shares



Philip Yea

Status:

Independent Non-Executive Director

Length of service:

3 years, appointed a Director on 23 January 2014

Experience:

Chief executive of 3i Group plc until 2009 and prior to that served as a managing director at Investcorp Bank the Bahrain listed private equity firm and was group finance director at Diageo plc. He is currently chairman of Greene King plc and Equiniti Group Plc, a director of Marshall of Cambridge (Holdings) Limited and a trustee director of the Francis Crick Institute.

Last re-elected to the Board:

Elected to the Board on 2 December 2014

Committee membership:

Audit Committee, Management Engagement Committee and Nomination Committee

Remuneration:

£27,000 per annum

All other public company directorships:

Computacenter Plc

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

2,063 Ordinary shares



Hugh Young

Status:

Alternate Non-Executive Director for Martin Gilbert

Experience:

Previously an investment manager with Fidelity International and MGM Assurance prior to joining what is now Aberdeen Asset Managers Limited in December 1985. He is managing director of Aberdeen Asset Management Asia Limited, responsible for all the Manager's investments in Asia.

Remuneration:

£Nil

All other public company directorships:

Aberdeen New Dawn Investment Trust PLC, Aberdeen Asian Income Fund Limited, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited, Aberdeen Liquidity Fund (Lux) and The India Fund, Inc.

Employment by the Manager:

Managing Director of Aberdeen Asset Management Asia Limited and a director of a number of other Aberdeen-managed investment companies

Other connections with Trust or Manager:

None

Shareholding in Company:

124,000 Ordinary shares and £211,948 of CULS

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 July 2017.

Results and Dividends

Details of the Company's results and proposed dividends are shown on pages 12 and 13 of this Report.

Investment Trust Status

The Company (registered in England & Wales No. 03106339) has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 August 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2017 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Capital Structure, Buybacks and Issuance

The Company's capital structure is summarised in note 14 to the financial statements. At 31 July 2017, there were 34,813,725 fully paid Ordinary shares of 25p each (2016 – 35,899,334 Ordinary shares) in issue with a further 4,369,874 Ordinary shares of 25p held in treasury (2016 – 3,278,124 treasury shares). During the year 1,091,750 Ordinary shares were purchased in the market for treasury (2016 – 2,059,834). Subsequent to the period a further 390,500 Ordinary shares have been purchased in the market for treasury. During the period and up to the date of this report no new Ordinary shares were issued for cash at a premium to the prevailing NAV per share and no shares were sold from treasury.

On 14 December 2016, 21,594 units of Convertible Unsecured Loan Stock were converted into 2,595 new Ordinary shares and on 14 June 2017, 29,473 units of CULS were converted into 3,546 new Ordinary shares. In accordance with the terms of the CULS Issue, the conversion price of the CULS was determined at 830.0 pence nominal of CULS for one Ordinary share.

Voting Rights

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The ordinary shares carry a right to receive dividends. On a

winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

CULS holders have the right to attend but not vote at general meetings of the Company. A separate resolution of CULS holders would be required to be passed before any modification or compromise of the rights attaching to the CULS can be made.

Borrowings

On 9 June 2017 the Company agreed a new three year multicurrency revolving loan facility and a term loan facility in an aggregate amount of \$25 million with The Royal Bank of Scotland plc. Under the term loan facility \$12.5 million was drawn down and fixed for three years at an all-in rate of 2.506%. On the same date a maturing loan of \$9 million was repaid to State Street. Up to \$12.5 million remains available for drawing in the future under the new revolving loan facility. At the year end \$12.5 million had been drawn down under the Company's \$25m million multi currency loan facility.

Management Agreement

The Company has appointed Aberdeen Fund Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager. Under the management arrangements with AFML, management of the Company's portfolio has been delegated to Aberdeen Asset Management Asia Limited by way of a group delegation agreement in place between AFML and AAM Asia. An investment management fee is payable monthly in arrears based on an annual amount of 1.0% (previously calculated using a rate of 1.2% until July 2016) calculated on the average net asset value of the Company over a 24 month period, valued monthly. The fee is calculated by reference to the value of the Company's net assets (gross assets less liabilities excluding the amount of any loan facilities or overdraft facilities drawn down).

Company secretarial services are also provided by Aberdeen and accounting and administrative services are delegated to Aberdeen Asset Managers Limited, which then outsources those arrangements to BNP Paribas Securities Services Limited. Aberdeen Asset Managers also operates the Manager's promotional programme.

The management agreement may be terminated by either the Company or the Manager on the expiry of twelve months' written notice. On termination, the Manager would be entitled to receive fees which would otherwise have been due to that date. Details of the fees payable by the Company to the Manager for the provision of management,

secretarial and promotional services are shown in notes 4 and 5 to the financial statements.

The Management Engagement Committee reviews the terms of the management agreement on a regular basis and have confirmed that, due to the long-term relative performance, investment skills, experience and commitment of the investment management team, in their opinion the continuing appointment of AFML and AAM Asia is in the interests of shareholders as a whole.

Political and Charitable Donations

The Company does not make political donations (2016 - nil) and has not made any charitable donations during the year (2016 – nil).

Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 18 to the financial statements.

The Board

The current Directors, Messrs N K Cayzer, Randal McDonnell (Viscount Dunluce), M J Gilbert (alternate H Young), C S Maude, P Yea and Ms H Fukuda together with M Hadsley-Chaplin who retired on 29 November 2016 were the only Directors who served during the year. Messrs Cayzer, Maude and Ms Fukuda have each served on the Board for more than nine years and, in accordance with corporate governance best practice, will retire at the Annual General Meeting ("AGM") on 1 December 2017 and, being eligible, offer themselves for re-election. Mr Gilbert has served on the Board for more than nine years and is also deemed not to be independent as he is a representative of the Manager, and therefore, in accordance with corporate governance best practice, Mr Gilbert will also retire at the AGM on 1 December 2017 and, being eligible, offer himself for re-election. Mr Yea retires by rotation at the AGM and, being eligible, offers himself for re-election.

The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively

In common with most investment trusts, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the

Listing Rules of the UK Listing Authority, has applied the principles identified in the UK Corporate Governance Code (published in April 2016). The UK Corporate Governance Code is available on the Financial Reporting Council's website: frc.org.uk.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company. Both the AIC Code and the AIC Guide are available on the AIC's website: theaic.co.uk.

The Company has complied throughout the accounting period with the relevant provisions contained within the AIC Code and the relevant provisions of the UK Corporate Governance Code except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.2.1 and D.2.2);
- and the need for an internal audit function (C.3.6).

For the reasons set out in the AIC Code, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. The full text of the Company's Corporate Governance Statement can be found on the Company's website: asian-smaller.co.uk.

During the year ended 31 July 2017, the Board had six scheduled meetings and a further ad hoc meeting to approve the new Bank facility. In addition, the Audit Committee met twice and the Management Engagement Committee met once. Between meetings the Board maintains regular contact with the Manager. Directors have attended the following scheduled Board meetings and Committee meetings during the year ended 31 July 2017 (with their eligibility to attend the relevant meeting in brackets):

Director	Board	Audit Committee	Nomination Committee	Management Engagement Committee
NK Cayzer ^A	6 (6)	n/a	1 (1)	1 (1)
Viscount Dunluce ^A	6 (6)	1 (1)	1 (1)	1 (1)
H Fukuda ^A	5 (6)	0 (1)	0 (1)	0 (1)
MJ Gilbert ^{AB}	5 (6)	n/a	0 (1)	n/a
P Yea	6 (6)	2 (2)	1 (1)	1 (1)
CS Maude	6 (6)	2 (2)	1 (1)	1 (1)
M Hadsley-Chaplin ^C	6 (6)	2 (2)	1 (1)	1 (1)

^A Mr Cayzer, Mr Gilbert are not members of the Audit and Management Engagement Committees. Ms Fukuda resigned from the Audit Committee in September 2016 and Viscount Dunluce joined the Audit Committee in September 2016

^B Including attendance by Mr Young as Alternate Director to Mr Gilbert.

^C Mr Hadsley-Chaplin retired as a Director on 29 November 2016

Policy on Tenure

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the length of service will be determined on a case-by-case basis. In accordance with corporate governance best practice, Directors who have served for more than nine years or who are non-independent voluntarily offer themselves for re-election on an annual basis.

Board Committees

Audit Committee

The Audit Committee Report is on pages 42 to 44 of this Annual Report.

Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and is chaired by Nigel Cayzer. The Board's overriding priority in appointing new Directors to the Board is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board also recognises the benefits of diversity and its policy on diversity is referred to in the Strategic Report on page 10.

Management Engagement Committee

The Board has separated out the Management Engagement Committee responsibilities previously undertaken as part of the Audit Committee and established a new Management Engagement Committee.

The Management Engagement Committee comprises all of the Directors except Mr Gilbert and his Alternate Mr Young and is chaired by Mr Maude. The Committee reviews the performance of the Investment Manager and its compliance with the terms of the management and secretarial

agreement. The terms and conditions of the Investment Manager's appointment, including an evaluation of fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Remuneration Committee

Under the UK Listing Authority rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. Accordingly, matters relating to remuneration are dealt with by the full Board, which acts as the Remuneration Committee, and is chaired by Mr Cayzer.

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on pages 38 to 40.

Terms of Reference

The terms of reference of all the Board Committees may be found on the Company's website asian-smaller.co.uk and copies are available from the Company Secretary upon request. The terms of reference are reviewed and re-assessed by the Board for their adequacy on an annual basis.

Going Concern

In accordance with the Financial Reporting Council's guidance the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking covenants.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 8 and 9 and the Viability Statement on pages 10 and 11 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his connected persons. The Board considers each Director's

situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 17 to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

The Board has adopted appropriate procedures designed to prevent bribery. The Company receives periodic reports from its service providers on the anti-bribery policies of these third parties. It also receives regular compliance reports from the Manager.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements are set out on pages 41 and 49 respectively.

Each Director confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and,
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Additionally there have been no important events since the year end that impact the audit of this Annual Report.

The Directors have reviewed the level of non-audit services provided by the independent auditor during the year, together with the independent auditor's procedures in connection with the provision of such services, and remain satisfied that the auditor's objectivity and independence is being safeguarded.

Independent Auditor

The auditor, Ernst & Young LLP, has indicated its willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint Ernst & Young LLP as auditor for the ensuing year, and to authorise the Directors to determine its remuneration.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness and confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Accounts. It is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed.

The Directors have delegated the investment management of the Company's assets to the Standard Life Aberdeen Group within overall guidelines, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the Standard Life Aberdeen Group's internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Standard Life Aberdeen Group's activities. Risk includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The significant risks faced by the Company have been identified as being financial; operational; and compliance-related.

The key components of the process designed by the Directors to provide effective internal control are outlined below:

- the Standard Life Aberdeen Group prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager and Investment Manager as appropriate;

- as a matter of course the Standard Life Aberdeen Group's compliance department continually reviews the Standard Life Aberdeen Group's operations and reports to the Board on a six monthly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers and, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations, or their equivalents are reviewed;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Standard Life Aberdeen Group, has decided to place reliance on the Standard Life Aberdeen Group's systems and internal audit procedures; and
- at its September 2017 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2017 by considering documentation from the Manager, Investment Manager and the Depositary, including the internal audit and compliance functions and taking account of events since 31 July 2017. The results of the assessment, that internal controls are satisfactory, were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 31 July 2017:

Shareholder	No. of Ordinary shares held	% held
Aberdeen Asset Managers Savings Scheme (non-beneficial)	3,323,325	9.5
Hargreaves Lansdown	2,499,450	7.2
Funds managed by Standard Life Aberdeen	2,207,035	6.3
Alliance Trust Savings	2,156,021	6.2
Investec Wealth Management	1,701,036	4.9
City of London Investment Management	1,668,078	4.8
Charles Stanley, Stockbrokers	1,187,728	3.4
Wells Capital Management	1,049,323	3.0

Subsequent to the period end the Company has been notified:

1. on 17 August 2017, as a result of the completion of the court-sanctioned scheme of arrangement and all-share merger of Aberdeen Asset Management PLC and Standard Life plc which became effective on 14 August 2017, Standard Life Aberdeen plc is interested in 2,886,005 shares representing 8.3% of the issued class;
2. on 5 September 2017, City of London Investment Management is interested in 1,732,848 shares representing 5.0% of the issued class.

The UK Stewardship Code and Proxy Voting

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on the Company's website.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service and the Company's website asian-smaller.co.uk. The Company responds to letters from shareholders on a wide range of issues.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the Standard Life Aberdeen Group (either the Company Secretary or the Manager) in situations where direct communication is required and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

The Notice of the Annual General Meeting, included within the Annual Report and Accounts, is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or the Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

Special Business at the Annual General Meeting

Directors' Authority to Allot Relevant Securities

Approval is sought in Resolution 12, an ordinary resolution, to renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares under a fully pre-emptive rights issue. The effect of Resolution 12 is to authorise the Directors to allot up to a maximum of 22,948,816 shares in

total (representing approximately 2/3 of the existing issued capital of the Company, of which a maximum of 11,474,408 shares (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues. This authority is renewable annually and will expire at the conclusion of the next Annual General Meeting in 2018. The Board has no present intention to utilise this authority.

Disapplication of Pre-emption Rights

Resolution 13 is a special resolution that seeks to renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to 10% of the issued share capital other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders.

This authority includes the ability to sell shares that have been held in treasury (if any), having previously been bought back by the Company. The Board has established guidelines for treasury shares and will only consider buying in shares for treasury at a discount to their prevailing NAV and selling them from treasury at or above the then prevailing NAV.

New shares issued in accordance with the authority sought in Resolution 13 will always be issued at a premium to the NAV per Ordinary share at the time of issue. The Board will issue new Ordinary shares or sell Ordinary shares from treasury for cash when it is appropriate to do so, in accordance with its current policy. It is therefore possible that the issued share capital of the Company may change between the date of this document and the Annual General Meeting and therefore the authority sought will be in respect of 10% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

Purchase of the Company's Shares

Resolution 14 is a special resolution proposing to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. The minimum price to be paid per Ordinary share by the Company will not be less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5% above the average of the middle market quotations for the shares for the preceding five business days; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out.

The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in NAV per share and would be in the interests of shareholders generally.

The authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

The authority being sought in Resolution 14 will expire at the conclusion of the Annual General Meeting in 2018 unless it is renewed before that date. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or under the authority granted in Resolution 13 above, may be held in treasury.

If Resolutions 13 and 14 are passed then an announcement will be made on the date of the Annual General Meeting which will detail the exact number of Ordinary shares to which each of these authorities relate.

These powers will give the Directors additional flexibility going forward and the Board considers that it will be in the interests of the Company that such powers be available. Such powers will only be implemented when, in the view of the Directors, to do so will be to the benefit of shareholders as a whole.

Notice of Meetings

Resolution 15 is a special resolution seeking to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on 14 days' notice. This approval will be effective until the Company's next Annual General Meeting in 2018. In order to utilise this shorter notice period, the Company is required to ensure that shareholders are able to vote electronically at the general meeting called on such short notice. The Directors confirm that, in the event that a general meeting is called, they will give as much notice as practicable and will only utilise the authority granted by Resolution 15 in limited and time sensitive circumstances.

Recommendation

Your Board considers Resolutions 12 to 15 to be in the best interests of the Company and its members as a whole and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of Resolutions 12 to 15 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 149,928 Ordinary shares.

By order of the Board

Aberdeen Asset Management PLC - Secretaries

Bow Bells House
1 Bread Street
London EC4M 9HH

24 October 2017

Directors' Remuneration Report

The Board has prepared this report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Directors' Remuneration Report comprises three parts:

1. **Remuneration Policy** which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the AGM in 2014 and to be proposed for approval at the AGM on 1 December 2017;
2. **Implementation Report** which provides information on how the Remuneration Policy has been applied during the year and which is subject to an advisory vote on the level of remuneration paid during the year; and
3. **Annual Statement.**

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 45 to 50.

Remuneration Policy

The Directors' Remuneration Policy takes into consideration the principles of UK Corporate Governance and there have been no changes to the policy during the period of this Report nor are there any proposals for the foreseeable future.

As the Company has no employees and the Board is comprised wholly of non-executive Directors and, given the size and nature of the Company, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole.

The Directors are non-executive and the Company's Articles of Association limit the annual aggregate fees payable to the Board of Directors to £225,000 per annum. This cap may be increased by shareholder resolution from time to time and was last increased at the Annual General Meeting held in December 2013.

	31 July 2017 £	31 July 2016 £
Chairman	30,000	30,000
Chairman of Audit Committee	26,000	26,000
Director	23,000	23,000

Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £27,000 per annum).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance-related fee.
- No Director has a service contract.
- With the exception of Mr Gilbert and his Alternate Mr Young, no Director has an interest in any contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed upon three months' notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or to any assets of the Company.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. Under the Articles, the Company indemnifies each of the Directors out of the assets of the Company against any liability incurred by them as a Director in defending proceedings or in connection with any application to the Court in which relief is granted and separate deeds of indemnity exist in this regard between the Company and each Director.

Implementation Report

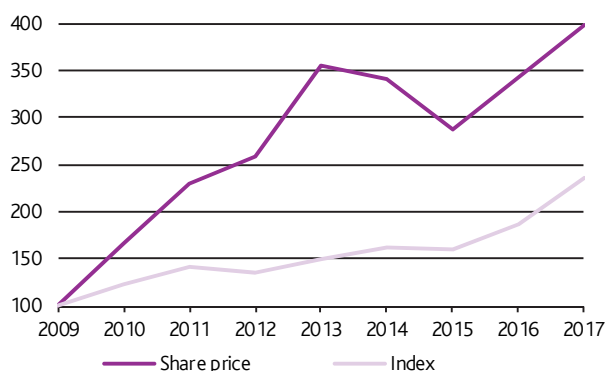
Directors' Fees

In September 2017 the Board carried out its annual review of the level of fees payable to Directors including a review of comparable peer group directors' fees. Following the review it was concluded that the fees should be increased with effect from 1 October 2017, £35,000, £30,000 and £27,000

for the Chairman, Audit Committee Chairman and other Directors, respectively. This represents the first increase in Directors' fees since May 2011 and serves to bring the Company closer to the median level for fees payable to the wider peer group. The increase is also a reflection of the increased work load and general responsibilities expected from directors of listed companies over the last six and a half years. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Company Performance

The following chart illustrates the total shareholder return (including reinvested dividends) for a holding in the Company's shares as compared to the MSCI AC Asia Pacific ex Japan Index (in Sterling terms) for the eight year period to 31 July 2017 (rebased to 100 at 31 July 2009). Given the absence of any meaningful index with which to compare performance, this index is deemed to be the most appropriate one against which to measure the Company's performance.



Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 29 November 2016, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 July 2016 and the following proxy votes were received on the resolutions:

Resolution	For*	Against	Withheld
(2) Receive and Adopt Directors' Remuneration Report	99.7% 12.5m	0.3% 42,807	50,192

* Including discretionary votes

At the Company's AGM, held on 2 December 2014, shareholders approved the Directors' Remuneration Policy in respect of the year ended 31 July 2013 and the following proxy votes were received on the resolutions:

Resolution	For*	Against	Withheld
(3) Approve Directors' Remuneration Policy	99.8% 14.2m	0.2% 34,552	52,897

* Including discretionary votes

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to Directors with distributions to shareholders. Fees are pro-rated where a change takes place during a financial year.

The total fees paid to Directors are shown below.

Audited Information

Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable:

Director	2017 £	2016 £
N K Cayzer (Chairman and highest paid Director)	30,000	30,000
Viscount Dunluce	23,000	23,000
H Fukuda	23,000	23,000
M J Gilbert ^A	23,000	23,000
P Yea	23,000	23,000
C S Maude (Audit Committee Chairman)	26,000	26,000
M Hadsley-Chaplin ^B	7,603	23,000
Total	155,603	171,000

^A Plus applicable VAT.

^B Mr Hadsley-Chaplin retired as a Director on 29 November 2016

Sums Paid to Third Parties

Of the fees disclosed above, £23,000 (2016 – £23,000) was payable to third parties in respect of making available the services of one of the Directors. These fees were assigned to Standard Life Aberdeen PLC (M J Gilbert). The amounts paid by the Company to the Directors were for services as non-executive Directors.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors' interests in contractual arrangements with the Company are as shown in note 17 to the financial statements. The Directors (including connected persons) at 31 July 2017, and 31 July 2016, had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

Directors' Remuneration Report continued

	31 July 2017		31 July 2016	
	Ordinary shares	CULS	Ordinary shares	CULS
N K Cayzer	-	-	-	-
Viscount Dunluce	800	400	800	400
H Fukuda	3,515	-	3,479	-
M J Gilbert	106,250	-	106,250	-
C S Maude	37,300	-	37,300	-
P Yea	2,063	-	2,063	-
H Young (alternate)	124,000	211,948	124,000	211,948
M Hadsley-Chaplin ^A	10,000	-	10,000	-

^A Mr Hadsley-Chaplin retired as a Director on 29 November 2016 and his holding is disclosed as at that date

The above interests are unchanged at 24 October 2017, being the nearest practicable date prior to the signing of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year ended 31 July 2017:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and in which decisions have been taken.

N K Cayzer

Chairman

24 October 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law 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 are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report including Business Review, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The financial statements are published on **asian-smaller.co.uk** which is a website maintained by the Company's Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors listed on pages 28 to 31, being the persons responsible, hereby confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that in the opinion of the Directors, the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy. In reaching this conclusion the Board has assumed that the reader of the Annual Report and financial statements would have a reasonable level of general investment knowledge, and in particular, of investment trusts; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Aberdeen Asian Smaller Companies Investment Trust PLC

Nigel Cayzer
Chairman
24 October 2017

Report of the Audit Committee

I am pleased to present the report of the Audit Committee for the year ended 31 July 2017 which has been prepared in compliance with the September 2014 Competition and Markets Authority Authority Order.

Committee Composition

The Audit Committee comprised three independent Directors at the year end Mr Yea, Viscount Dunluce (from September 2016) and myself (Mr Maude), as Chairman. In September 2016 Ms Fukuda stood down from the Committee and in November 2016 Mr Hadsley-Chaplin retired from the Board. The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience. I am a fellow of the Institute of Chartered Accountants and I confirm that the Audit Committee as a whole has competence relevant to the investment trust sector and that at least one member has competence in accounting.

The Audit Committee continues to believe that the Company does not require an internal audit function of its own as it delegates its day to day operations to third parties from whom it receives internal controls reports.

Functions of the Committee

The principal function of the Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are published on the Company's website.

The Committee's main audit review functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- to review the content of the Annual Report and Financial Statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides

the information necessary for shareholders to assess the Company's performance, business model and strategy;

- to meet with the auditor to review their proposed audit programme of work and the findings of the auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees of £20,000 were paid to the independent auditor during the year ended 31 July 2017 (2016 - £17,000), split between the interim review (£7,000), tax compliance work undertaken in the year ended 31 July 2016 but billed during 2017 (£11,000) – with effect from 31 July 2016 no tax compliance work has been undertaken by EY for the Company, and the preparation of annual corporation tax returns in the iXBRL format prescribed by HMRC (£2,000). All figures are quoted inclusive of applicable VAT. Since 2016 the extent of non audit services that can be provided by EY has become very limited. The Committee has approved the on-going supply by EY of services in connection with the electronic filing of annual corporation tax returns and the Audit Committee will review the provision of future non-audit fees in the light of the potential for such services to impair the Auditor's independence and on the basis that all non-audit services require the pre-approval of the Audit Committee. For the current year tax compliance and advisory services have been supplied to the Company by Deloitte;
- to review a statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ("whistleblowing");
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor;
- to monitor and review annually the auditor's independence, objectivity, effectiveness, resources and qualification; and
- to investigate, when an auditor resigns, the reasons giving rise to such resignation and consider whether any action is required.

Activities During the Year

The Audit Committee met twice during the year when it considered the Annual Report and the Half Yearly Report in detail. Representatives of the Aberdeen Standard Life Investments' internal audit, risk and compliance departments reported to the Board at these meetings on matters such as internal control systems, risk and the conduct of the business in the context of its regulatory environment.

Review of Internal Control Systems and Risk

The Committee considers the internal control systems and a matrix of risks at each of its meetings. There is more detail on the process of these reviews in the Directors' Report.

Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 July 2017, the Audit Committee considered the following significant issues, including, in particular, those communicated by the Auditor as key areas of audit emphasis during their planning and reporting of the year end audit.

Valuation and Existence of Investments

How the issue was addressed – The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 2(b) to the financial statements on page 56. All investments are considered liquid and quoted in active markets and have been categorised as Level 1 within the FRS 102 fair value hierarchy and can be verified against daily market prices. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared each month and circulated to the Board. The portfolio is also reviewed annually by the auditor and a sample of price checks to independent sources is undertaken by the auditor. The Company used the services of an independent Depositary (BNP Paribas Securities Services) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager to the depositary/custodian records and further corroboration is received from the audit which includes independent confirmation of the existence of all investments at the year end.

Recognition of Investment Income

How the issue was addressed – The recognition of investment income is undertaken in accordance with accounting policy note 2 (d) to the financial statements on page 56. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the intention of the underlying company. The Directors review monthly revenue forecasts and dividend comparisons and the Manager provides monthly internal control reports to the Board.

Correct Calculation of Management Fees

How the issue was addressed – The management fees are calculated by the Manager and reviewed periodically by the Board. Further corroboration is received from the work undertaken by the Auditor who reviews the calculations as part of its audit.

Review of Financial Statements

The Committee is responsible for the preparation of the Company's Annual Report. The process is extensive, requiring input from a number of different third party service providers. The Committee reports to the Board on whether, taken as a whole, the Annual Report and financial statements are fair, balanced and understandable. In so doing, the Committee has considered the following matters:

- the existence of a comprehensive control framework surrounding the production of the Annual Report and financial statements which includes a number of different checking processes;
- the existence of extensive levels of reviews as part of the production process involving the depositary, the Manager, the Company Secretary and the auditor together as well as the Committee's own expertise;
- the controls in place within the various third party service providers to ensure the completeness and accuracy of the financial records and the security of the Company's assets;
- the externally audited internal control reports of the Manager, Depositary and related service providers.

The Committee has reviewed the Annual Report and the work undertaken by the third party service providers and is satisfied that, taken as a whole, the Annual Report and financial statements is fair balanced and understandable. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report would have a reasonable level of knowledge of the investment trust industry in general and of investment trusts in particular. The Committee has reported its findings to the Board which in turn has made its own statement in this regard in the Directors' Responsibility Statement on page 41.

Review of Auditor

The Audit Committee has reviewed the effectiveness of the Auditor including:

- **Independence** the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards;
- **Quality of audit work** including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the Auditor has a constructive working relationship with the Manager); and,
- **Quality of people and service** including continuity and succession plans (the audit team is made up of sufficient,

Report of the Audit Committee continued

suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the partner).

The Audit Committee therefore supports the recommendation to the Board that the reappointment of the Auditor be put to shareholders for approval at the AGM.

Tenure of the Auditor

Ernst & Young LLP ("EY") has held office as auditor since the incorporation of the Company in 1995. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 31 July 2017 is the fifth year for which the present partner has served. The Committee considers EY, the Company's auditor, to be independent of the Company. The Audit Committee is aware that new Companies Act legislation requires listed companies to tender the audit every 10 years and rotate after a maximum of 20 years. Under the transitional arrangements for firms where the tenure is between 11 and 20 years, there will be a grace period of nine years after the enactment of the EU legislation (2014). Accordingly, based upon the new legislation, EY will not be able to audit the Company after 2023. The Committee therefore expects to conduct a tender for audit services by 2022 at the very latest.

Chris Maude

Audit Committee Chairman
24 October 2017

Independent Auditor's Report to the Members of Aberdeen Asian Smaller Companies Investment Trust PLC

Opinion

We have audited the financial statements of Aberdeen Asian Smaller Companies Investment Trust PLC for the year ended 31 July 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report as set out on pages 8 and 9 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation as set out on page 10 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement as set out on page 34 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Risks of material misstatement	<ul style="list-style-type: none"> • Incomplete or inaccurate revenue recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. • Incorrect valuation and existence of the investment portfolio.
Materiality	<ul style="list-style-type: none"> • Materiality of £4.3m which represents 1% of equity shareholder's funds (2016: £3.8m).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due

Independent Auditor's Report to the Members of Aberdeen Asian Smaller Companies Investment Trust PLC continued

to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incomplete or inaccurate revenue recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 43 in the Audit Committee Report).</p> <p>The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. Most of the Company's income is received in the form of dividends, being £13.9m (2016: £11.0m).</p> <p>Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital'.</p> <p>During the year, the Company received 17 special dividends with an aggregate value of £5.2m (2016: ten special dividends with an aggregate value of £0.5m).</p>	<p>We have performed the following procedures:</p> <p>We reviewed the process in place at both the Manager and Administrator to identify and account for revenue including special dividends.</p> <p>We agreed a sample of dividends receipts to the corresponding announcement made by the investee company and agreed the cash received to bank statements.</p> <p>We agreed, on a sample basis, investee company dividend announcements and coupon details from an independent source to the income recorded by the Company.</p> <p>For all dividends accrued at year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 July 2017.</p> <p>We agreed a sample of accrued dividends to post year end bank statements to assess the recoverability of these amounts.</p> <p>We reviewed the income report for all dividends above our testing threshold and checked these against an independent source to determine if any were special dividends. We also reviewed the book cost reconciliation for any evidence of any special dividends treated as capital. We reviewed the accounting treatment applied for the special dividends which were above our testing threshold.</p>	<p>The results of our procedures are:</p> <p>We have no matters to communicate with respect to our assessment of the Administrator's and Manager's processes and controls surrounding revenue recognition including special dividends.</p> <p>We noted no issues in agreeing the sample of dividend receipts to investee company announcements or in agreeing the cash received to bank statements.</p> <p>We noted no issues in agreeing the sample of investee company announcements and coupon details from independent sources to the income recorded by the Company.</p> <p>We noted no issues in agreeing the dividends accrued at the year end to company announcements or in agreeing a sample of these to bank statements.</p> <p>We agreed with the allocation of the special dividends in our sample to revenue and capital.</p>
<p>There is also a risk that inappropriate journal entries could result in a misstatement of revenue.</p>	<p>We agreed, on a sample basis, revenue journal entries on the journal download for the year back to the income report and the details from the income report to the corresponding announcements made by the investee company.</p>	<p>We noted no issues in agreeing the sample of revenue journal entries back to the details from the income report to the correspondence announcements made by the investee company.</p>

Risk (continued)	Our response to the risk (continued)	Key observations communicated to the Audit Committee (continued)
<p>Incorrect valuation and existence of the investment portfolio (as described on page 43 in the Audit Committee Report).</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The valuation of the portfolio at 31 July 2017 was £468.6m (2016: £414.8m) consisting of listed equities.</p>	<p>We performed the following procedures:</p> <p>We have reviewed the process in place at both the Manager and Administrator in relation to the pricing of investments.</p> <p>For all investments in the portfolio, we compared the market values and exchange rates applied to an independent source.</p> <p>We agreed the Company's investments to the independent confirmations received from the Company's Depositary as at 31 July 2017.</p>	<p>The results of our procedures are:</p> <p>We have no matters to communicate with respect to our assessment of the Administrator's and Manager's processes and controls surrounding investment pricing.</p> <p>For all investments, we noted no material differences in market value or exchange rates when compared to an independent source.</p> <p>We noted no differences between the Depositary confirmations and the Company's underlying financial records.</p>

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment and other factors when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £4.3m (2016: £3.8m) which is 1% (2016: 1%) of equity shareholders' funds. We have used equity shareholders' funds as the basis for setting materiality since it is the basis for the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £3.2m (2016 £2.9m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Independent Auditor's Report to the Members of Aberdeen Asian Smaller Companies Investment Trust PLC continued

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.4m (2016: £0.2m) for the revenue column of the Statement of Comprehensive Income being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2016: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report 2 to 44 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 41 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 42 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 33 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends or inappropriate journal entries. Further discussion of our approach is set out in the section on key audit matters above.

Independent Auditor's Report to the Members of Aberdeen Asian Smaller Companies Investment Trust PLC continued

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Other matters we are required to address

- We were appointed as auditors by the Company as part of the initial listing process and signed an engagement letter in October 1995 to audit the financial statements for the period ending 31 July 1996 and subsequent financial periods. Our appointment was subsequently ratified at the first annual general meeting of the Company held on 27 November 1996. The period of total uninterrupted engagement including previous renewals and reappointments is 22 years, covering the years ending 31 July 1996 to 31 July 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit;
- The audit opinion is consistent with the additional report to the audit committee.

Caroline Mercer (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
24 October 2017

Financial Statements

Asian markets maintained their upward trajectory in the year under review amid renewed interest in the region. Returns were further flattered by sterling's bouts of weakness, especially in the wake of the UK's surprise decision to leave the European Union. In Asia, risk appetite improved on the back of a recovery in commodity prices, aided by steadier oil prices, as well as better economic data from China. Leading the region higher were markets in India, Taiwan and China, while laggards included Indonesia, the Philippines and South Korea. The small-cap sector also benefited from liquidity inflows driven by investors' search for growth.

Palm oil plantations, Malaysia



Statement of Comprehensive Income

	Notes	Year ended 31 July 2017			Year ended 31 July 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	–	54,249	54,249	–	58,314	58,314
Income	3	13,896	–	13,896	10,992	–	10,992
Exchange losses		–	(223)	(223)	–	(817)	(817)
Investment management fees	4	(3,641)	–	(3,641)	(4,335)	–	(4,335)
Administrative expenses	5	(1,206)	–	(1,206)	(1,135)	–	(1,135)
Net return on ordinary activities before finance costs and tax		9,049	54,026	63,075	5,522	57,497	63,019
Finance costs	6	(1,620)	–	(1,620)	(1,592)	–	(1,592)
Net return on ordinary activities before tax		7,429	54,026	61,455	3,930	57,497	61,427
Tax expense	7	(612)	(9)	(621)	(534)	–	(534)
Net return on ordinary activities after tax		6,817	54,017	60,834	3,396	57,497	60,893
Return per share (pence):							
Basic	9	19.31	152.98	172.29	9.22	156.16	165.38
Diluted	9	n/a	137.49	157.96	n/a	140.93	152.04

For the years ended 31 July 2017 and 31 July 2016 the conversion option for potential Ordinary shares within the Convertible Unsecured Loan Stock was non-dilutive to the revenue return per Ordinary share but dilutive to the capital return per Ordinary share.

The total column of this statement represents the profit and loss account of the Company. There is no other comprehensive income and therefore the return on ordinary activities after tax is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position

	Notes	As at 31 July 2017 £'000	As at 31 July 2016 £'000
Non-current assets			
Investments at fair value through profit or loss	10	468,614	414,812
Current assets			
Debtors and prepayments	11	627	600
Cash and short term deposits		4,009	13,623
		4,636	14,223
Creditors: amounts falling due within one year			
Bank loans		–	(11,779)
Other creditors		(1,222)	(1,310)
	12	(1,222)	(13,089)
Net current assets		3,414	1,134
Total assets less current liabilities		472,028	415,946
Non-current liabilities			
Bank loans	12	(9,482)	–
3.5% Convertible Unsecured Loan Stock 2019	13	(32,441)	(32,211)
		(41,923)	(32,211)
Net assets		430,105	383,735
Capital and reserves			
Called-up share capital	14	9,796	9,794
Capital redemption reserve		2,062	2,062
Share premium account		39,695	39,646
Equity component of 3.5% Convertible Unsecured Loan Stock 2019	13	1,361	1,361
Capital reserve	15	365,765	322,525
Revenue reserve		11,426	8,347
Equity shareholders' funds		430,105	383,735
Net asset value per share (pence):			
Basic	16	1,235.45	1,068.92
Diluted	16	1,192.49	1,042.99

The financial statements were approved by the Board of Directors and authorised for issue on 24 October 2017 and were signed on behalf of the Board by:

Nigel Cayzer
Chairman

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 July 2017

		Share capital	Capital redemption reserve	Share premium account	Equity Component CULS 2019	Capital reserve	Revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2016		9,794	2,062	39,646	1,361	322,525	8,347	383,735
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	13	2	–	49	–	–	–	51
Purchase of own shares to treasury	15	–	–	–	–	(10,777)	–	(10,777)
Return on ordinary activities after taxation		–	–	–	–	54,017	6,817	60,834
Dividends paid	8	–	–	–	–	–	(3,738)	(3,738)
Balance at 31 July 2017		9,796	2,062	39,695	1,361	365,765	11,426	430,105

For the year ended 31 July 2016

		Share capital	Capital redemption reserve	Share premium account	Special reserve	Equity Component CULS 2019	Capital reserve	Revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015		9,794	2,062	39,644	10,578	1,361	269,975	10,553	343,967
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	13	–	–	2	–	–	–	–	2
Purchase of own shares to treasury	15	–	–	–	(10,578)	–	(4,947)	–	(15,525)
Return on ordinary activities after taxation		–	–	–	–	–	57,497	3,396	60,893
Dividends paid	8	–	–	–	–	–	–	(5,602)	(5,602)
Balance at 31 July 2016		9,794	2,062	39,646	–	1,361	322,525	8,347	383,735

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

		Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
	Notes		
Cash flows from operating activities			
Return on ordinary activities before finance costs and tax		63,075	63,019
Adjustments for:			
Dividend income	3	(13,895)	(10,822)
Interest income	3	(1)	(10)
Dividends received		13,714	11,466
Interest received		2	9
Interest paid		(1,303)	(1,321)
Gains on investments	10	(54,249)	(58,314)
Foreign exchange movements		223	817
Decrease in prepayments		1	3
Increase in other debtors		(32)	(10)
(Decrease)/increase in accruals		(393)	358
Stock dividends included in investment income		–	(160)
Overseas withholding tax suffered	7	(621)	(534)
Net cash inflow from operating activities		6,521	4,501
Cash flows from investing activities			
Purchase of investments		(29,627)	(15,504)
Sales of investments		30,498	33,404
Net cash inflow from investing activities		871	17,900
Cash flows from financing activities			
Purchase of own shares to treasury		(10,748)	(15,816)
Drawdown of loan	12	9,482	6,868
Repayment of loan	12	(11,643)	–
Equity dividends paid	8	(3,738)	(5,602)
Net cash outflow from financing activities		(16,647)	(14,550)
(Decrease)/increase in cash and cash equivalents		(9,255)	7,851
Analysis of changes in cash and cash equivalents			
Opening balance		13,623	6,678
(Decrease)/increase in cash and cash equivalents		(9,255)	7,851
Foreign exchange movements		(359)	(906)
Closing balance		4,009	13,623

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 July 2017

1. Principal activity

The Company is a closed-end investment company, registered in England & Wales No 03106339, with its Ordinary shares being listed on the London Stock Exchange.

2. Accounting policies

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited) on page 34.

(b) Valuation of investments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) and investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost. Subsequent to initial recognition, investments are measured at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value and disposals are included as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

(c) Borrowings

Bank loans are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they are measured at amortised cost using the effective interest method. Finance charges are accounted for on an accruals basis using the effective interest rate method and are charged 100% to revenue.

(d) Income

Dividends, including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to return is established. The fixed return on a debt security, if material, is recognised on a time apportioned basis so as to reflect the effective yield on each security. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses, including management fees and finance costs, are charged 100% through the revenue column of the Statement of Comprehensive Income with the exception of transaction costs incurred on the purchase and disposal of investments which are charged to the capital column of the Statement of Comprehensive Income and are separately identified and disclosed in note 10 within gains on investments.

(f) Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue within the Statement of Comprehensive Income on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year, based on the marginal basis.

(g) Foreign currency

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Statement of Financial Position date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on dividends receivable are recognised in the Statement of Comprehensive Income and are reflected in the revenue reserve. Gains and losses on the realisation of foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve.

(h) 3.5% Convertible Unsecured Loan Stock 2019

Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.662%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective interest rate and the equity component remains unchanged.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument using the effective interest rate.

The interest expense on the CULS is calculated according to the effective interest rate method.

On conversion of CULS, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

When CULS is repurchased early for cancellation, the fair value of the liability at the redemption date is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised through profit or loss. The amount of consideration allocated to equity is recognised in equity with no gain or loss being recognised.

Notes to the Financial Statements *continued***(i) Nature and purpose of reserves****Capital redemption reserve**

The capital redemption reserve arose when Ordinary shares were redeemed and cancelled, at which point an amount equal to the par value of the Ordinary share capital was transferred from the Statement of Comprehensive Income to the capital redemption reserve.

Special reserve

The special reserve was created by a transfer from the share premium account and is used to fund the value of purchases in the market of the Company's own shares to be held in treasury.

Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any movement in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, the cost of share buybacks to be held in treasury is also deducted from this reserve.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(j) Treasury shares

When the Company purchases the Company's equity share capital as treasury shares, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. When these shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from the capital reserve.

(k) Dividends payable

Dividends are recognised in the financial statements in the period in which they are paid.

(l) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided however an analysis of the geographic exposure of the Company's investments is provided on page 24.

	2017 £'000	2016 £'000
3. Income		
Income from investments		
Overseas dividends	13,510	10,822
UK dividend income	254	–
REIT income	131	–
Stock dividends	–	160
	13,895	10,982
Other income		
Deposit interest	1	10
Total income	13,896	10,992

	2017	2016
	£'000	£'000
4. Investment management fees		
Investment management fees	3,641	4,335

The Company has an agreement with AFML for the provision of management services, which has been delegated to AAM Asia.

During the year the management fee was payable monthly in arrears and is based on an annual amount of 1.00% (2016 – 1.2%), calculated on the average net asset value of the Company over a 24 month period, valued monthly. The management fee is calculated by reference to the value of the Company's net assets (gross assets less liabilities excluding the amount of any loan facilities or overdraft facilities drawn down). The balance due to the Manager at the year end was £319,000 (2016 – £724,000) which represents one month's fee (2016 – two months). The agreement is terminable on one year's notice.

	2017	2016
	£'000	£'000
5. Administrative expenses		
Administration fees	89	87
Directors' fees	156	171
Promotional activities	250	250
Auditor's remuneration:		
– fees payable to the auditor for the audit of the annual accounts	27	26
– fees payable to the auditor and its associates for other services:		
• interim review	7	7
• taxation services (compliance) ^A	11	8
• iXBRL tagging services	2	2
Custodian charges	282	235
Other expenses	382	349
	1,206	1,135

^A Charge for 2017 relates to services provided up to 31 July 2016.

The Company has an agreement with AFML for the provision of administration services which is, in turn, delegated to Standard Life Aberdeen group. The administration fee is payable quarterly in advance and based on an index-linked annual amount of £89,000 (2016 – £87,000). The balance due to AFML at the year end was £22,000 (2016 – £22,000). The agreement is terminable on six months' notice.

Under the management agreement, the Company has also appointed AFML to provide promotional activities to the Company by way of its participation in the Aberdeen Investment Trust Share Plan and ISA. AFML has delegated this role to Standard Life Aberdeen group. The total fee paid and payable under the agreement in relation to promotional activities was £250,000 (2016 – £250,000) and there was a £21,000 (2016 – £21,000) balance due to the Standard Life Aberdeen group at the year end.

No pension contributions were made in respect of any of the Directors.

Notes to the Financial Statements *continued*

	2017 £'000	2016 £'000
6. Finance costs		
Loans repayable in less than 1 year	183	167
Interest on 3.5% Convertible Unsecured Loan Stock 2019	1,156	1,156
Notional interest on 3.5% Convertible Unsecured Loan Stock 2019	206	194
Amortisation of 3.5% Convertible Unsecured Loan Stock 2019 issue expenses	75	75
	1,620	1,592

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
7. Tax expense						
(a) Analysis of charge for the year						
Capital gains tax charge	–	9	9	–	–	–
Overseas taxation	612	–	612	534	–	534
Total tax charge for the year	612	9	621	534	–	534

At 31 July 2017 the Company had surplus management expenses and loan relationship deficits with a tax value of £6,635,000 (2016 – £5,880,000) in respect of which a deferred tax asset has not been recognised. This is due to the Company having sufficient excess management expenses available to cover the potential liability and the Company is not expected to generate taxable income in the future in excess of deductible expenses.

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the current standard rate of corporation tax in the UK for a large company of 19.67% (2016 – effective rate 20%). The differences are explained below:

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	7,429	54,026	61,455	3,930	57,497	61,427
Return on ordinary activities multiplied by the standard tax rate of corporation tax of 19.67% (2016 – 20%)	1,461	10,627	12,088	786	11,499	12,285
Effects of:						
Gains on investments not taxable	–	(10,671)	(10,671)	–	(11,663)	(11,663)
Exchange losses	–	44	44	–	164	164
Overseas tax	612	–	612	534	–	534
Capital gains tax charge	–	9	9	–	–	–
Non-taxable dividend income	(2,707)	–	(2,707)	(2,167)	–	(2,167)
Movement in unutilised management expenses	927	–	927	1,065	–	1,065
Movement in unutilised loan relationship deficits	319	–	319	316	–	316
Total tax charge for the year	612	9	621	534	–	534

	2017 £'000	2016 £'000
8. Dividends		
Final dividend for 2016 – 10.50p (2015 – 10.50p)	3,738	3,921
Special dividend for 2016 – nil (2015 – 4.50p)	–	1,681
	3,738	5,602

Proposed final and special dividends are subject to approval by shareholders at the Annual General Meeting and are not included as a liability in the financial statements.

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the current year is £6,817,000 (2016 – £3,396,000).

	2017 £'000	2016 £'000
Proposed final dividend for 2017 – 12.00p (2016 – 10.50p)	4,131	3,738
Proposed special dividend for 2017 – 4.00p (2016 – nil)	1,377	–
	5,508	3,738

The amount reflected above for the cost of the proposed final and special dividend for 2017 is based on 34,423,225 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

	2017			2016		
9. Return per Ordinary share	Revenue	Capital	Total	Revenue	Capital	Total
Basic						
Return on ordinary activities after taxation (£'000)	6,817	54,017	60,834	3,396	57,497	60,893
Weighted average number of shares in issue ^A			35,308,359			36,818,139
Return per Ordinary share (p)	19.31	152.98	172.29	9.22	156.16	165.38
Diluted						
Return on ordinary activities after taxation (£'000)	8,042	54,017	62,059	4,534	57,497	62,031
Weighted average number of shares in issue ^{AB}			39,287,090			40,799,154
Return per Ordinary share (p)	n/a	137.49	157.96	n/a	140.93	152.04

^A Calculated excluding shares held in treasury.

^B The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with IAS33, "Earnings per Share". For the purpose of calculating total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all 3.5% Convertible Unsecured Loan Stock 2019 (CULS). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 3,978,731 (2016 – 3,981,015) to 39,287,090 (2016 – 40,799,154) Ordinary shares.

For the year ended 31 July 2017 (2016 -same) the assumed conversion for potential Ordinary shares was non-dilutive to the revenue return per Ordinary share but dilutive to the capital return per Ordinary share. Where dilution occurs, the net returns are adjusted for items relating to the CULS. Accrued CULS finance costs for the period and unamortised issues expenses are reversed. Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted.

Notes to the Financial Statements *continued*

	Listed in UK £'000	Listed overseas £'000	Total £'000
10. Investments			
Fair value through profit or loss:			
Opening book cost	7,610	221,885	229,495
Opening fair value gains on investments held	6,329	178,988	185,317
Opening fair value	13,939	400,873	414,812
Movements in year:			
Purchases at cost	1,898	27,967	29,865
Sales – proceeds	(241)	(30,071)	(30,312)
Sales – gains on sales	137	17,001	17,138
Movement in fair value gains on investments held	(1,321)	38,432	37,111
Closing fair value	14,412	454,202	468,614
	Listed in UK £'000	Listed overseas £'000	Total £'000
Closing book cost	9,404	236,782	246,186
Closing fair value gains on investments held	5,008	217,420	222,428
	14,412	454,202	468,614
Gains/(losses) on investments			
Gains on sales	137	17,001	17,138
Movement in fair value gains on investments held	(1,321)	38,432	37,111
	(1,184)	55,433	54,249

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2017 £'000	2016 £'000
Purchases	90	78
Sales	56	83
	146	161

	2017 £'000	2016 £'000
11. Debtors: amounts falling due within one year		
Amounts due from brokers	14	200
Other debtors	48	55
Prepayments and accrued income	565	345
	627	600

None of the above amounts are past their due date or impaired (2016 – nil).

12. Creditors	2017	2016
(a) Amounts falling due within one year	£'000	£'000
Bank loans	–	11,779
Amounts due to brokers	238	–
Amount due for the purchase of own shares to treasury	186	157
Other creditors	798	1,153
	1,222	13,089

As at 31 July 2016, £5,000,000 had been drawn down at an all-in rate of 1.4% which matured on 25 August 2016. In addition, US\$9,000,000 had been drawn down at an all-in rate of 1.4% which matured on 25 August 2016.

(b) Amounts falling due after more than one year – Bank loan

The Company currently has a \$25,000,000 revolving facility agreement with The Royal Bank of Scotland PLC. At the year end, \$12,500,000 (£9,482,000) was drawn down from the term loan facility at a fixed interest rate of 2.506% until 8 June 2020. The terms of the loan facilities contain covenants that the minimum net assets of the Company are £300,000,000, the percentage of borrowings against net assets is less than 20%, and the portfolio contains a minimum of forty five eligible investments (investments made in accordance with the Company's investment policy).

13. Non-current liabilities	Number of units £'000	Liability component £'000	Equity component £'000
3.5% Convertible Loan Stock 2019			
Balance at beginning of year	33,041	32,211	1,361
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	(51)	(51)	–
Notional interest on CULS transferred to revenue reserve	–	206	–
Amortisation and issue expenses	–	75	–
Balance at end of year	32,990	32,441	1,361

The 3.5% Convertible Unsecured Loan Stock 2019 ("CULS") can be converted at the election of holders into Ordinary shares during the months of May and November each year throughout their life, commencing 30 November 2012 to 31 May 2019 at a rate of 1 Ordinary share for every 830.0p nominal of CULS. Interest is paid on the CULS on 31 May and 30 November each year, commencing 30 November 2012. 100% of the interest is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

The CULS has been constituted as an unsecured subordinated obligation of the Company by the Trust Deed between the Company and the Trustee, the Law Debenture Trust Corporation p.l.c., dated 17 May 2012. The Trust Deed details the CULS holders' rights and the Company's obligations to the CULS holders and the Trustee oversees the operation of the Trust Deed. In the event of a winding-up of the Company the rights and claims of the Trustee and CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.

During the year ended 31 July 2017 the Company converted 51,067 (31 July 2016 – 2,329) nominal amount of CULS into 6,141 (31 July 2016 – 278) Ordinary shares.

As at 31 July 2017, there was £32,989,747 (2016 – £33,040,814) nominal amount of 3.5% Convertible Unsecured Loan Stock 2019 in issue.

Notes to the Financial Statements *continued*

	2017 £'000	2016 £'000
14. Called up share capital		
Allotted, called-up and fully paid		
Ordinary shares of 25p	8,703	8,975
Treasury shares	1,093	819
	9,796	9,794

	Ordinary shares Number	Treasury shares Number	Total Number
At 31 July 2016	35,899,334	3,278,124	39,177,458
Conversion of CULS	6,141	–	6,141
Buyback of own shares	(1,091,750)	1,091,750	–
At 31 July 2017	34,813,725	4,369,874	39,183,599

During the year 1,091,750 Ordinary shares of 25p were purchased by the Company (2016 – 2,059,834 Ordinary shares purchased) at a total cost of £10,777,000 (2016 – total cost of £15,525,000), all of which were held in treasury (2016 – same). At the year end 4,369,874 (2016 – 3,278,124) shares were held in treasury, which represents 11.15% (2016 – 8.37%) of the Company's total issued share capital at 31 July 2017. During the year there were a further 6,141 Ordinary shares issued as a result of CULS conversion (2016 – 278).

Since the year end a further 390,500 Ordinary shares of 25p have been purchased by the Company at a total cost of £4,100,000, all of which were held in treasury.

	2017 £'000	2016 £'000
15. Reserves		
Capital reserve		
At 31 July 2016	322,525	269,975
Movement in investment holdings fair value	37,111	45,502
Gains on realisation of investments at fair value	17,138	12,812
Purchase of own shares to treasury	(10,777)	(4,947)
Capital gains tax charge	(9)	–
Foreign exchange movement	(223)	(817)
At 31 July 2017	365,765	322,525

The capital reserve includes investment holding gains amounting to £222,428,000 (2016 – £185,317,000) as disclosed in note 10. The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements Of Investment Trust Companies and Venture Capital Trusts'.

	2017	2016
16. Net asset value per Ordinary share		
Basic		
Net assets attributable	£430,105,000	£383,735,000
Number of Ordinary shares in issue ^A	34,813,725	33,899,334
Net asset value per Ordinary share	1,235.45p	1,068.92p

	2017	2016
Diluted		
Net assets attributable	£462,546,000	£415,946,000
Number of Ordinary shares in issue ^A	38,788,393	39,880,155
Net asset value per Ordinary share ^B	1,192.49p	1,042.99p

^A Calculated excluding shares held in treasury

^B The diluted net asset value per Ordinary share has been calculated on the assumption that £32,989,747 (2016 – £33,040,814) 3.5% Convertible Unsecured Loan Stock 2019 ("CULS") is converted at 830.0p per share, giving a total of 38,788,393 (2016 – 39,880,155) Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

Net asset value per share – debt converted

In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be 'in the money' if the cum income net asset value ("NAV") exceeds the conversion price of 830.0p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 31 July 2017 the cum income NAV was 1,235.45p (31 July 2016 – 1,068.92p) and thus the CULS were 'in the money'.

17. Related party transactions and transactions with the Manager

Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on pages 38 to 40. The balance of fees due to Directors at the year end was £2,000 (2016 – £14,000).

Mr Gilbert and his alternate Director, Mr Young are both directors of Aberdeen and its subsidiary AAM Asia which has been delegated, under an agreement with AFML, to provide management services to the Company, the terms of which are outlined in notes 4 and 5 along with details of transactions during the year and balances outstanding at the year end. Neither Mr Gilbert nor Mr Young are directors of AFML.

With effect from 3 July 2017 Mr Yea was appointed to the board of Equiniti Group Plc and on 29 September 2017 he became Chairman of the Group. Equiniti acts as registrar to the Company.

18. Financial instruments

Risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise equities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The Board has delegated the risk management function to Aberdeen Fund Managers Limited ("AFML") under the terms of its management agreement with AFML (further details of which are included under note 4 and in the Directors' Report) however, it remains responsible for the risk and control framework and operation of third parties. The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

Risk management framework

The directors of Aberdeen Fund Managers Limited collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of the Standard Life Aberdeen Group, which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the

Notes to the Financial Statements *continued*

Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Management Asia Ltd, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's corporate governance structure is supported by several committees to assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described in the committees' terms of reference.

Risk management

The main risks the Company faces from these financial instruments are (i) market risk (comprising interest rate, foreign currency and other price risk), (ii) liquidity risk and (iii) credit risk.

Market risk

The fair value of or future cash flows from a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings;
- valuation of debt securities in the portfolio.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

Interest rate risk profile

The interest rate risk profile of the Company's financial assets and liabilities, excluding equity holdings which are all non-interest bearing, at the reporting date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 July 2017				
Assets				
Sterling	–	–	–	3,774
Pakistan Rupee	–	–	–	23
Taiwan Dollar	–	–	–	208
Thailand Baht	–	–	–	4
	–	–	–	4,009
Liabilities				
Bank loan	2.95	2.5	9,482	–
3.5% Convertible Unsecured Loan Stock 2019	1.83	3.5	32,441	–
	–	–	41,923	–

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 July 2016				
Assets				
Sterling	–	–	–	13,444
Thailand Baht	–	–	–	179
	–	–	–	13,623
Liabilities				
Bank loan	0.08	1.4	11,779	–
3.5% Convertible Unsecured Loan Stock 2019	2.83	3.5	32,211	–
	–	–	43,990	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on interest payable, weighted by the value of the loan. Details of the Company's loan are shown in note 12 to the financial statements.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The Company's equity portfolio and short term debtors and creditors (excluding bank loans) have been excluded from the above tables.

Interest rate sensitivity

Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total return.

Foreign currency risk

All of the Company's investment portfolio is invested in overseas securities and the Statement of Financial Position, therefore, can be significantly affected by movements in foreign exchange rates.

Management of the risk

It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings.

The revenue account is subject to currency fluctuations arising on dividends receivable in foreign currencies and,

Notes to the Financial Statements *continued*

indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. It is not the Company's policy to hedge this currency risk but the Board keeps under review the currency returns in both capital and income.

Foreign currency risk exposure by currency of denomination:

	31 July 2017			31 July 2016		
	Overseas	Net monetary	Total	Overseas	Net monetary	Total
	investments	assets/(liabilities)	currency	Investments	assets/(liabilities)	currency
	£'000	£'000	£'000	£'000	£'000	£'000
Australian Dollar	11,539	–	11,539	14,579	–	14,579
Chinese Yuan	850	–	850	–	–	–
Danish Krona	8,327	–	8,327	7,457	–	7,457
Hong Kong Dollar	74,157	–	74,157	65,392	–	65,392
Indian Rupee	59,474	–	59,474	46,634	–	46,634
Indonesian Rupiah	36,553	–	36,553	28,063	–	28,063
Korean Won	4,295	–	4,295	2,047	–	2,047
Malaysian Ringgit	68,506	–	68,506	75,126	–	75,126
Taiwan Dollar	4,914	207	5,121	–	–	–
New Zealand Dollar	14,557	–	14,557	9,124	–	9,124
Pakistan Rupee	4,269	24	4,293	1,448	–	1,448
Philippine Peso	30,534	–	30,534	31,909	–	31,909
Singapore Dollar	59,169	–	59,169	51,166	–	51,166
Sri Lankan Rupee	15,024	–	15,024	14,355	–	14,355
Thailand Baht	62,034	4	62,038	57,235	179	57,414
United States Dollar	–	(9,482)	(9,482)	–	(6,779)	(6,779)
	454,202	(9,247)	444,955	404,535	(6,600)	397,935
Sterling	14,412	(28,667)	(14,255)	10,277	(23,767)	(13,490)
Total	468,614	(37,914)	430,700	414,812	(30,367)	384,445

Foreign currency sensitivity

The Company's foreign currency financial instruments are in the form of equity investments and bank loans. The sensitivity of the former has been included within other price risk sensitivity analysis so as to show the overall level of exposure. Based upon exchange rates at the Balance Sheet date, a 10% increase in Sterling would result in a decrease in the value of the United States Dollar bank loan of £862,000 (2016 – £616,000) and a 10% decrease in Sterling would result in an increase in the value of the United States Dollar bank loan of £1,054,000 (2016 – £753,000). Due consideration is paid to foreign currency risk throughout the investment process.

Other price risk

Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

Investment in Far East equities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process, as detailed on page 75, act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges worldwide.

Other price risk sensitivity

If market prices at the reporting date had been 10% (2016 – 10%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2017 would have increased/(decreased) by £46,861,000 (2016 – increased/(decreased) by £41,481,000) and equity reserves would have increased/(decreased) by the same amount.

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Gearing comprises both bank loans and convertible unsecured loan stock. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 25%. Details of borrowings at the 31 July 2017 are shown in notes 12 and 13.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of a loan facility, details of which can be found in note 12. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the investment policy section on page 3.

Liquidity risk exposure

At 31 July 2017 the Company had borrowings in the form of the £32,989,747 (2016 – £33,040,814) nominal of 3.5% Convertible Unsecured Loan Stock 2019.

At 31 July 2017 the Company's bank loan, amounting to £9,482,000 (2016 – £11,779,000; repayment date 25 August 2016), was due for repayment on 8 June 2020. The maximum exposure during the year was £11,928,000 (2016 – £12,000,000) and the minimum exposure during the year was £6,934,000 (2016 – £5,000,000).

The maturity profile of the Company's existing borrowings is set out below.

	Expected cashflows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
3.5% Convertible Unsecured Loan Stock 2019	35,299	–	1,155	34,144
Bank loans	7,914	62	180	7,672
	43,213	62	1,335	41,816

Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

Management of the risk

Investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker. Settlement of investment transactions are also done on a delivery versus payment basis;

Notes to the Financial Statements *continued*

- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the third party administrator carries out a stock reconciliation to Custodian records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's risk management committee. This review will also include checks on the maintenance and security of investments held; and
- cash is held only with reputable banks with high quality external credit ratings.

It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

None of the Company's financial assets is secured by collateral or other credit enhancements.

Credit risk exposure

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 July was as follows:

	2017		2016	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Debtors	627	627	600	600
Cash and short term deposits	4,009	4,009	13,623	13,623
	4,636	4,636	14,223	14,223

None of the Company's financial assets is past due or impaired.

Fair values of financial assets and financial liabilities

Investments held at fair value through profit or loss are valued at their quoted bid prices which equate to their fair values. The Directors are of the opinion that the other financial assets and liabilities, excluding CULS which are held at amortised cost, are stated at fair value in the Statement of Financial Position and considered that this approximates to the carrying amount.

19. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at 31 July 2017 as follows:

As at 31 July 2017	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets and liabilities at fair value through profit or loss					
Quoted equities	a)	468,614	–	–	468,614
CULS	b)	(42,639)	–	–	(42,639)
Net fair value		425,975	–	–	425,975

As at 31 July 2016	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets and liabilities at fair value through profit or loss					
Quoted equities	a)	414,812	–	–	414,812
CULS	b)	(38,080)	–	–	(38,080)
Net fair value		376,732	–	–	376,732

a) Quoted equities

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

b) Convertible Unsecured Loan Stock ("CULS")

The Company's CULS are actively traded on a recognised stock exchange. The fair value of the CULS has therefore been deemed Level 1. The carrying value of the CULS is disclosed in note 13.

20. Capital management policies and procedures

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt (comprising bank borrowings and CULS) and equity balance.

The Company's capital comprises the following:

	2017 £'000	2016 £'000
Equity		
Equity share capital	9,796	9,794
Reserves	420,309	373,941
Liabilities		
Bank loans	9,482	–
CULS	32,441	32,211
	472,028	415,946

The Board's policy is to utilise gearing when the Manager believes it appropriate to do so, up to a maximum of 25% geared at the time of drawdown. Gearing for this purpose is defined as the excess amount above shareholders' funds of total assets (including net current assets/liabilities) less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount so calculated is negative, this is shown as a 'net cash' position.

Notes to the Financial Statements *continued*

	2017 £'000	2016 £'000
Investments at fair value through profit or loss	468,614	414,812
Current assets excluding cash	627	600
Current liabilities excluding bank loans	(1,222)	(1,310)
Total assets	468,019	414,102
Net assets	430,105	383,735
Gearing (%)	8.8	7.9

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. The review includes:

- the planned level of gearing which takes account of the Manager's views on the market;
- the level of equity shares in issue;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company does not have any externally imposed capital requirements.



Corporate Information

The Investment Manager is a subsidiary of Aberdeen Asset Management PLC, which merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc. Assets under the management of the combined investment division, Aberdeen Standard Investments, were equivalent to £583 billion at 31 December 2016.

Street scene, Singapore

Information about the Manager

Aberdeen Fund Managers Limited

Aberdeen Fund Managers Limited ("AFML"), authorised and regulated by the Financial Conduct Authority, has been appointed as alternative investment fund manager to the Company. AFML has in turn delegated portfolio management to Aberdeen Asset Management Asia Limited ("AAM Asia").

The Standard Life Aberdeen Group has its headquarters in Edinburgh with principal offices in Aberdeen, London, Singapore, Philadelphia, Bangkok, Edinburgh, Hong Kong, Luxembourg, Kuala Lumpur, Jersey, Sao Paulo, Stockholm, Sydney, Taipei, and Tokyo.

Aberdeen Standard Investments

Worldwide, Aberdeen Standard Investments manages a combined £583 billion (as at 31 December 2016) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

The Investment Team Senior Managers



Hugh Young
Managing Director

BA in Politics from Exeter University. Started investment career in 1980. In charge of AAM Asia's Far East funds since 1985.



Flavia Cheong
Head of Equities, Asia Pacific ex. Japan

Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined AAM Asia in August 1996.



Chris Wong
Senior Investment Manager

BA in accounting and finance from Heriot Watt University. Joined AAM Asia in 2001 having previously been an associate director at Andersen Corporate Finance.



Adrian Lim
Senior Investment Manager

Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined AAM Asia in 2000 having previously been an associate director at Arthur Andersen.



Pruksa Iamthongthong
Senior Investment Manager

Chartered Financial Analyst, BA in Business Administration from Chulalongkorn University, Thailand joined AAM Asia in 2007.

The Investment Process

Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We (AAM Asia) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment.

Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or

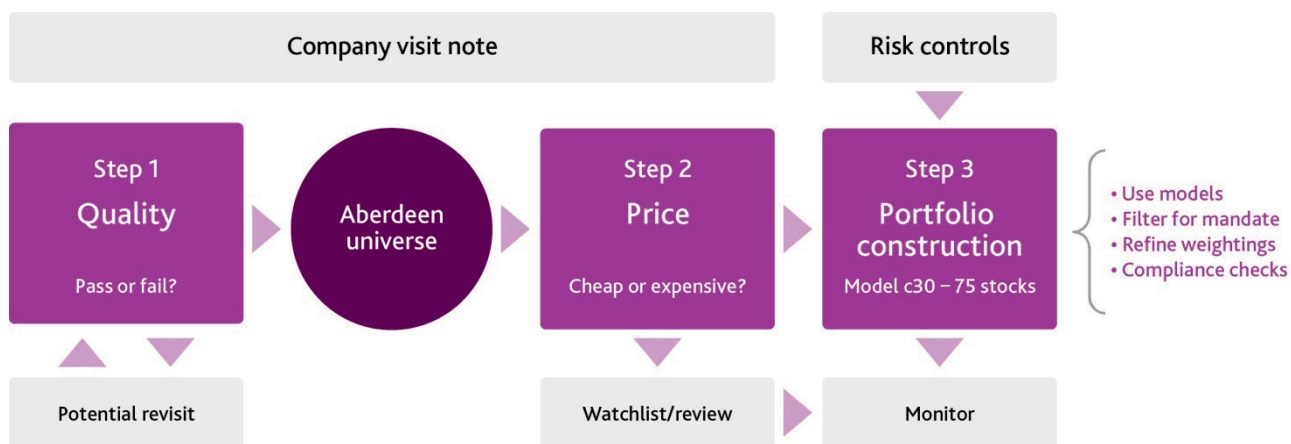
top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

AAM Asia seeks to minimise risk by its in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

AAM Asia's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool

Stock Selection Process



AIFMD

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services as its depositary under the AIFMD. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD which can be found on the website asian-smaller.co.uk. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 79.

Comparative Indices

The Company does not have a benchmark, but the Investment Manager utilises two general regional indices, the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted), as well as peer comparisons for Board reporting.

Website

Further information on Aberdeen Asian Smaller Companies Investment Trust PLC can be found on its own dedicated website: asian-smaller.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports.

Investor Warning

The Board has been made aware by Aberdeen that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided below.

Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Trust's website: asian-smaller.co.uk and the TrustNet website: trustnet.co.uk. Alternatively direct private investors can call 0808 500 00 40 (free when dialling from a UK landline) for trust information. Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing West Sussex BN99 6DA or by telephoning on 0371 384 2416. Lines are open 8.30a.m. to 5.30 p.m. (London Time) Monday to Friday. Calls may be recorded and monitored randomly for security and training purposes.

Changes of address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, Aberdeen Asian Smaller Companies Investment Trust PLC, 40 Princes Street, Edinburgh EH2 2BY or by emailing company.secretary@aberdeenstandard.com.

Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Aberdeen's Investment Trust Share Plan

Aberdeen runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments

start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £20,000 can be made in the tax year 2017/2018.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Pre-investment Disclosure Document (PIDD)

The AIFMD requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Aberdeen Asian Smaller Companies Investment Trust PLC, to make available to investors certain information prior to such investors' investment in the Company. The Company's PIDD is available for viewing at: asian-smaller.co.uk.

Literature Request Service

For literature and information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager's investment trust products, please contact:

Aberdeen Investment Trust Administration

PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0808 500 00 40
(free when dialling from a UK landline)
Email: aam@lit-request.com

Terms and conditions for the Aberdeen managed savings products can also be found under the literature section of invtrusts.co.uk

Online Dealing details

Investor information

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell Youinvest
Alliance Trust Savings
Barclays Stockbrokers / Smart Investor
Charles Stanley Direct
Equiniti / Shareview
Halifax Share Dealing
Hargreave Hale
Hargreaves Lansdown
iDealing
Interactive Investor / TD Direct
Selftrade
The Share Centre
Stocktrade

Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at thewma.co.uk.

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit unbiased.co.uk.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at www.fca.org.uk/firms/systems-reporting/register/search

Email: register@fca.org.uk

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking exposure to smaller companies in Asia, and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that the shares issued by Aberdeen Asian Smaller Companies Investment Trust PLC can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIs).

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

The information on pages 76 to 78 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website asian-smaller.co.uk. There have been no material changes to the disclosures contained within the PIDD since November 2016.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 86) and the numerical remuneration in the disclosures in respect of the AIFM's reporting period for the year ended 30 September 2016 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross method	Commitment method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 July 2017	1.18	1.18

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which AFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The above information above has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority

Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting of Aberdeen Asian Smaller Companies Investment Trust PLC will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH, at 11.30 a.m. on 1 December 2017 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 12 will be proposed as Ordinary Resolutions and Resolutions 13 to 15 as Special Resolutions:

Ordinary Business

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2017, together with the auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 July 2017 (other than the Directors' Remuneration Policy).
3. To approve the Directors' Remuneration Policy.
4. To approve the payment of a final dividend of 12.0p per Ordinary share.
5. To approve the payment of a special dividend of 4.0p per Ordinary share.
6. To re-elect Mr N.K. Cayzer as a Director.
7. To re-elect Mr M.J. Gilbert as a Director.
8. To re-elect Ms H. Fukuda as a Director.
9. To re-elect Mr C.S. Maude as a Director.
10. To re-elect Mr P. Yea as a Director.
11. To re-appoint Ernst & Young LLP as auditor and to authorise the Directors to determine their remuneration.

Special Business

12. THAT in substitution for all existing powers the Directors of the Company be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act"), to allot shares in the Company, and to grant rights ("Relevant Rights") to subscribe for, or to convert any security into, shares in the Company:

(a) up to an aggregate nominal amount of £2,868,602; and

(b) up to a further aggregate nominal amount of £2,868,602 in connection with an offer made by means of a negotiable document to (a) all holders of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") in proportion (as nearly as may be) to the respective numbers of such Ordinary shares held by them and (b) to holders of other equity securities required by the rights of those securities (but subject to such exclusions, limits or restrictions or other arrangements as the Directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever);

such authorisation to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2018 unless previously renewed, revoked or varied by the Company in general meeting, save that the Company may at any time before the expiry of this authorisation make an offer or enter into an agreement which would or might require shares to be allotted or Relevant Rights to be granted after the expiry of this authorisation and the Directors of the Company may allot shares or grant Relevant Rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.

13. THAT subject to the passing of Resolution numbered 12 above and in substitution for all existing powers the Directors be empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 (1), (2) and (3) of the Act) either pursuant to the authorisation under Section 551 of the Act as conferred by Resolution 12 above or by way of a sale of treasury shares, in each case for cash as if Section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities (otherwise than pursuant to sub-paragraph (b) below) up to an aggregate nominal amount of £860,580 which are, or are to be, wholly paid up in cash, at a price representing a premium to the net asset value per share at allotment, as determined by the Directors, and do not exceed up to 10% of the issued share capital (as at

the date of the Annual General Meeting convened by this notice); and
(b) the allotment of equity securities in connection with an offer to (a) all holders of Ordinary shares of 25p each in the capital of the Company in proportion (as nearly as may be) to the respective numbers of Ordinary shares held by them and (b) to holders of other equity securities as required by the rights of those securities (but subject in either case to such exclusions limits or restrictions or other arrangements as the Directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price representing a premium to the net asset value per share at allotment, as determined by the Directors; and

such power shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2018, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may do so as if such expiry had not occurred.

14. THAT, the Company be generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares"), and to cancel or hold in treasury such shares provided that:

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 14.99% of the Ordinary shares in issue as at the date of the passing of this Resolution 14;
- (b) the minimum price which may be paid for an Ordinary share is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the higher of (i) an amount equal to 5% above the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 unless such authority is renewed, revoked or varied prior to such time by the Company in general meeting; and
- (e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

15. THAT a general meeting other than an Annual General Meeting may be called on not less than 14 days' notice.

Bow Bells House
1 Bread Street
London EC4M 9HH
3 November 2017

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes:

1. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website asian-smaller.co.uk.
2. As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A form of proxy is enclosed.
3. To be valid, any form of proxy or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's registrars so as to arrive not less than 48 hours before the time fixed for the meeting. The return of a completed form of proxy or other instrument of proxy will not prevent you attending the Meeting and voting in person if you wish to do so.
4. The right to vote at the meeting is determined by reference to the Company's Register of Members as at 6.30 p.m. on 29 November 2017 or, if this meeting is adjourned, at 6.30 p.m. on the day two business days prior to the adjourned meeting. Changes to the entries on that Register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

Notice of Annual General Meeting continued

5. As a member you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual which can be viewed at euroclear.com. The message must be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his or her proxy(ies) will need to ensure that both he or she and such proxy(ies) comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
11. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
12. As at close of business on 24 October 2017 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 34,423,225 Ordinary shares of 25 pence each and there was a further 4,760,374 shares held in treasury. Each Ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at close of business on 24 October 2017 is 4,760,374. Treasury shares represent 13.8% of the total issued Ordinary share capital (inclusive of treasury shares).
13. No Director has a service contract with the Company, however, copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.
14. Under Section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this Notice of Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may be properly included in the business.
15. Members should note that it is possible that, pursuant to requests made by the members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid out before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on the website.
16. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
17. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
18. There are special arrangements for holders of shares through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust Individual Savings Account ('Plan Participants'). These are explained in the separate 'Letter of Direction' which Plan Participants will have received with this Annual Report.

Glossary of Terms and Definitions

AAM Asia or the Investment Manager	Aberdeen Asset Management Asia Limited												
Aberdeen	Aberdeen Asset Management PLC												
Standard Life Aberdeen Group	the Standard Life Aberdeen group of companies												
AFML or Manager	Aberdeen Fund Managers Limited												
AIC	Association of Investment Companies												
AIFM	the alternative investment fund manager, being AFML												
AIFMD	The Alternative Investment Fund Managers Directive												
Alternative Performance Measures	<p>The table below provides information relating to the underlying net asset values ("NAV") and share prices of the Company on the dividend reinvestment dates during the years ended 31 July 2017 and 31 July 2016 used for calculating the Total Return per share.</p> <table><tr><th>Ex Dividend Date</th><th>Dividend Rate (p)</th><th>NAV (p)</th><th>Share Price (p)</th></tr><tr><td>3 November 2016</td><td>10.5</td><td>1130.38</td><td>968.00</td></tr><tr><td>5 November 2015</td><td>15.000</td><td>845.96</td><td>721.50</td></tr></table>	Ex Dividend Date	Dividend Rate (p)	NAV (p)	Share Price (p)	3 November 2016	10.5	1130.38	968.00	5 November 2015	15.000	845.96	721.50
Ex Dividend Date	Dividend Rate (p)	NAV (p)	Share Price (p)										
3 November 2016	10.5	1130.38	968.00										
5 November 2015	15.000	845.96	721.50										
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security												
CULS	The £32.99 million nominal of 3.5% Convertible Unsecured Loan Stock 2019												
CULS Conversion Date	The CULS is convertible at any time during the periods of 28 days ending on 30 November and 31 May in each year commencing November 2012 and ending May 2019 (each such period and any other period during which Conversion Rights may be exercised being a "Conversion Period") conversions requests are to be received by 5.00 p.m. on the last day of the relevant Conversion Period (each such last day being a "Conversion Date" and the Conversion Date falling on 31 May 2019 or Final Repayment Date being the "Final Conversion Date")												
CULS Conversion Price	The CULS is convertible semi-annually on the Conversion Date on the basis of 830p nominal of CULS for one Ordinary share. This equated to a 15% premium to the unaudited NAV per Ordinary share (including income) of 725p at 14 May 2012, rounded down to the nearest 5 pence												
Dilution	Dilution is the potential impact of the conversion of CULS to Ordinary shares on the net asset value and share price of the Company.												
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share												

Glossary of Terms and Definitions continued

Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio
Dividend Yield	The annual dividend expressed as a percentage of the share price
FRC	Financial Reporting Council
Leverage	For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share
Net Gearing	Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage
Ongoing Charges	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard
PIDD	The pre-investment disclosure document made available by the AIFM in relation to the Company
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share
Prior Charges	The name given to all borrowings including debentures, long and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment
Total Assets	Total assets less current liabilities (before deducting prior charges as defined above)
Total Return	Total return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV total return (including diluted) involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned.

Your Company's Share Capital History

Issued Share Capital at 31 July 2017

34,813,725	Ordinary shares of 25p (excluding treasury shares)
4,369,874	Ordinary shares held in treasury

Capital History

19 October 1995	35,000,000 Ordinary shares of 25p each placed at 100p with 7,000,000 Warrants attaching, each conferring the right to subscribe for one Ordinary share of 25p at 100p
Year ended 31 July 1999	600 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2000	5,246,500 Ordinary shares purchased for cancellation at prices ranging from 95p to 105p per share
Year ended 31 July 2001	3,000,000 Ordinary shares purchased for cancellation at prices between 90.25p and 91.5p
Year ended 31 July 2005	2,100,000 new Ordinary shares issued at prices ranging from 196.5p to 252.5p
Year ended 31 July 2006	1,825,000 new Ordinary shares issued at prices ranging from 250.75p to 324.0p and 1,507,108 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2007	250,000 new Ordinary shares issued at 313p; 500,000 Warrants purchased for cancellation at prices ranging from 214p to 227p; and 143,389 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2008	1,022,011 Ordinary shares purchased for treasury at prices ranging from 269p to 316p; 282,000 Warrants purchased for cancellation at prices ranging from 193p to 222p; and, 71,547 new Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2009	662,210 Ordinary shares purchased for treasury at prices ranging from 269p to 316p and 229,023 new Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2010	502,069 Ordinary shares purchased for treasury at prices ranging from 296.7p to 455.0p and 442,698 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2011	3,823,595 Ordinary shares issued following the final exercise of Warrants
18 May 2012	£35 million nominal of Convertible Unsecured Loan Stock 2019 ("CULS") issued at 100p per unit
Year ended 31 July 2013	23,372 new Ordinary shares issued following the conversion of 194,182 units of CULS in December 2012 and 182,787 new Ordinary shares issued following the conversion of 1,517,404 units of CULS in May 2013
Year ended 31 July 2013	2,605,000 Ordinary shares issued for cash and sold from treasury at a premium to NAV
Year ended 31 July 2014	300,000 Ordinary shares issued for cash at a premium to NAV; 23,228 new Ordinary shares issued following the conversion of 192,896 units of CULS in December 2013; and, 2,210 new Ordinary shares issued following the conversion of 18,397 units of CULS in May 2014
Year ended 31 July 2015	142,000 Ordinary shares purchased for treasury at a discount to NAV; 3,510 new Ordinary shares issued following conversion of 29,188 units of CULS in December 2014; 573 new Ordinary shares issued following conversion of 4,790 units of CULS in June 2015
Year ended 31 July 2016	2,059,834 Ordinary shares purchased for treasury at a discount to NAV; 137 new Ordinary shares issued following conversion of 1,137 units of CULS in December 2015; 141 new Ordinary shares issued following conversion of 1,176 units of CULS in June 2016
Year ended 31 July 2017	1,091,750 Ordinary shares purchased for treasury at a discount to NAV; 2,595 new Ordinary shares issued following conversion of 21,594 units of CULS in December 2016; 3,546 new Ordinary shares issued following conversion of 29,473 units of CULS in June 2017

Contact Information

Investor Directors

Nigel Cayzer, Chairman
Randal Dunluce (Viscount Dunluce)
Haruko Fukuda, OBE
Martin Gilbert
Chris Maude
Philip Yea

Alternate Director

Hugh Young (alternate for Martin Gilbert)

Alternative Investment Fund Manager

Aberdeen Fund Managers Limited
Bow Bells House
One Bow Churchyard
London EC4M 9HH

Investment Manager

Aberdeen Asset Management Asia Limited
21 Church Street
#01-01 Capital Square Two
Singapore 049480

Secretaries and Registered Office

Aberdeen Asset Management PLC
Bow Bells House
1 Bread Street
London EC4M 9HH

Registration Number

03106339

Legal Entity Identifier (LEI):

5493000FBZP1J92OQY70

Website

asian-smaller.co.uk

Depository

BNP Paribas Securities Services, London Branch
10 Harewood Avenue
London NW1 6AA

Stockbrokers

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Independent Auditor

Ernst & Young LLP
Ten George Street,
Edinburgh EH2 2DZ

Bankers

The Royal Bank of Scotland
Level 3, 280 Bishopsgate,
London, EC2M 4RB

Solicitors

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

CULS Trustee

The Law Debenture Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Tel: 0371 384 2416

Tel: +44 (0) 121 415 7047 (International)

Lines open 8:30am to 5:30pm (UK time), Monday to Friday, (excluding public holidays in England and Wales)

Foreign Account Tax Compliance Act ("FATCA")

IRS Registration Number ("GIIN"): 5ITCFT.99999.SL.826



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