Aberdeen Asian Smaller Companies Investment Trust PLC

Annual Report and Accounts
31 July 2014

Aberdeen

Contents

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.

Strategic Report – Company Summary

The Company
The Company is an investment trust and its Ordinary shares and Convertible Unsecured Loan Stock ("CULS") are listed on the premium segment of the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of Asian smaller companies.

What is an Investment Trust?
Investment trusts are a way to make a single investment that gives you a share in a much larger portfolio. A type of collective investment, they let you spread your risk and access investment opportunities you might not find on your own.

Investment Objective
The investment objective of the Company, approved by shareholders at the General Meeting held on 17 May 2012, is 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.

Comparative Indices
The Company does not have a benchmark. The 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 Manager seeks to minimise risk by using in depth research and does not see divergence from an index as risk.

Investment Manager
The Company's Alternative Investment Fund Manager is Aberdeen Fund Managers Limited ("AFML") and day to day management of the portfolio is delegated to Aberdeen Asset Management Asia Ltd ("AAMAL", the "Manager" or the "Investment Manager").

Alternative Investment Fund Manager*
Aberdeen Fund Managers Limited
Authorised and regulated by the Financial Conduct Authority
(* appointed as required by EU Directive 2011/61/EU)

Website
Up-to-date information can be found on the Company's website - www.asian-smaller.co.uk

Pre-investment Disclosure Document (PIDD)
The Alternative Investment Fund Manager Directive ("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 AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as "UCITS".

The Company's PIDD is available for viewing at
http://www.invtrusts.co.uk/doc.nsf/Lit/PressReleaseUKClosedaascalternativeinvestmentfundmanagersdirectivepidd

Strategic Report – Financial Highlights and Calendar

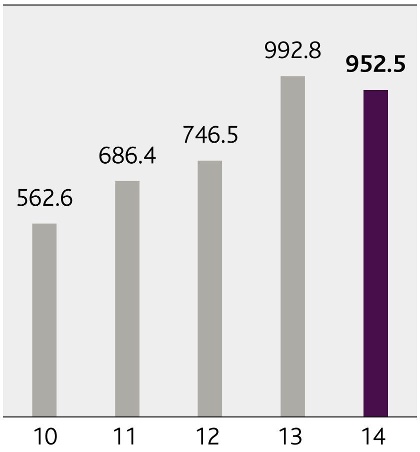
Financial Highlights

	2014	2013
Share price total return	–4.2%	+36.7%
Net asset value capital return (diluted)	–4.1%	+33.0%
Net asset value total return (diluted)	–2.7%	+35.0%
Earnings per share (revenue)	11.4p	13.8p
Ordinary dividend per share[A]	10.00p	10.00p
Special dividend per share[A]	3.00p	3.00p

[A] Dividends are subject to shareholder approval at the Annual General Meeting.

Net Asset Value per share

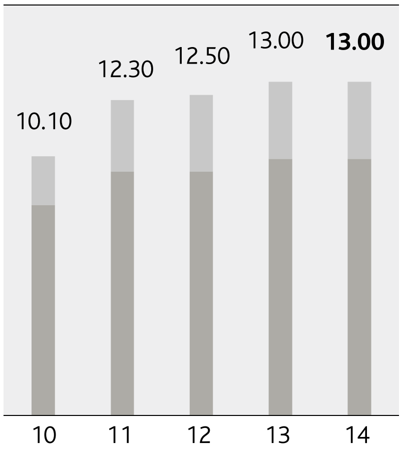
At 31 July – pence



Diluted values used for 2010 2013 and 2014.

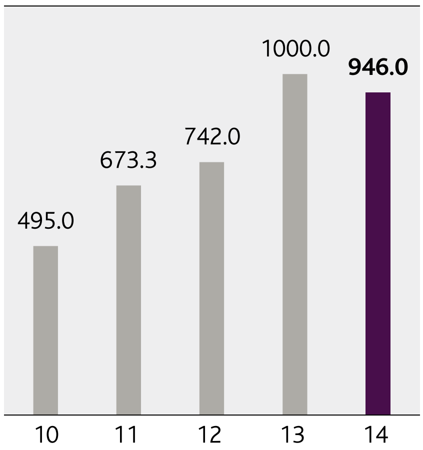
Dividends per share

pence



Mid-market price per share

At 31 July – pence



Financial Calendar

22 October 2014	Announcement of annual results for the year ended 31 July 2014
3 November to 30 November 2014	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
30 November 2014	CULS Conversion Date
2 December 2014	Annual General Meeting at 11.30 a.m.
5 December 2014	Payment of final and special dividends for year ended 31 July 2014
March 2015	Announcement of half yearly results for the six months ending 31 January 2015
4 May to 31 May 2015	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
31 March 2015	CULS Conversion Date
October 2015	Announcement of annual results for the year ending 31 July 2015

Strategic Report – Overview of Strategy

Strategy

The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of Asian smaller companies.

The business of the Company is that of an investment trust and the Directors do not envisage any change in this activity in the foreseeable future. The Company's overall objective and key results are shown on pages 1 and 2. A review of the Company's activities is given in the Chairman's Statement on pages 7 to 9 and the Manager's Review on pages 10 and 11. This includes a review of the business of the Company and its principal activities, likely future developments of the business, the recommended dividend and details of any acquisition of its own shares by the Company.

Duration

The Company does not have a fixed life.

Business Model - Investment Policy and Approach

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) in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan and Thailand, 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 and in companies traded on stock markets outside the Investment Region provided that over 75 per cent. of their consolidated revenue is earned from trading in the Investment Region or they hold more than 75 per cent. of their consolidated net assets in the Investment Region.

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 per cent. of adjusted NAV (see note 11 for definition) at the time of draw down.

The Company does not invest more than 15 per cent. 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.

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 to Aberdeen Asset Management Asia Limited ("AAM Asia"). The Manager invests in a diversified range of companies throughout the Investment Region in accordance with the investment policy. The Manager 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 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 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. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 61. A comprehensive analysis of the Company's portfolio is disclosed on pages 15 to 18 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 75 holdings.

Principal Risk Factors

The following risks could have a material adverse effect on the Company's financial condition, performance and prospects, the NAV of the Ordinary shares, the dividends payable per Ordinary share, the share price or liquidity of the Ordinary shares or the Company's ability to achieve its investment objective. Details on internal controls and risk management and the steps taken to monitor and mitigate the principal risks affecting the Company are disclosed in the Statement of Corporate Governance on pages 31 and 32.

1. General Market Risks

1.1 Securities issued by the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and the value of securities issued by the Company may go down as well as up. Accordingly, investors may not get back the full value of their original investment in any such securities.

1.2 The past performance of the Company is not, and should not be relied upon as, a guide to the future performance of the Company and there can be no guarantee that the Company will achieve its investment objective.

1.3 There can be no guarantee that a liquid market will exist in securities issued by the Company and it may be difficult to realise an investment in such securities at their quoted market price.

1.4 An investment in the Company should constitute part of a diversified investment portfolio and is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment.

2. CULS

2.1 The market price of the CULS will be influenced by a number of factors, including the supply of, and demand for, CULS, the price, NAV and dividend yield of the Ordinary shares, prevailing interest rates, market conditions and investor sentiment, either general or specific to the Company and there can be no guarantee that the market price of the CULS will fully reflect any value inherent in their convertibility into Ordinary shares. Accordingly, the value of an investment in the CULS may go down as well as up and CULS Holders may not be able to realise the amount of their original investment.

2.2 With effect from 31 May 2014, if the middle market price of the Ordinary shares is 20 per cent. or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company has the right to require CULS Holders to redeem their CULS at par. In such event, CULS Holders would be given a final opportunity to convert their CULS into Ordinary shares. Following conversion of 80 per cent. or more of the CULS originally issued, the Company will be entitled to require remaining CULS Holders to convert their outstanding CULS into Ordinary shares after they have been given an opportunity to have their CULS redeemed. With effect from 31 May 2014 if at any time the nominal value of the outstanding CULS represents 30 per cent. or more of the Company's net assets, the Company is entitled to redeem all outstanding CULS at its nominal amount together with accrued interest up to (but excluding) the date of redemption. If any of these situations were to occur, CULS Holders would not be able to hold their CULS until the final maturity date of the CULS of 31 May 2019 and to have their CULS redeemed for cash on that date.

2.3 The CULS Trust Deed does not contain any restriction on borrowings (including borrowings ranking ahead of the CULS), the disposal of assets or the creation of charges by, or changes in the nature of, the business of the Company. Any material increase in the Company's borrowings, material disposal of assets or creation of charges by, or material changes in the nature of the Company's business could adversely affect the rights of the CULS Holders and the value of the CULS and/or the Ordinary shares.

2.4 On a winding-up of the Company, the nominal amount of the CULS will rank ahead of the Ordinary shares but will be subordinated to the Company's other borrowings and creditors. Therefore, the rights and remedies available to the CULS Trustee and CULS Holders may be limited by applicable winding-up, insolvency, re-organisation, moratorium or similar provisions relating to or affecting creditors' rights generally.

3. Ordinary Shares

3.1 The Company will only pay dividends on the Ordinary shares to the extent that it has profits available for that purpose, which will largely depend on the amount of income that the Company receives on its investments and the timing of such receipt. Accordingly, the amount of dividends payable by the Company may fluctuate.

3.2 The market price and the realisable value of the Ordinary shares as well as being affected by their underlying net asset value, also take into account supply and demand, market conditions and general investor sentiment. As such, the market value and the realisable value of the Ordinary shares may fluctuate and vary considerably from the NAV per Ordinary share and may fall when the underlying NAV per Ordinary share is rising, or *vice versa*. Accordingly, the value of an investment in the Ordinary shares may go down as well as up and shareholders may not be able to realise the amount of their original investment.

3.3 The Company does not have a fixed winding-up date and shareholders have no right to have their Ordinary shares repurchased by the Company. Accordingly, unless shareholders vote to wind up the Company, shareholders wishing to realise their investment in the Company will be required to dispose of their Ordinary shares through the stock market and they may be unable to realise their Ordinary shares at their quoted market price.

3.4 In the event of a winding-up of the Company, the Ordinary shares will rank behind any creditors or prior ranking capital of the Company, including the CULS.

4. The Company's Investments

4.1 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.

4.2 The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities and there can be no assurance that appreciation in the value of those investments will occur. Investment in emerging securities markets in the Asia Pacific region involves a greater degree of risk than that usually associated with investment in more developed securities markets including the risk of social, economic and political instability which may have an adverse effect on economic reforms or restrict investment opportunities.

4.3 There are many factors, including changes in economic or industry conditions (including, for example, interest rates, recession, inflation, deflation, foreign exchange rates, demand for or production of commodities and competition), changes in environmental, tax or other laws or regulations, natural disasters, social or political instability, events or trends, acts of terrorism or war and general investor sentiment which could have a material adverse effect on the value of the Company's investments or materially restrict the investment opportunities available to the Company and, therefore, could substantially and adversely affect the Company's performance and prospects.

4.4 The Company invests in smaller capitalisation companies. As smaller companies may not have the financial strength, diversity and resources of larger companies, they may find it more difficult to operate in periods of economic slowdown or recession. In addition, the relatively small capitalisation of such companies could make the market in their shares less liquid and, as a consequence, their share price more volatile than investments in larger companies.

4.5 The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of the Ordinary shares. Accordingly, the Company will not necessarily be able to realise, within a short period of time, an illiquid investment and any such realisation that may be achieved may be at considerably lower prices than the Company's valuation of that investment for the purpose of calculating the NAV per Ordinary share.

4.6 The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on affected investments. Any reduction in the income received by the Company may lead to a reduction in the dividends paid on the Ordinary shares.

4.7 A proportion of the Company's portfolio may be held in cash or cash-equivalent investments from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from positive stockmarket movements, but may give some protection against negative stockmarket movements.

5. Gearing

5.1 The CULS provides gearing for the Company. All gearing used by the Company must be in accordance with its investment policy. Whilst the use of gearing should enhance the total return on the Ordinary shares where the return on the Company's underlying assets is rising and exceeds the costs associated with the gearing, it will have the opposite effect where the underlying return is less than the cost of borrowing, further reducing the total return on the Ordinary shares.

5.2 The Company has a £20 million committed unsecured loan facility with State Street. The use of borrowings by the Company may increase the volatility of the NAV and market price of the Ordinary shares and, as a result, the market price of the CULS.

6. Foreign Exchange

The Company accounts for its activities, reports its results and the NAV per Ordinary share and declares and pays dividends in sterling while its investments are made and realised in other currencies. It is not the Company's present intention to engage in currency hedging, although it reserves the right to do so. Accordingly, the movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down may have a material effect, favourable or unfavourable, on the returns otherwise experienced on the investments made by the Company.

7. Taxation

7.1 The Company seeks to conduct its business so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part 24 of the Corporation and Taxes Act 2010. Breach of the tests that the Company must meet to obtain approval as an investment trust could lead to the Company being subject to tax on capital gains and, if that were to occur, would reduce the returns to shareholders.

7.2 Any change in the Company's tax status, tax treaty rates, tax laws (or their interpretation) or in the tax treatment of interest, dividends or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's ability to provide returns to its shareholders or alter the post-tax returns to its shareholders.

7.3 The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions (see item 4.6 above).

8. Accounting Practices and Policies

Any change in financial reporting standards or accounting practices applicable to the Company could affect the reported value of investments held by the Company or the level of profits available for the payment of dividends and, accordingly, could reduce the returns to shareholders.

9. The Manager

9.1 The success of the Company and the achievement of its investment objective are largely dependent on the Aberdeen investment team's expertise in acquiring, managing and disposing of assets in accordance with the Company's investment policy. There can be no guarantee that any individual referred to in this Annual Report will remain with the Manager and the personnel employed by the Investment Manager may change from time to time. The departure of a key fund manager may have an adverse effect on the performance of the Company.

9.2 Although the Manager has been successful in identifying suitable investments for the Company in the past, it may not be able to do so in the future. Any failure to find a sufficient number of attractive investment opportunities for the Company could have a material adverse effect on the Company's performance and prospects.

9.3 The Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and will continue to, provide investment management, investment advice or other services in relation to a number of other clients that may have similar investment objectives and/or policies to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so. The Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "Directive"), proposed by the EU to enhance shareholder protection, was fully implemented in the UK on 22 July 2014. This Directive required the Company to appoint an authorised Alternative Investment Fund Manager and a depositary, the latter overlaying the current custody arrangements. The Company appointed Aberdeen Fund Managers Limited ("AFML"), following its authorisation by the FCA, to act as the Company's Alternative Investment Fund Manager, entering a new management agreement with AFML on 14 July 2014. Under this agreement AFML delegates portfolio management services to Aberdeen Asset Management Asia Limited, which continues to act as the Company's Investment Manager. There is no change in the commercial arrangements from the previous investment management agreement which was in place up to 14 July 2014. In addition, the Company entered into a depositary agreement with AFML and BNP Paribas Securities Services on 14 July 2014. The appointment of a depositary is a new requirement under the Directive resulting in increased costs compared with the previous custody arrangements.

Key Performance Indicators (KPIs)

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company and commentary on the Company's performance against its KPIs is contained in the Chairman's Statement and Manager's Review.

- Net asset value (total return);
- Share price (total return); and,
- Discount/premium to net asset value.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge in order to allow the Board to fulfill its obligations. At 31 July 2014, there were six male Directors and one female Director. The Company has no employees. The Board's statement on diversity is set out on page 31.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated management 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 on pages 32 and 33.

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.

Nigel Cayzer
Chairman
22 October 2014

Strategic Report - Chairman's Statement

Nigel Cayzer
Chairman

Results

The year ended 31 July 2014 was a tale of two halves. At the time of the Half Yearly Report, the prospect of US tapering had created a withdrawal of funds from Asian equities on hopes of better returns in the developed markets. This led to a fall in both your Company's share price, net asset value and the indices which we use as indicators of performance. The strength of sterling was a significant factor in the decline in NAV during this period.

Since then we have seen a strong recovery with investors tempted back on the promise of growth in Asia, as against static yields in US Treasuries and a dismal short term future for the Euro economies. Your Company outperformed this market rally with an absolute return in the second half of close to 15% as against a rise in the MSCI AC Asia Pacific ex Japan Index of 13.9% and the MSCI AC Asia Pacific ex Japan Small Cap Index rise of 9.9%.

The combination of these two halves led, in the year ended 31 July 2014, to a fall of 2.7% in the diluted net asset value (NAV) on a total return basis with the share price falling 4.2% to 946p as at 31 July 2014, moving from a premium of 0.7% to a discount of 0.7% to the diluted NAV. In the same period, the MSCI AC Asia Pacific ex Japan Index returned 7.3% and the MSCI AC Asia Pacific ex Japan Small Cap Index returned 4.6%. Sterling remained strong during the second half, impacting full year performance by 10.9%.

At the time of writing, the share price was 950.0p and the NAV was 974.5p, with the discount to NAV at 2.5%.

While the decline against the MSCI indices is disappointing, it is the first time in ten years that it has happened and must be viewed in the context of an increase in the diluted NAV during that period of 534% as against an increase of 256% for the MSCI AC Asia Pacific ex Japan Index (there is no comparative data for the MSCI AC Asia Pacific ex Japan Small Cap Index as this is a relatively recently introduced index).

Overview

Your Company continues with its policy of investing in companies with good management, strong balance sheets and good prospects. Notwithstanding the strong track record of Hugh Young and his team in identifying these companies at attractive valuations, markets do, from time to time, look beyond fundamentals and are affected by outside forces. This was a year in point.

Over the last year, there have been three drivers which have affected Asian markets.

The first is the world economy, where policy tools wielded by Central Banks continue to weigh on sentiment. The prospect of tapering by the US Federal Reserve led to outflows in the first half and once tapering had been announced and being less than feared, these outflows were largely reversed.

The second was more localised. Pre-election optimism lifted stocks in India and Indonesia. The landslide win by Narendra Modi raised hopes that India's new prime minister would revive stalled reforms and stimulate the economy by bolstering infrastructure investment and easing bottlenecks. A similar narrative could be applied to Indonesia, where Joko Widodo, a reformist in the eyes of many, was declared the country's seventh president. In Thailand, a bloodless coup restored stability after a prolonged impasse.

The third is China, which remains the key economy in Asia, with sentiment surrounding the mainland also driving expectations elsewhere in the region. In the early part of the year, there were fears over the extent to which Chinese GDP growth would decelerate, given uncertainty over asset quality in the shadow banking sector and the health of the property market. These concerns were assuaged by second-quarter GDP growth that met the government's target, underpinned by a series of mini stimulus measures.

Towards the end of the period, geopolitical flashpoints in Ukraine and the Middle East weighed on sentiment, capping the gains in Asian markets over the year.

Benefits of Investing in Asian Smaller Companies

There remains a persuasive case for investing. Some of the companies in which your company is invested benefit from the domestic demand story across the region. Asia is still growing faster than the rest of the world, although the pace has slowed. Demographics are also in the region's favour. Asia is home to more than half of the world's population and has a middle class that is not only growing in size but also spending power. Another positive is the maturing attitude of governments. Policymakers are focusing on sustained growth, via rebalancing towards consumption-led growth, and reform, particularly in the liberalisation of capital markets and protected sectors.

Equally, some of the companies in the portfolio are market leaders in their field with international revenue streams. Due to their size, they are well poised for rapid growth and during the past year, your Company has supported rights issues for several holdings which were all raising capital to support the organic growth in their businesses. Market liquidity for small-caps is also improving with the total market capitalisation of the MSCI AC Asia Pacific ex Japan Small Cap Index having more than tripled since 2008, while the free float portion has also risen sharply.

This selection process is supported by the Manager's commitment to in-depth research and regular management visits to assess quality and valuations.

Dividend

As I have advised in previous years, 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. Therefore, we are pleased to recommend for this year the payment of a maintained final dividend of 10.0p per Ordinary share (2013: 10.0p) and the payment of a maintained special dividend of 3.0p (2013: 3.0p). The special dividend approximately reflects the level of special dividends that were received from the underlying portfolio during the year. Taken together the final and special dividends will necessitate a transfer from the Company's brought forward revenue reserves of £609,000. If approved by shareholders at the Annual General Meeting of the Company on 2 December 2014, the final and special dividends will be paid on 5 December 2014 to shareholders on the register on 7 November 2014.

Gearing and Share Capital Management

The Company's year-end net gearing was 8.4%. The majority of the gearing is provided by the Convertible Unsecured Loan Stock of which approximately £33.1 million remains outstanding. The Company also has a £20 million loan facility with State Street and £5.0 million was drawn down under the facility at the year end. The Directors monitor the Company's gearing on a regular basis in accordance with the Company's investment policy and under advice from the Manager. During the year the Company issued 300,000 new Ordinary shares for cash at a premium to NAV.

Annual General Meeting

The Annual General Meeting is scheduled to be held on 2 December 2014 at 11.30 a.m. In addition to the usual ordinary business, as special business the Board is seeking to amend the Articles of Association, renew its authority to issue new shares and sell treasury shares for cash at a premium without pre-emption rules applying and to renew its authority to buy back shares and either hold them in treasury for future resale (at a premium to the prevailing net asset value per share) or cancel them. At the conclusion of the AGM there will be an opportunity for shareholders to meet the Board and the Manager over a buffet lunch and your Board looks forward to seeing as many shareholders as possible. 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.

Directorate

As I reported at the half year stage, Alan Kemp retired as a Director of the Company at the Annual General Meeting held on 3 December 2013. In January 2014, following a recruitment exercise undertaken in conjunction with an independent search consultancy, the Board was pleased to announce the appointment of Philip Yea as an independent non executive Director of the Company. Philip has extensive executive and non executive board level experience and brings significant further international business and technical experience to the Board.

Alternative Investment Fund Managers' Directive

The Alternative Investment Fund Managers Directive (the "Directive"), proposed by the EU to enhance shareholder protection, was fully implemented in the UK on 22 July 2014. This Directive required the Company to appoint an authorised Alternative Investment Fund Manager and a depositary, the latter replacing the previous custody arrangements. The Company appointed Aberdeen Fund Managers Limited ("AFML"), to act as the Company's Alternative Investment Fund Manager, entering a new management agreement with AFML on 14 July 2014. Under this agreement AFML delegates portfolio management services to Aberdeen Asset Management Asia Limited, which continues to act as the Company's Investment Manager. There were no changes to the commercial arrangements from the previous investment management agreement.

In relation to the Directive requirement to appoint a depositary, the Company entered into a tri-partite agreement with AFML and BNP Paribas Securities Services on 14 July 2014 for the provision of depositary services (including custody of assets) resulting in increased costs compared with the previous custody arrangements. The Board is also seeking to make certain amendments to the Company's Articles following the implementation of the Directive. Further explanatory details are provided in the Directors' Report.

Outlook

Despite geopolitical risks, stock markets appear on a firmer footing compared to conditions in early 2014. Major central banks are committed to expansionary monetary policy, given the mixed global outlook. While the US economy is improving, Europe remains fragile. There are, however, some headwinds that could trigger renewed volatility. The end of US quantitative easing in October comes to mind. That said, Asia has sturdier fundamentals that should reinforce its resilience in tough times. Its favourable demographics also offer long-term opportunities to smaller companies, which are more exposed to domestic consumption. Your Company also has a heavy exposure to the consumer sector in Southeast Asia, which should underpin growth prospects in the long run.

The investment process carried out by the Manager is consistent, rigorous and disciplined. The emphasis is on drilling deep into a company and understanding the management as well as the underlying business. This has produced impressive returns for the Company in the past and I am certain it will stand it in good stead in the years to come.

Nigel Cayzer
Chairman
22 October 2014

Strategic Report - Manager's Review

Overview

Asian small cap equities rose in local currency terms in a year marked by contrasting fortunes. The first six months saw markets unsettled by poor economic data and uncertainty over the direction of the Federal Reserve's quantitative easing programme. This contributed to concerns over tighter global liquidity, which in turn, caused a sell-off in emerging market assets in Asia. South East Asian markets were among the main laggards as stock market losses were amplified by the rout in some regional currencies.

However, markets rebounded in the latter half on hopes of growth coming from political change in India and Indonesia, as well as expectations of further reforms in China. In the mainland, rosier economic data allayed fears of a hard landing, while the government's reform drive and targeted easing measures further instilled confidence. India tested new highs as the opposition Bharatiya Janata Party swept into power with new Prime Minister Narendra Modi promising a leaner government and reduced bureaucracy to combat years of slow growth and high inflation. Indonesia also voted in a new leader with similar aims of improving infrastructure and easing bureaucracy to boost investments although the market ended lower in sterling terms over the year. In Thailand, the military coup established calm in the domestic market as the junta started to impose order after months of turmoil.

Portfolio Review

The Company enjoyed a robust recovery in the second half of the year, outperforming the MSCI Asia Pacific ex Japan Small Cap index by 4.7%, benefiting from our long-running belief in the region's good long-term growth potential, supported by rising populations and increasing domestic consumption. The Company's holdings in India, especially those with exposure to infrastructure such as cement manufacturer Ramco Cements, auto paints manufacturer Kansai Nerolac Paints and gas distributor Gujarat Gas, were all solid performers following a lacklustre start to the year. Nevertheless, that was insufficient to offset the weak start to the year when the fund underperformed the index by 8.9% in the first six months. During this period, our conservative and long-term investment style went out of favour as markets were driven by fund flows and macroeconomic factors. Consumer-related stocks, which had been the key drivers of our prior performance, retreated on profit taking. Our Malaysian brewer, Guinness Anchor, is a dominant player in both the mass and premium beer segments in a duopoly, while hypermarket operator Aeon rebounded markedly in the second half as sales improved, supported by its net cash balance sheet and free cash flow funded expansion. The indiscriminate sell-off, however, created an opportunity for us to top up some holdings that had fallen to more attractive valuations. These included our Indian holdings as well as Thai electronic circuit manufacturer Hana Microelectronics, which all subsequently enjoyed better performance towards the end of the year.

Although our overweight to India was a positive contributor to the full-year performance, our total return was dampened by stock selection. The equity market rally accompanying the elections was largely led by low quality companies with high debt levels in capital intensive sectors linked to large turnkey projects, which our investment process avoids. Although share prices have been buoyed by election euphoria, our meetings with Indian companies indicate that there had neither been a significant increase in order backlog nor revenues. We believe valuations have run up disproportionately relative to earnings growth and continue to monitor our holdings. Over the longer term, we are still attracted to India's vast potential, supported by its growing workforce and disposable incomes.

Stock selection was weakest in Hong Kong. The main laggard over the one-year period was our holding in retailer Giordano International, which was affected by slowing consumption in Greater China. Fortunately, the company has a healthy balance sheet and generates good cash flows, which helped it rationalise its China operations and reposition its brand. Signs of a more difficult retail environment emerged last summer and since then, we have met various management personnel from Giordano in different geographies nine times at the time of writing. This underlines one of the key advantages of the Aberdeen investment team's presence across Asia, which allows us to dedicate resources as necessary while performing our regular due diligence and research.

Portfolio Activity

We invested in several new holdings over the year. In Thailand, we initiated a position in Thaire Life via an initial public offering. We are familiar with the company, having dealt with key personnel at Thai Reinsurance from which it was spun off. Thaire Life has a decent share of the under-penetrated but rapidly expanding life reinsurance sector. Demand is rising as more domestic life insurers seek to manage their risks. The business also has strong barriers to entry given foreign companies' poor local knowledge. Another new entrant to the portfolio was Wintermar Offshore Marine, an Indonesian firm that provides offshore support vessels to oil and gas majors. The company is in a sweet spot because of the cabotage law, which requires vessels plying Indonesian waters to be owned by local companies. More recently we initiated a position in United International Enterprises, the parent of United Plantations, which trades at a discount to the value of its underlying entities and we built up our holding in newly-listed First Sponsor Group, a China-focused property development company that we received in-specie from our existing holding in Millennium & Copthorne Hotels New Zealand. We believe this company is trading at a significant discount to its net asset value, given that it has four development projects in its pipeline and its focus is on the mass market segment, which has more resilient demand.

We also supported the rights issues of Hong Kong-listed Dah Sing Financial, Indonesia's Bank OCBC Nisp and Sri Lankan conglomerate John Keells. Dah Sing and Bank OCBC Nisp will use the proceeds to strengthen their capital base and fund their future loan growth, while John Keells is investing in its new integrated resort, which stands to benefit from the country's strong tourism industry.

To fund these opportunities, we sold Regional Container Lines owing to concerns over its weak balance sheet amid a tough industry outlook, and tendered our stake in Siam Makro by accepting CP All's attractive takeover offer. The Thai cash-and-carry store operator had been a consistent outperformer in recent years, based on its rapid domestic expansion.

Outlook

Encouragingly, there has been renewed enthusiasm towards smaller Asian companies. Meanwhile, our fundamental outlook for companies in the asset class remains unchanged. Consumer-oriented companies, which the Trust has a rather heavy exposure to, have been doing well and should continue to benefit from the region's relatively favourable demographics and domestic consumption trends. In particular, companies in the sector are seeing improved margins, aided by cost cuts. Conversely, earnings forecasts for exporters appear mixed and very much dependent on the macroeconomic health of their export destinations. The trend of normalising monetary policy in the developed world could result in lower consumption in the short term, though that should gradually pick up over the longer term.

Overall, our holdings have delivered results in line with our forecasts and we expect their earnings outlook to remain decent over the longer term. Although valuations of smaller Asian companies may be more expensive compared to their large cap counterparts, we prefer to focus on our holdings' fundamentals instead. It is worth highlighting that our holdings have a lower gearing as compared to the index, while return on equity levels are higher than those of the Index. As such, we remain disciplined in our investment approach, focusing on solid companies that can withstand volatile market cycles.

Aberdeen Asset Management Asia Limited
22 October 2014

Strategic Report - Results

Financial Highlights

	31 July 2014	31 July 2013	% change
Total assets (see definition on page 65)	£405,840,000	£414,620,000	–2.1
Total equity shareholders' funds (net assets)	£369,118,000	£382,932,000	–3.6
Net asset value per share (basic)	968.89p	1,013.82p	–4.4
Net asset value per share (diluted)	952.52p	992.81p	–4.1
Share price (mid market)	946.00p	1,000.00p	–5.4
Market capitalisation	£360,396,000	£377,714,000	–4.6
(Discount)/premium to net asset value (diluted)	(0.7%)	0.7%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	564.62	543.15	+4.0
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis)	1,179.98	1,159.26	+1.8
Net gearing[A]	8.4%	3.8%	
Dividends and earnings			
Total return per share (basic)[B]	(31.46)p	275.43p	
Revenue return per share (basic)	11.43p	13.84p	–17.4
Dividends per share[C]	13.00p	13.00p	–
Dividend cover	0.88	1.06	–17.0
Revenue reserves[D]	£8,568,000	£9,152,000	–6.4
Operating costs			
Ongoing charges ratio[E]	1.44%	1.25%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 65).
[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 and special 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	–4.2	+47.4	+240.1	+584.6	+1260.2
Net asset value per Ordinary share – diluted	–2.7	+45.8	+189.2	+534.9	+1162.5
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+7.3	+13.4	+61.2	+255.9	+208.3
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted)	+4.6	+1.4	+55.1	n/a	n/a

Source: Aberdeen Asset Management PLC, Fundamental Data, Factset & Russell Mellon

Dividends

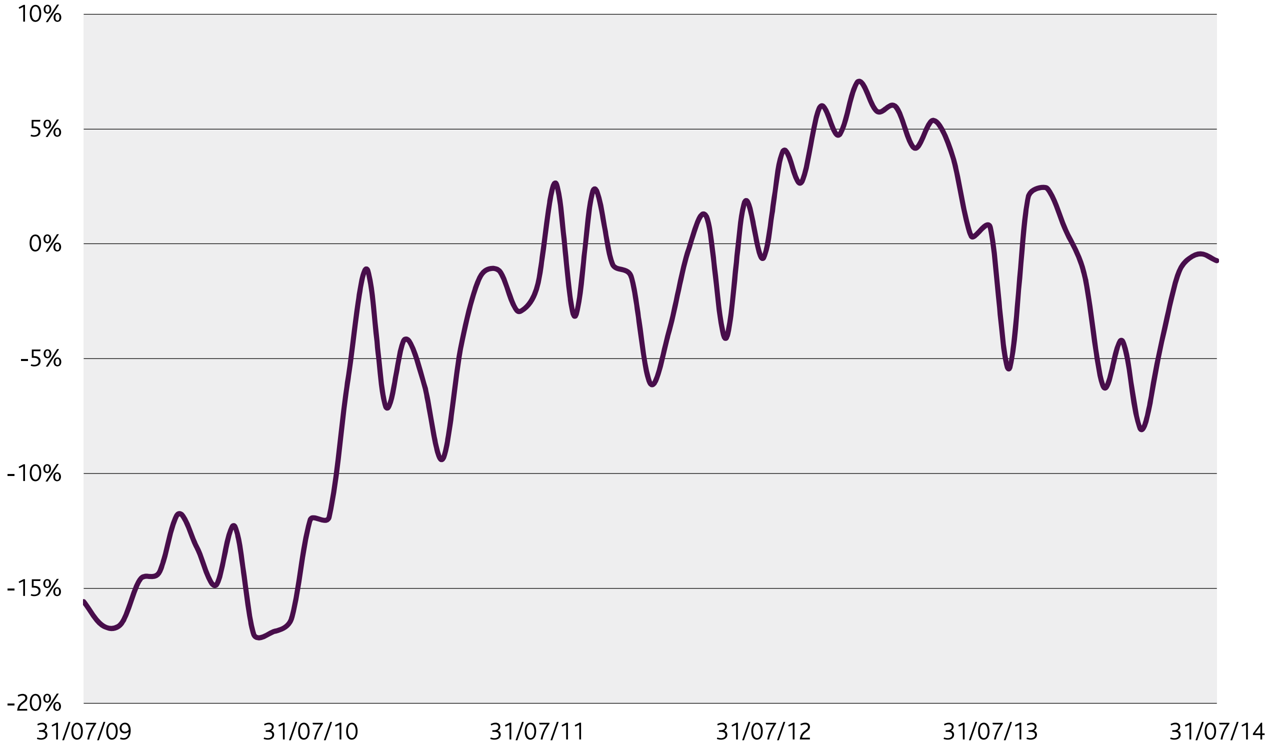
	Rate	xd date	Record date	Payment date
Proposed final 2014	10.00p	6 November 2014	7 November 2014	5 December 2014
Proposed special 2014	3.00p	6 November 2014	7 November 2014	5 December 2014
	13.00p			

Final 2013	10.00p	30 October 2013	1 November 2013	6 December 2013
Special 2013	3.00p	30 October 2013	1 November 2013	6 December 2013
	13.00p			

Strategic Report - Performance

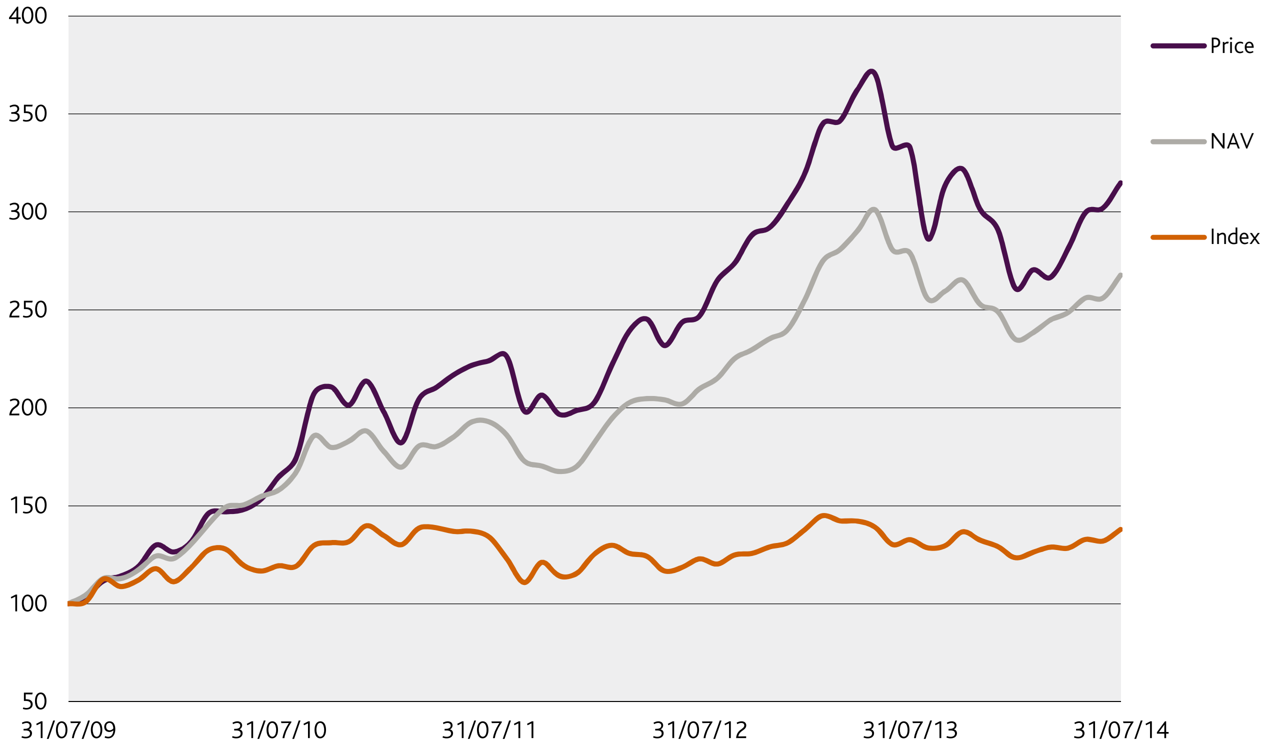
Share Price Premium/(Discount) to Diluted NAV

Five years to 31 July 2014



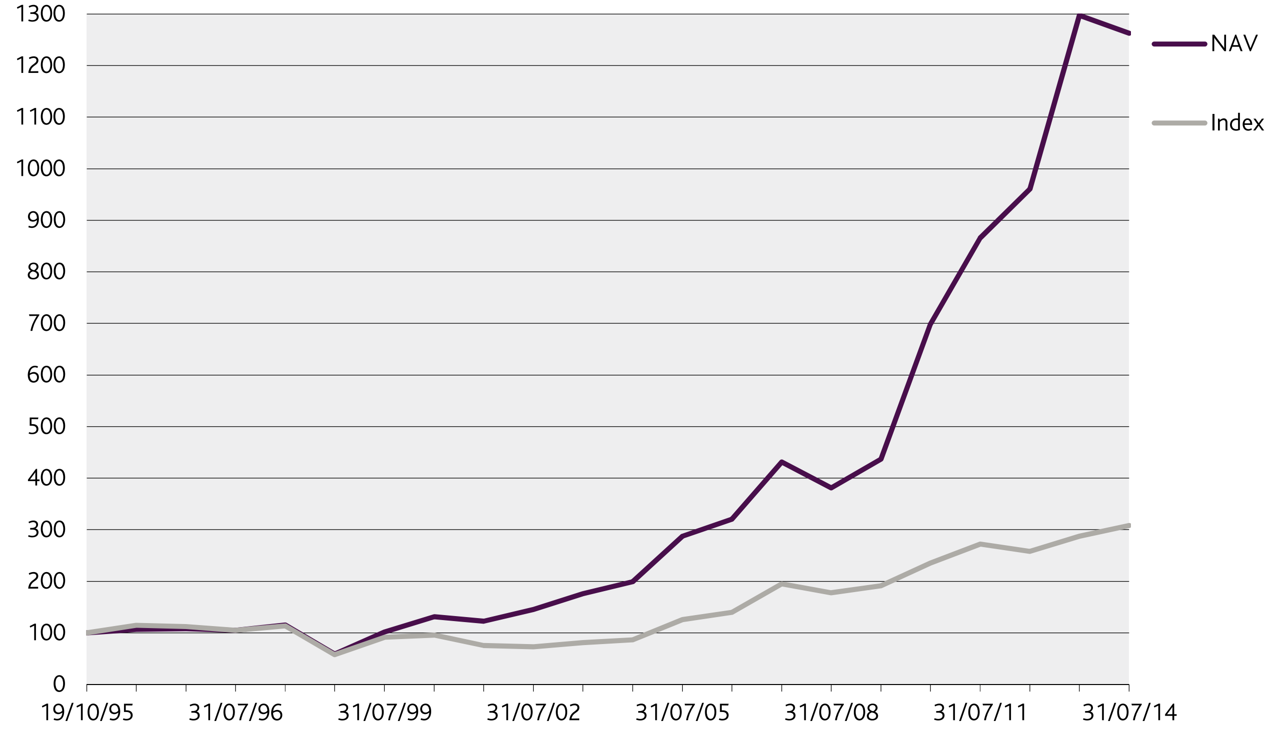
Capital Return of Diluted NAV and Share Price vs MSCI AC Asia Pacific ex Japan Index (sterling adjusted)

Five years to 31 July 2014 (rebased to 100 as at 31/07/09)



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

19 October 1995 to 31 July 2014 (rebased to 100 as at 19/10/95)



Ten Year Financial Record

Year to 31 July	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total revenue (£'000)	3,473	5,080	5,485	5,021	4,954	6,103	8,380	9,168	11,512	11,427
Per share (p)										
Net revenue return	4.54	7.25	6.98	5.88	6.75	12.85	15.42	13.18	13.84	11.43
Total return	95.93	31.48	108.38	(50.80)	48.21	236.82	137.91	68.56	275.43	(31.46)
Net ordinary dividends paid/proposed	3.45	3.45	3.45	4.00	5.00	8.20	9.50	9.50	10.00	10.00
Net special dividends paid/proposed	–	2.70	2.70	1.00	–	1.90	2.80	3.00	3.00	3.00
Net asset value per share (p)										
Basic	287.94	306.56	404.18	347.24	390.96	619.37	686.39	746.55	1013.82	968.89
Diluted	251.25	276.45	364.77	316.46	355.95	562.57	n/a	n/a	922.81	952.52
Shareholders' funds (£'000)	83,082	98,669	131,679	109,829	121,963	192,851	239,965	260,994	382,932	369,118

The figures for 2005 for Shareholders' Funds and Net Asset Value per share have been restated to reflect the changes in accounting policies. The figures for dividends have not been restated and still reflect the dividends for the years in which they were earned.

Investment Portfolio – Ten Largest Investments

As at 31 July 2014

Company	Industry	Country	Valuation 2014 £'000	Total assets %	Valuation 2013 £'000
AEON Co (M) Operator of general merchandise stores, supermarkets and convenience stores.	Multiline Retail	Malaysia	17,358	4.3	18,312
Shangri-La Hotels Malaysia Operator of hotels, beach resorts, property management and investment, and commercial laundry.	Hotels, Restaurants & Leisure	Malaysia	12,793	3.2	13,717
Bukit Sembawang Estates Singapore-based residential property developer with a large land bank.	Real Estate Management & Development	Singapore	11,570	2.9	12,439
Bank OCBC NISP Indonesian subsidiary of Singapore-based OCBC Bank.	Banks	Indonesia	11,351	2.8	9,030
AEON Thana Sinsap (Thailand)[A] Consumer financial services provider offering hire-purchase lending.	Consumer Finance	Thailand	11,201	2.8	10,950
LPI Capital Berhad Malaysia-based insurance company involved in underwriting fire, motor, marine, aviation, transit and miscellaneous insurance.	Insurance	Malaysia	10,319	2.6	9,851
Hana Microelectronics (Foreign) Integrated circuit packaging and printed circuit boards assembly contract manufacturer with operations in Thailand and China.	Electronic Equipment, Instruments & Components	Thailand	9,939	2.5	6,272
Multi Bintang Indonesia A subsidiary of Asia Pacific Breweries and an affiliate of Heineken in Indonesia.	Beverages	Indonesia	9,488	2.4	16,663
AEON Credit Service (M) Subsidiary company of Aeon Credit Japan that provides shariah compliant consumer financial services in Malaysia.	Consumer Finance	Malaysia	9,307	2.3	10,733
CMC A subsidiary of Tata Consultancy Services, it is an IT services provider to global clients.	IT Services	India	8,711	2.2	5,780
Top ten investments			**112,037**	**28.0**	

[A] Holding includes investment in both common and non-voting depositary receipt lines.

Investment Portfolio – Other Investments

As at 31 July 2014

Company	Industry	Country	Valuation 2014 £'000	Total assets %	Valuation 2013 £'000
Dah Sing Financial Holdings	Banks	Hong Kong	8,379	2.1	6,016
United Plantations	Food Products	Malaysia	8,020	2.0	7,956
Godrej Consumer Products	Personal Products	India	7,974	2.0	8,622
Tisco Financial Group[B]	Banks	Thailand	7,898	2.0	6,871
First Sponsor Group	Real Estate Management & Development	Singapore	7,895	2.0	–
Cebu Holdings	Real Estate Management & Development	Philippines	7,606	1.9	9,660
Asian Terminals	Transportation Infrastructure	Philippines	7,397	1.8	9,420
Thai Stanley Electric (Foreign)	Auto Components	Thailand	7,358	1.8	7,317
Giordano International	Specialty Retail	Hong Kong	6,991	1.7	11,268
Yoma Strategic Holdings	Construction & Engineering	Singapore	6,878	1.7	9,405
Top twenty investments			**188,433**	**47.0**	
M.P. Evans Group	Food Products	Indonesia	6,838	1.7	7,394
Cabcharge Australia	Commercial Services & Supplies	Australia	6,755	1.7	6,273
Green Dragon Gas	Oil, Gas & Consumable Fuels	China	6,459	1.6	2,054
Straits Trading Company	Metals & Mining	Singapore	6,332	1.6	9,147
Public Financial Holdings	Banks	Hong Kong	6,327	1.6	5,989
Gujarat Gas Co	Gas Utilities	India	6,251	1.6	2,027
Jollibee Foods Corporation	Hotels, Restaurants & Leisure	Philippines	6,166	1.5	6,027
YHN Property	Real Estate Management & Development	Malaysia	6,146	1.5	4,687
Thaire Life Assurance (Foreign)	Insurance	Thailand	6,080	1.5	–
Eastern Water Resources Development and Management (Foreign)	Water Utilities	Thailand	6,049	1.5	7,916
Top thirty investments			**251,836**	**62.8**	
Linde India	Chemicals	India	5,999	1.5	4,209
ARB Corporation	Auto Components	Australia	5,664	1.4	6,547
Guinness Anchor	Beverages	Malaysia	5,638	1.4	8,217
Convenience Retail Asia	Food & Staples Retailing	Hong Kong	5,593	1.4	6,564
Kansai Nerolac Paints	Chemicals	India	5,459	1.4	4,091
Ramco Cements	Construction Materials	India	5,439	1.4	–
Millennium & Copthorne Hotels New Zealand[C]	Hotels, Restaurants & Leisure	New Zealand	5,404	1.4	7,169
Pos Malaysia	Air Freight & Logistics	Malaysia	5,365	1.3	5,449
Jammu & Kashmir Bank	Banks	India	5,294	1.3	4,094
Castrol India	Chemicals	India	5,238	1.3	5,461
Top forty investments			**306,929**	**76.6**	

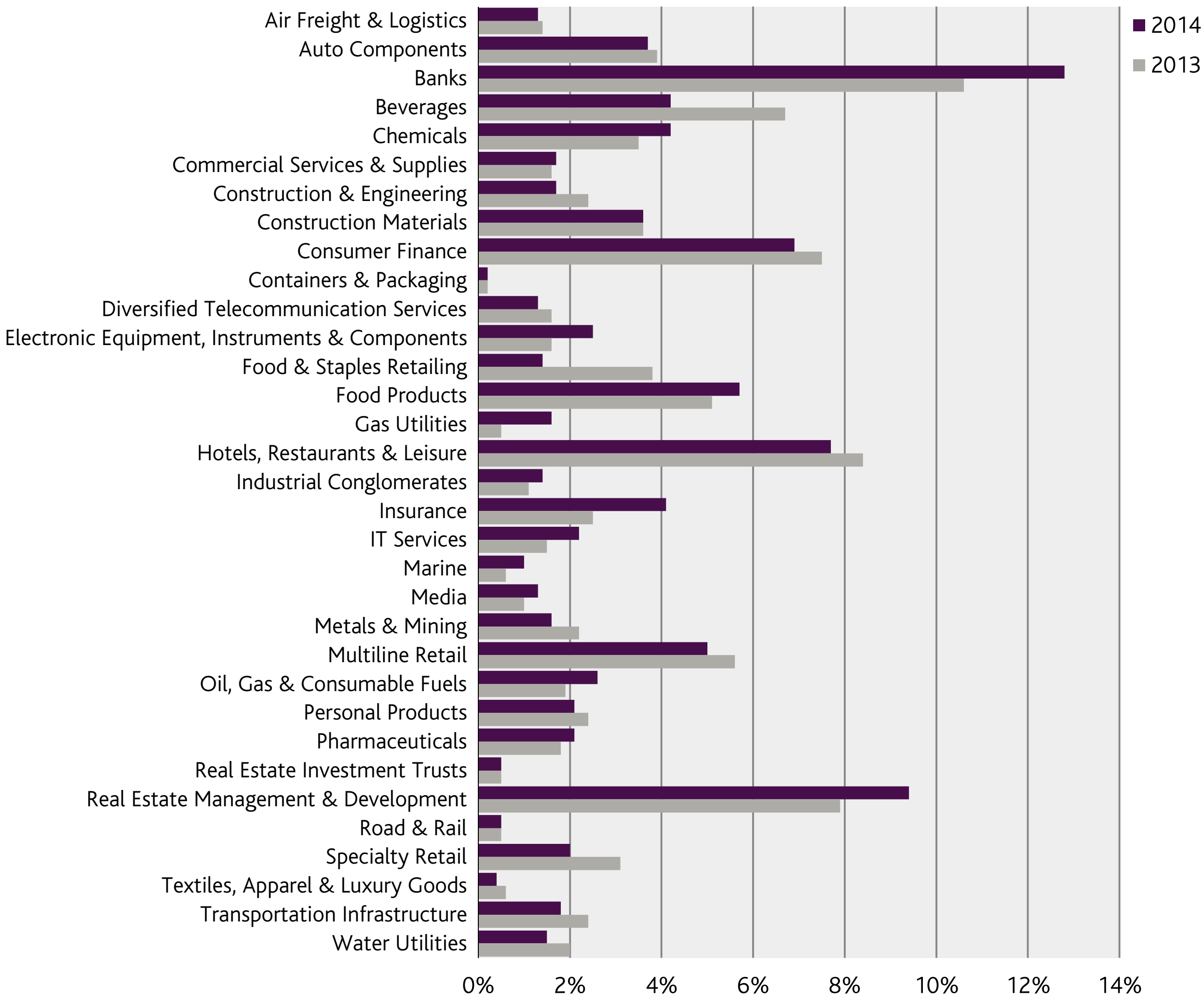
Company	Industry	Country	Valuation 2014 £'000	Total assets %	Valuation 2013 £'000
Hong Kong Economic Times Holdings	Media	Hong Kong	5,186	1.3	4,124
Asia Satellite Telecommunications Holdings	Diversified Telecommunication Services	Hong Kong	5,035	1.3	6,226
Tasek Corporation	Construction Materials	Malaysia	4,950	1.2	5,794
Sanofi India	Pharmaceuticals	India	4,545	1.1	3,237
Wheelock Properties (S)	Real Estate Management & Development	Singapore	4,497	1.1	4,725
Commercial Bank of Ceylon	Banks	Sri Lanka	4,458	1.1	3,898
United Malacca	Food Products	Malaysia	4,213	1.1	4,517
Holcim Indonesia	Construction Materials	Indonesia	4,103	1.0	4,419
Eu Yan Sang International	Pharmaceuticals	Singapore	4,001	1.0	4,030
United International Enterprises	Food Products	Denmark	3,977	1.0	–
Top fifty investments			**351,894**	**87.8**	
AEON Credit Service (Asia)	Consumer Finance	Hong Kong	3,904	1.0	4,970
John Keells Holdings[D]	Industrial Conglomerates	Sri Lanka	3,850	1.0	3,917
Chevron Lubricants Lanka	Oil, Gas & Consumable Fuels	Sri Lanka	3,831	0.9	5,584
The Hong Kong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	3,036	0.8	3,587
DFCC Bank	Banks	Sri Lanka	2,919	0.7	2,477
DGB Financial Group	Banks	South Korea	2,896	0.7	2,942
Wintermar Offshore Marine	Marine	Indonesia	2,797	0.7	–
AEON Stores Hong Kong	Multiline Retail	Hong Kong	2,570	0.6	4,160
Hong Leong Finance	Consumer Finance	Singapore	2,376	0.6	2,290
SBS Transit	Road & Rail	Singapore	2,095	0.5	1,863
Top sixty investments			**382,168**	**95.3**	
CDL Hospitality Trusts	Real Estate Investment Trusts	Singapore	2,035	0.5	2,112
Cafe de Coral Holdings	Hotels, Restaurants & Leisure	Hong Kong	2,000	0.5	2,775
Kingmaker Footwear Holdings	Textiles, Apparel & Luxury Goods	Hong Kong	1,799	0.5	2,230
Goodyear (Foreign)	Auto Components	Thailand	1,762	0.5	2,160
Aitken Spence & Co	Industrial Conglomerates	Sri Lanka	1,655	0.4	–
Haad Thip (Foreign)	Beverages	Thailand	1,654	0.4	1,780
National Development Bank	Banks	Sri Lanka	1,624	0.4	1,392
Pacific Basin Shipping	Marine	Hong Kong	1,405	0.4	1,394
City e-Solutions	Hotels, Restaurants & Leisure	Hong Kong	1,268	0.3	590
FJ Benjamin Holdings	Specialty Retail	Singapore	926	0.2	1,294
Top seventy investments			**398,296**	**99.4**	
ORIX Leasing Pakistan	Consumer Finance	Pakistan	864	0.2	634
Hung Hing Printing	Containers & Packaging	Hong Kong	717	0.2	805
Riverview Rubber Estates	Food Products	Malaysia	385	0.1	342
Mustika Ratu	Personal Products	Indonesia	367	0.1	609
Greka Engineering & Technology	Energy Equipment & Services	China	131	–	–
Total investments			**400,760**	**100.0**	
Net current assets			**80**	**–**	
Total assets[E]			**400,840**	**100.0**	

[B] Holding includes investment in both common and non-voting depositary receipt lines.
[C] Holding includes investment in both common and preference lines.
[D] Holding includes investment in both common and convertible warrant lines.
[E] See definition on page 65.
All investments are in equities.

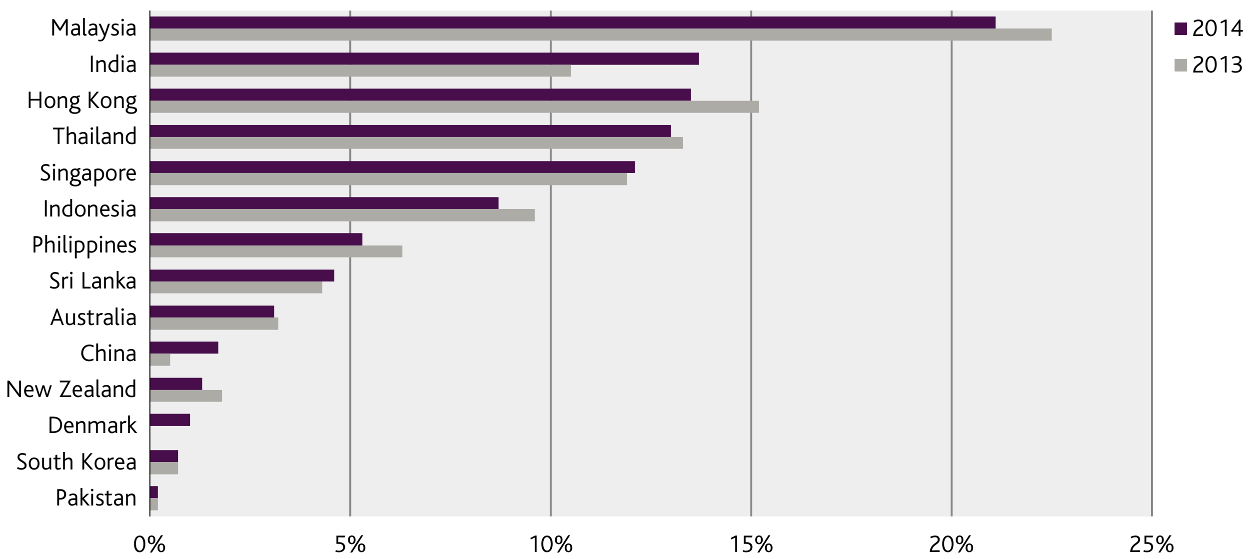
Sector/Geographical Analysis

As at 31 July 2014

Sector Breakdown



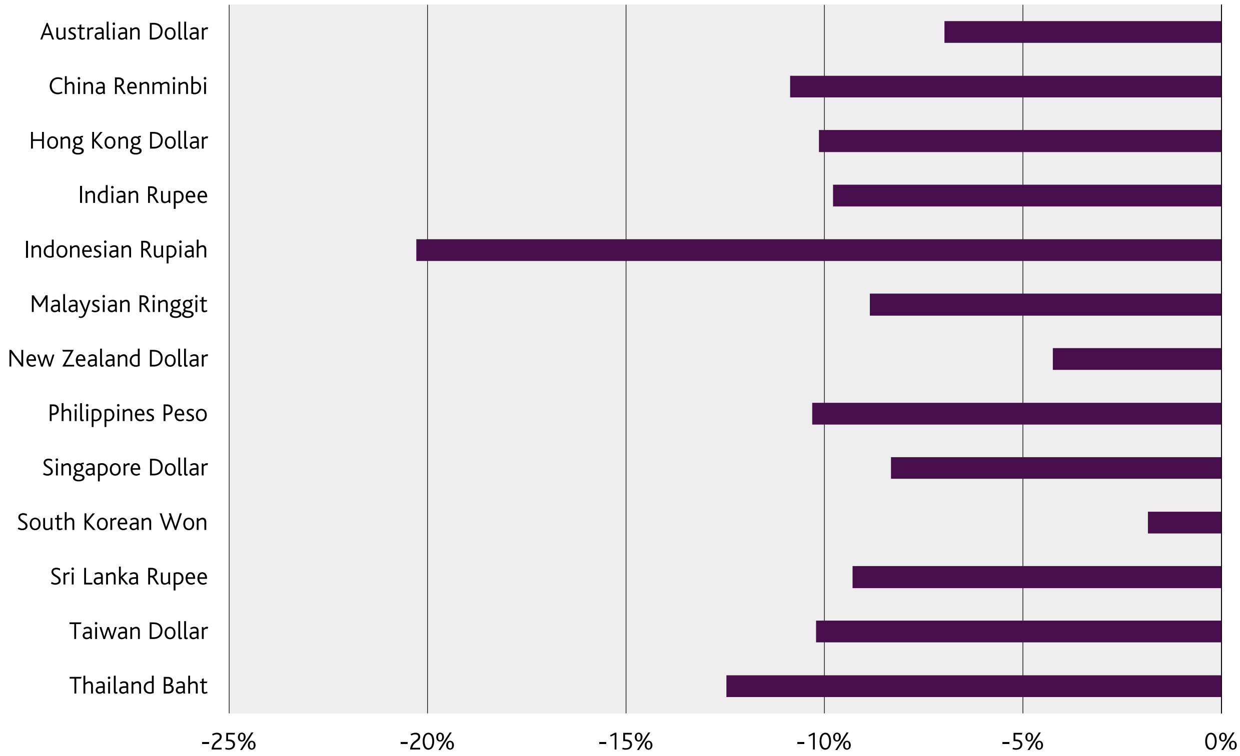
Geographic Breakdown



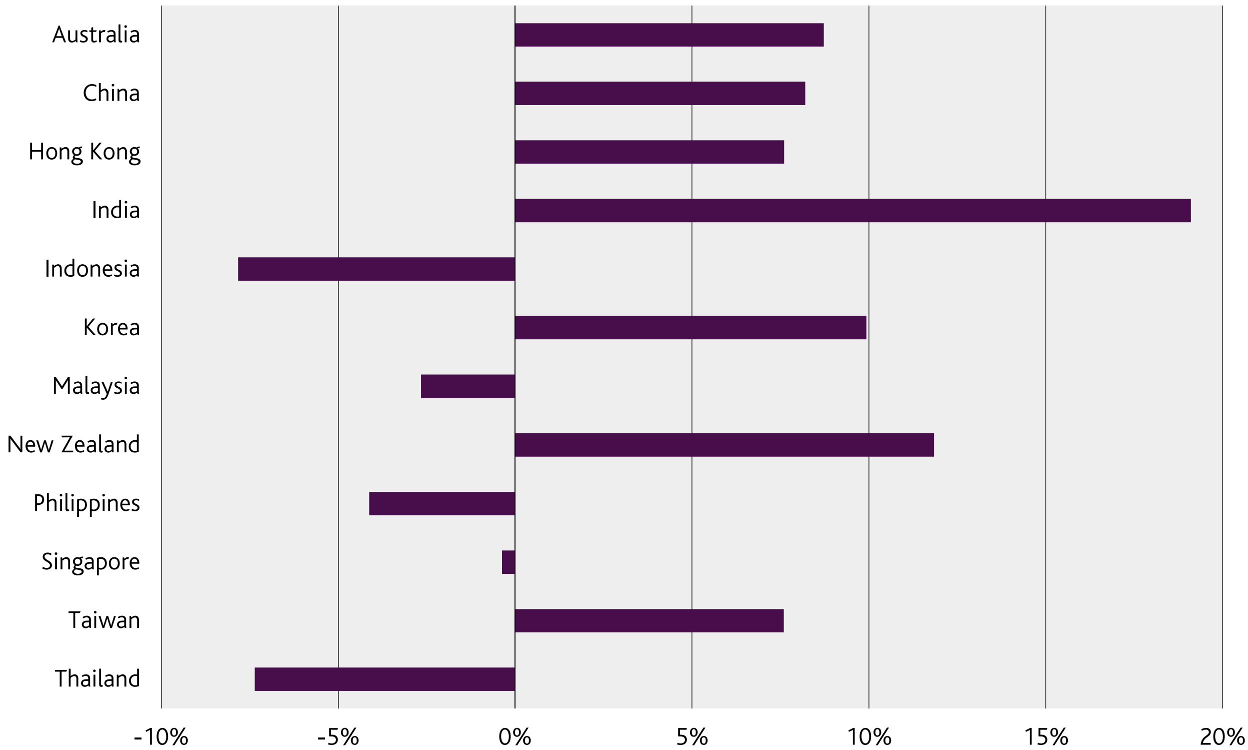
Currency/Market Performance

Year to 31 July 2014

Currency Returns (£)



MSCI Country Index Total Returns (£)



Your Board of Directors

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

Nigel Cayzer

Status: Independent Non-Executive Chairman
Age: 60
Length of service: 19 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: 21 November 2012
Committee membership: Nomination Committee (Chairman)
Remuneration: £30,000 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
Age: 47
Length of service: 1 year, 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: N/A
Committee membership: Management Engagement Committee and Nomination Committee
Remuneration: £23,000
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
Age: 68
Length of service: 11 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: 21 November 2012
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £23,000 per annum
All other public company directorships: Investec PLC, Investec S.A. and 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: 3,372 Ordinary shares

Martin Gilbert

Status: Non-Executive Director
Age: 59
Length of service: 19 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: 21 November 2012
Committee membership: Nomination Committee
Remuneration: £23,000 per annum
All other public company directorships: Aberdeen Asset Management PLC, Aberdeen Asia-Pacific Income Fund Inc., Aberdeen Asia-Pacific Income Investment Company Ltd, Aberdeen Global Income Fund Inc., Aberdeen Latin American Income Fund Limited, British Sky Broadcasting Group Plc, The India Fund, Inc. and The Asia Tigers Fund, Inc.
Employment by the Manager: Chief executive of Aberdeen Asset Management 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: 87,256 Ordinary shares and £128,696 of CULS
Alternate Director: Hugh Young

Mark Hadsley-Chaplin

Status: Independent Non-Executive Director
Age: 53
Length of service: 1 year, appointed a Director on 1 July 2013
Experience: A former Vice Chairman of UBS Securities (East Asia) Limited and was, until 2010, Chairman of RWC Investors Limited, a London based fund management firm specializing in hedge funds and long only funds, having founded the company in 2000. He is a non-executive director of a number of other companies including Advance Developing Markets Fund a London listed investment trust.
Last re-elected to the Board: N/A
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £23,000
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: 2,500 Ordinary shares

Chris Maude

Status: Independent Non-Executive Director
Age: 63
Length of service: 7 years, appointed a Director on 16 May 2007
Experience: Co-founded RWC Partners Ltd, an independent asset management company, in 2000 where until very recently he was the finance director. He had 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: 30 November 2010
Committee membership: Audit Committee (Chairman), Management Engagement Committee (Chairman) and Nomination Committee
Remuneration: £26,000 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
Age: 59
Length of service: 9 months, 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 bwin.party digital entertainment plc, a non-executive director of Vodafone Group Plc, a trustee director of the Francis Crick Institute and Chairman of the Trustees of the British Heart Foundation
Last re-elected to the Board: N/A
Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee
Remuneration: £23,000 per annum
All other public company directorships: Rocket Internet AG
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
Age: 56
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 Aberdeen Group's investments in Asia.
Remuneration: £Nil
All other public company directorships: Aberdeen Asset Management PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC, Aberdeen Asian Income Fund Limited, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited 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 2014.

The Company and its Objective

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 objective of the Company is set out on page 1 of this Annual Report. A review of the Company's activities is given in the Strategic Report. This includes a review of the business of the Company and its principal activities, likely future developments of the business, recommended dividends and details of the issue of new shares during the year by the Company. The major risks associated with the Company are detailed in the Strategic Report on pages 3 to 6 and in note 19 to the financial statements. Further details of the risk management objectives and policies are provided in the Statement of Corporate Governance on pages 31 and 32. The Key Performance Indicators for the Company are detailed on page 6.

The Company does not make political donations and 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.

Results and Dividends

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

Status

The Company is registered as a public limited company in England & Wales with registered number 03106339 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.

The Company 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 2014 so as to enable it to comply with the ongoing requirements for investment trust status.

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 and Borrowings

At 31 July 2014, there were 38,096,807 fully paid Ordinary shares of 25p each (2013 – 37,771,369 Ordinary shares) in issue with a further 1,076,290 Ordinary shares of 25p held in treasury (2013 – 1,076,290 treasury shares). There were no buybacks of Ordinary shares during the year.

During the period under review 300,000 new Ordinary shares were issued for cash at a premium to the prevailing net asset value per share in order to satisfy demand from the market. No shares were sold from treasury either during the period or up to the date of this report. On 13 December 2013, 192,896 units of Convertible Unsecured Loan Stock ("CULS") were converted into 23,228 new Ordinary shares and on 13 June 2014, 18,397 units of CULS were converted into 2,210 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.

During the year the Company agreed a new £20 million multi currency loan facility with State Street Bank and Trust Company and at the year end £5.0 million had been drawn down under the facility.

Ordinary Share and CULS Rights

Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's Articles of Association, the Ordinary shares confer on their holders (other than the Company in respect of any treasury shares) the following principal rights:

a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;

b) the right, on a return of assets on liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities pari passu with the other holders of Ordinary shares; and

c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's Articles of Association with a notice pursuant to Section 793 of the Companies Act 2006 (notice by company requiring information about interests in its shares), the Company can, until the default ceases, suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25% of their class the Company can also withhold any dividend or other money payable in respect of the relevant shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares.

Shareholders, either alone or with other shareholders, have other rights as set out in the Company's Articles of Association and in company law (principally the Companies Act 2006).

CULS holders have the power by Extraordinary Resolution to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. CULS holders have the right to receive notice of, but not to attend, Annual General Meetings of the Company.

Management Agreement

The Company's investment management arrangements with the Aberdeen Asset Management Group have been reorganised and the Company has appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager ("AIFM" or "Manager") with effect from 14 July 2014. In order to facilitate this appointment, the Company terminated its existing investment management agreement with Aberdeen Asset Management Asia Limited ("AAMAL") and entered into a new management agreement with AFML. The new management agreement with AFML was agreed on the same commercial terms as the previous agreement with AAMAL and is also compliant with the new regulatory regime under the AIFMD. Under the new arrangements, the Company's portfolio will continue to be managed by AAMAL by way of a group delegation agreement in place between AFML and AAMAL.
Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC.

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. Further details relating to the management, secretarial and marketing fees payable by the Company to Aberdeen Group companies are shown in notes 3 and 4 to the financial statements.

The Directors review the terms of the investment 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.

Charitable Donation

During the year the Company donated £10,000 to the British Red Cross Typhoon Haiyan Appeal in the Philippines.

Disclosure & Transparency Rules (DTRs)

The following further information is disclosed in accordance with the Companies Act and DTR 7.2.6:

- The Company's capital structure and voting rights are summarised on pages 23 and 24;
- Details of the substantial shareholders in the Company are listed on page 32;
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are summarised on page 31;
- Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders;
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid; and,
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Corporate Governance

The Statement of Corporate Governance forms part of this Directors' Report and covers the Company's compliance with the UK Code of Corporate Governance and is shown on pages 28 to 33.

Directors

The current Directors, Messrs N K Cayzer, Randal McDonnell (Viscount Dunluce), M J Gilbert (alternate H Young), M Hadsley-Chaplin, C S Maude, P Yea (appointed to the Board on 23 January 2014) and Ms H Fukuda, and together with A S Kemp (retired from the Board on 3 December 2013) were the only Directors who served during the year. Messrs Gilbert, Cayzer 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 2 December 2014 and, being eligible, offer themselves for re-election. In accordance with the Articles of Association P Yea having been appointed to the Board during the year, will retire at the AGM and, being eligible, will offer himself for election to the Board.

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.

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 18 to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

Special Business at the Annual General Meeting

Directors' Authority to Allot Relevant Securities

Among the Resolutions being put to the Annual General Meeting as Special Business, Resolution 11 which is an Ordinary Resolution, will, if passed, renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares pursuant to fully pre-emptive rights issues. Resolution 11 authorises the Directors to generally allot shares up to an aggregate nominal amount of £6,349,647 representing approximately 2/3 of the existing issued capital of the Company, of which a maximum nominal amount of £3,174,733 (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues. Such authority will expire upon the conclusion of the next Annual General Meeting in 2015. The Board has no present intention to utilise this authority.

Resolution 12 which is a Special Resolution, will, if passed, 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 shares that the Company sells or transfers that have been held in treasury (if any) pursuant to the authority conferred by Resolution 13 below. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them. 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 Resolution12 will always be issued at a premium to the net asset value per Ordinary share at the time of issue, as determined by the Directors. The Board intends to actively continue to sell Ordinary shares from treasury or issue new Ordinary shares 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 13, a Special Resolution, will be proposed 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 shall be not less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5 per cent. 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 net asset value 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.

If Resolutions 12 and 13 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.

The authority being sought in Resolution 13 shall expire at the conclusion of the Annual General Meeting in 2015 unless such authority is renewed prior to such time. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or, pursuant to the power granted in Resolution 13 above, may be held in treasury.

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 for the benefit to shareholders as a whole.

Notice of Meetings

Resolution 14, which is a special resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings), on 14 days' notice as permitted by the Companies Act 2006 as amended by the Companies (Shareholders' Rights) Regulations 2009. This approval will be effective until the Company's next Annual General Meeting in 2015. 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 14 in limited and time sensitive circumstances.

Compliance with AIFM Rules (Amendments to Articles of Association)

Resolution 15, which is a special resolution, will be proposed to amend the Company's articles of association (the "Amended Articles") to reflect certain changes that the Board wishes to make under the Alternative Fund Managers Regulations 2013.

The Alternative Investment Fund Managers Directive (the "Directive"), proposed by the EU to enhance investor protection, was fully implemented in the UK on 22 July 2014. The Directive has been implemented in the United Kingdom by the Alternative Investment Fund Managers Regulations 2013 (as amended) (the "Regulations" and together with the Directive and the rules issued by the FCA and ESMA from time to time (including any amendments or updates made in relation thereto) the "AIFM Rules").

Following the implementation of the AIFM Rules in the UK, the Board is now proposing to make amendments to the Company's articles of association to reflect the AIFM Rules. The changes proposed to be introduced in the Amended Articles, and their effect, are set out below:

(i) Net Asset Value

The Amended Articles will provide that the net asset value of the Company is calculated at least annually and disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Rules.

The Amended Articles provide that valuation of the Company's assets will be performed in accordance with prevailing accounting standards. Again, the amendment will have no bearing on current practice and simply ensures that the Amended Articles are consistent with the minimum requirements of the AIFM Rules.

(ii) Liability for loss of financial assets held in custody

The AIFM Rules require that the Company has a depositary. Under the AIFM Rules, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. This rule applies even where the depositary has delegated the actual custody of an asset to another entity. The Company may wish to hold assets in a country where the depositary is required to use a local sub-custodian to hold the relevant asset. The depositary may not wish the Company to acquire or retain such an asset, unless it can discharge its strict liability to that local sub-custodian. A discharge of strict liability in these circumstances will only be possible if the Company's "rules of instruments of incorporation" (for example, the articles of association) permit such a discharge.

The Board is cognisant that situations may arise where allowing the depositary to discharge its strict liability will be commercially necessary. An amendment to the existing articles of association is therefore proposed with the effect of enabling the Board, should the need arise and subject to the AIFM Rules, to allow a depositary to discharge its strict liability for loss of certain of the Company's assets. This proposed amendment provides the Company with commercial flexibility, and the Board will exercise its discretion in the usual way in determining whether or not to provide such a discharge.

Copies of the proposed amended articles of association of the Company, including a version showing by tracked changes the alterations from the existing articles, will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to and including the date of the AGM, and for inspection by any person attending the annual general meeting.

Recommendation

Your Board considers Resolutions 11 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 11 to 15 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 257,291 Ordinary shares.

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 required by the

Companies Act 2006. 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.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements are set out on pages 34 and 38.

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.

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.

By order of the Board

Aberdeen Asset Management PLC - Secretaries
Bow Bells House
1 Bread Street
London EC4M 9HH
22 October 2014

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which may be found on pages 23 to 27.

Introduction

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, this statement describes how the Company applies the principles identified in the UK Corporate Governance Code ("the Code") published in September 2012 which is effective for financial years commencing on or after 1 October 2012. The Code is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the Code, unless otherwise indicated below.

The 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.3.5)

For the reasons set out in the Preamble to the Code, the Board considers that these provisions are not relevant to the Company, being an externally-managed investment company. The Company has therefore not reported further in respect of these provisions.

Additionally, the Company is a member of the Association of Investment Companies ("AIC") and complies with the recommendations of the AIC's Code of Corporate Governance (the "AIC Code") which seeks to codify best practice of particular relevance to investment trusts. The AIC Code is available on the AIC's website: www.theaic.co.uk.

The Board

The Board currently consists of a non-executive Chairman and six other non-executive Directors. All Directors, with the exception of Mr Gilbert, are considered by the Board to be independent of the Manager and free of any material relationship with the Manager. The Articles of Association require the Directors to retire and submit themselves for re-election at least every three years. Mr Gilbert is Chief Executive of Aberdeen Asset Management PLC and Mr Young, his Alternate, is Managing Director of AAM Asia and as such neither Mr Gilbert nor Mr Young are considered to be independent. Mr Gilbert submits himself for annual re-election to the Board at each AGM and the Board supports Mr Gilbert's re-election as a non-independent Director.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager, under the terms of the investment management agreement. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent Director. Mr Cayzer has served on the Board as a Director and Chairman since September 1995 and Ms Fukuda was appointed to the Board in 2003. The Board takes the view that independence is not compromised by length of tenure and that experience can add significantly to the Board's strength. The Board is satisfied that Mr Cayzer and Ms Fukuda who, having both served on the Board for more than nine years, must stand for annual re-election, each continue to be independent in character and are effective Directors and it recommends that shareholders support their re-election. Mr Yea was appointed to the Board on 23 January 2014 and has brought significant further international business and technical experience to the Board. The Board is pleased to recommend that shareholders support Mr Yea's election to the Board at the AGM to be held in December 2014.

During the year ended 31 July 2014 the Board met seven times. In addition, the Audit Committee and Management Engagement Committee met jointly twice. Between meetings the Board maintains regular contact with the Manager.

Directors have attended Board and Committee meetings during the year ended 31 July 2014 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings	Audit and Management Engagement Committee Meetings	Nomination Committee Meetings
NK Cayzer[A]	7 (7)	n/a	1 (1)
Viscount Dunluce[A]	7 (7)	n/a	1 (1)
H Fukuda	7 (7)	2 (2)	1 (1)
MJ Gilbert[AB]	7 (7)	n/a	1 (1)
M Hadsley-Chaplin	7 (7)	2 (2)	1 (1)
CS Maude	7 (7)	2 (2)	1 (1)
P Yea[C]	5 (5)	1 (1)	0 (0)
AS Kemp[D]	2 (2)	1 (1)	1 (1)

[A] Mr Cayzer, Mr Gilbert and Viscount Dunluce are not members of the Audit and Management Engagement Committees.

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

[C] Appointed on 23 January 2014.

[D] Retired 3 December 2013.

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company, ranging from analysis of investment performance to annual budgeting and quarterly forecasting and variance analysis;
- approval of the interim management statements, half-yearly and annual Financial Statements, and approval and recommendation of dividends;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure, including share buy-backs and share issues;
- Board appointments and removals and the related terms;
- appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto;
- terms of reference and membership of Board Committees; and
- Stock Exchange/UK Listing Authority/Financial Conduct Authority – approval of all circulars and listing particulars, and approval of all releases concerning matters decided by the Board.

The Board has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as an appraisal and performance evaluation of the Board as a whole and of its Committees. The appraisals are carried out by way of a detailed questionnaire, the summarised results of which are then reviewed and discussed by the Directors.

The Board has also reviewed the other commitments of the Chairman and Directors and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board has a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest at each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of their own position. Following the implementation of the Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery.

Board Committees

Audit & Management Engagement Committee

An Audit Committee has been established with written terms of reference and comprises four independent Directors, Mr Maude (Chairman), Mr Hadsley-Chaplin, Mr Yea and Ms Fukuda. The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – Mr Maude is a member of the Institute of Chartered Accountants. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are available on the Company's website and upon request.

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems 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 interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and Administrator;
- to meet with the external auditor to review their proposed audit programme of work and the findings of the auditor. The Board 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 external auditor to supply non-audit services. During the period under review, fees amounting to £17,000 (ex VAT) (2013 - £15,000 ex VAT) were paid to the auditor in respect of non-audit services in connection with (i) the review of the Half Yearly Report, (ii) taxation services in relation to Returns of Income and Compliance, and (iii) iXBRL tagging services in connection with the electronic filing of tax returns – the Board will review any future fees in the light of the requirement to maintain the auditor's independence;
- 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 review an annual 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;

Statement of Corporate Governance continued

- to make recommendations in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor; and
- to monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualification. At its September 2014 meeting the Audit Committee confirmed its view that the auditor remained independent, objective and effective.

The Management Engagement Committee meets jointly with the Audit Committee. The joint Committee annually reviews matters concerning the management contract which exists between the Company and the Manager. Details of the Management Agreement are shown in note 3 to the financial statements. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee at least once a year. The Board remains satisfied that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole. The key factors taken into account in reaching this decision are the long-term performance of the portfolio and the investment skills, experience and commitment of the Manager. The Management Agreement is terminable on not less than one year's notice.

Significant Issues for the Audit Committee

During its review of the Company's financial statements for the year ended 31 July 2014, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor 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 1 to the financial statement on page 44. All investments are considered liquid and quoted in active markets and have been categorised as Level 1 within the FRS 29 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 Custodian (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 and the audit includes independent confirmation of the existence of all investments.

Correct Calculation of Management Fees

How the issue was addressed - The management fees are calculated by the Manager and reviewed periodically by the Board. The Auditor reviews the calculations as part of its audit.

Going Concern

How the issue was addressed - The Directors have considered the Company's investment objective and risk management policies, the nature of the portfolio and expenditure and cash flow projections. As a result, they have determined that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future.

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)
- quality of people and service including continuity and succession plans (the audit team is made up of sufficient, 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.

Ernst & Young ("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 2014 will be the fourth 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 impending EU legislation will require listed companies to rotate their auditor every 10 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. Accordingly, based upon the new legislation, EY will not be able to audit the Company after 2023.

Nomination Committee

Appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and whose Chairman is the Chairman of the Company. The terms of reference of the Nomination Committee are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are available on the Company's website and upon request.

Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the first subsequent AGM. The Articles of Association require that one third of the Directors retire by rotation at each AGM and that Directors are required to submit themselves for re-election at least every three years. 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. Lord Davies' review of gender diversity on the boards of listed companies was published in February 2011. It made a number of recommendations, and concluded that quotas were not the preferred option and might indeed be counterproductive. The Board is supportive of the principle of diversity.

During the year the Nomination Committee continued the process of succession planning and instigated a search for an additional Director using the services of Fletcher Jones Limited as its independent external recruitment consultant. Fletcher Jones provides recruitment services to the Company from time to time but there are no other relationships between the Company and Fletcher Jones. The Committee identified a specification for the new Director including the requisite skills and experience that would complement the existing Board and having due regard for the benefits of diversity on the Board. The Committee considered several high quality candidates and identified Philip Yea as the preferred candidate. Mr Yea was appointed to the Board on 23 January 2014.

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 recognises the benefits of diversity.

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. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

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 35 to 37.

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.

Going Concern

In accordance with the Financial Reporting Council's guidance on Going Concern and Liquidity Risk issued in October 2009 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 3 to 6 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.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's publication of "Internal Control: Revised Guidance for Directors on the Combined Code" (the FRC guidance), the Board 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, 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.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the FRC and Code guidance, and 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 Directors have delegated the investment management of the Company's assets to the Manager 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 Manager'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 implemente

The significant risks faced by the Company are as follows:
- financial;
- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and 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 as appropriate;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures; and
- at its September 2014 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2014 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 July 2014. 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 mis-statement 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 2014.

Shareholder	No. of Ordinary shares held	% held
Aberdeen Asset Managers Savings Scheme (non-beneficial)	3,757,470	9.9
Hargreaves Lansdown	3,265,395	8.6
Funds managed by Aberdeen Asset Management PLC	2,289,547	6.0
Alliance Trust Savings	2,029,289	5.3
Investec Wealth Management	1,899,759	5.0
Charles Stanley, Stockbrokers	1,526,814	4.0
Brewin Dolphin Stockbrokers	1,493,576	3.9
Barclays Stockbrokers	1,365,861	3.6

Subsequent to the period end, on 14 August 2014, Investec Wealth Management notified the Company that it was interested in 1,911,401 Ordinary shares in the Company. The Company has not been notified of any changes to the above information by any of the other shareholders.

Proxy Voting and Stewardship

The Financial Reporting Council ('FRC') published "the UK Stewardship Code" for institutional shareholders on 2 July 2010. The purpose of the UK Stewardship Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and assist institutional investors with the efficient exercise of their governance responsibilities.

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles, which may be found on the Manager's website, at http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship. These Principles set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Disclosure Response to the UK Stewardship Code, which appears on the Manager's website, at the web-address given overleaf.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the portfolio company and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

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 (www.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 management 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 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.

Socially Responsible Investment Policy

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Company's Manager, encourage 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 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.

By order of the Board

Nigel Cayzer
Chairman

Bow Bells House, 1 Bread Street
London EC4M 9HH
22 October 2014

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 www.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 24 and 25, 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
22 October 2014

Directors' Remuneration Report

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

1. a Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM in the first instance and then every three years thereafter. Should the Remuneration Policy be varied during this interval, then shareholder approval for the new Remuneration Policy will be sought;
2. an Implementation Report which provides information on how the policy has been applied during the year and which will be subject to an advisory vote on the level of remuneration paid during the year as set out in the Implementation Report; and
3. an 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 38 and 39.

The fact that the Remuneration Policy will now be subject to a binding vote does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance.

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 their fees are set out within the Company's Articles of Association which 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 2014 £	31 July 2013 £
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 £23,000 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.
- 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, no Director was interested in 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. The Company's Articles indemnify 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.

It is intended that, if approved, the Remuneration Policy will take effect at the conclusion of the AGM.

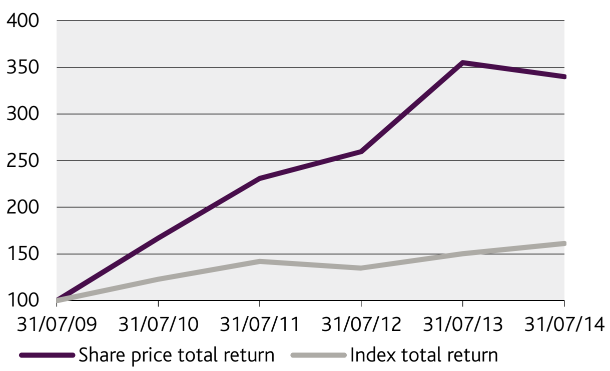
Implementation Report

Directors' Fees

The Board carried out a review of Directors' annual fees during the year and concluded that these should remain unchanged for the year to 31 July 2015, at £30,000, £26,000 and £23,000 for the Chairman, Audit Committee Chairman and other Directors, respectively. 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 five year period to 31 July 2014 (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 3 December 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 July 2013. Of the proxy votes received, 99.5% were in favour of the resolution, 0.5% were against and 0.001% abstained.

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.

Fees Payable

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

Director	2014 £	2013 £	Taxable Benefits 2014	Taxable Benefits 2013
N K Cayzer (Chairman and highest paid Director)	30,000	30,000	-	-
Viscount Dunluce	23,000	1,917	-	-
H Fukuda	23,000	23,000	-	-
M J Gilbert [D]	23,000	23,000	-	
M Hadsley-Chaplin	23,000	2,927	-	-
C S Maude (Audit Committee Chairman) [A]	24,976	23,000	-	-
P Yea [B]	12,056	n/a	-	-
A S Kemp [C]	8,876	26,000	-	-
Total	**167,908**	**128,834**	**-**	**-**

Notes to the Fees Payable Table:

[A] Appointed Audit Committee Chairman on 3 December 2013.

[B] Appointed to the Board on 23 January 2014.

[C] Retired from the Board on 3 December 2013.

[D] Plus applicable VAT.

Sums Paid to Third Parties

Of the fees disclosed above, £23,000 (2013 – £23,000) was payable to third parties in respect of making available the services of one of the Directors. These fees were assigned to Aberdeen Asset Management 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 (including connected persons) at 31 July 2014, and 1 August 2013, had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table overleaf.

The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements. No other Directors had an interest in any contracts with the Company during the period or subsequently.

	31 July 2014 Ordinary shares	31 July 2014 CULS	1 August 2013 Ordinary shares	1 August 2013 CULS
N K Cayzer	-	-	-	-
Viscount Dunluce[A]	800	400	800	400
M Hadsley-Chaplin	2,500	-	2,500	-
H Fukuda	3,372	-	3,328	-
M J Gilbert	87,256	128,696	86,006	138,708
C S Maude	37,300	-	37,300	-
P Yea[A]	2,063	-	n/a	n/a
H Young (alternate)	124,000	211,948	124,000	211,948
A S Kemp[B]	n/a	n/a	20,000	-

[A] Appointed to the Board on 23 January 2014

[B] Retired from the Board on 3 December 2013

The above interests are unchanged at 22 October 2014, 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 2014:

- 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
22 October 2014

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

We have audited the financial statements of Aberdeen Asian Smaller Companies Investment Trust PLC for the year ended 31 July 2014 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders’ Funds, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors’ Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 July 2014 and of the Company’s loss 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.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that we believe to have had the greatest impact on the audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team:

- management fees are not calculated correctly in accordance with the investment management agreement; and
- incorrect valuation and ownership of the investment portfolio.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on our audit and on the financial statements and in forming our audit opinion. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that, individually or in aggregate in light of surrounding circumstances could reasonably be expected to influence the economic decisions of the users of the financial statements. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the company to be £3.7 million, which is 1 per cent of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the company’s overall control environment, our judgment is that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of materiality, namely £2.8 million. Our objective in adopting this performance materiality was to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds our materiality level for the financial statements as a whole.

We have reported to the Audit Committee all audit differences in excess of £185,000, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we independently recalculated management fees for the year with reference to the investment management agreements and agreed the calculation inputs to source data; and
- we agreed the year end prices of the investments to an independent source and the investment holdings to a third party custodian report.

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; and
- 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 31, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Susan Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

22 October 2014

Income Statement

		Year ended 31 July 2014			Year ended 31 July 2013		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments	9	–	(16,444)	(16,444)	–	95,470	95,470
Income	2	11,427	–	11,427	11,512	–	11,512
Exchange gains/(losses)		–	103	103	–	(186)	(186)
Investment management fees	3	(3,907)	–	(3,907)	(3,170)	–	(3,170)
Administrative expenses	4	(1,147)	–	(1,147)	(1,058)	–	(1,058)
Net return on ordinary activities before finance costs and taxation		6,373	(16,341)	(9,968)	7,284	95,284	102,568
Finance costs	5	(1,457)	–	(1,457)	(1,470)	–	(1,470)
Return on ordinary activities before taxation		4,916	(16,341)	(11,425)	5,814	95,284	101,098
Taxation	6	(572)	36	(536)	(766)	142	(624)
Return on ordinary activities after taxation		**4,344**	**(16,305)**	**(11,961)**	**5,048**	**95,426**	**100,474**
Return per share (pence):							
Basic	8	**11.43**	**(42.89)**	**(31.46)**	**13.84**	**261.59**	**275.43**
Diluted	8	**n/a**	**n/a**	**n/a**	**n/a**	**234.71**	**249.43**

The total column of this statement represents the profit and loss account of the Company.

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

No operations were acquired or discontinued in the year.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement.

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

Balance Sheet

	Notes	As at 31 July 2014 £'000	As at 31 July 2013 £'000
Non-current assets			
Investments at fair value through profit or loss	9	400,760	398,361
Current assets			
Debtors and prepayments	10	227	488
Cash and short term deposits	17	5,685	17,244
		5,912	17,732
Creditors: amounts falling due within one year			
Bank loans	11	(5,000)	–
Other creditors	11	(832)	(1,473)
		(5,832)	(1,473)
Net current assets		80	16,259
Total assets less current liabilities		400,840	414,620
Non-current liabilities			
3.5% Convertible Unsecured Loan Stock 2019	12	(31,722)	(31,688)
Net assets		**369,118**	**382,932**
Capital and reserves			
Called-up share capital	13	9,793	9,712
Capital redemption reserve		2,062	2,062
Share premium account		39,611	36,617
Special reserve		11,715	11,715
Equity component of 3.5% Convertible Unsecured Loan Stock 2019	12	1,361	1,361
Capital reserve	14	296,008	312,313
Revenue reserve	14	8,568	9,152
Equity shareholders' funds		**369,118**	**382,932**
Net asset value per share (pence):			
Basic	15	**968.89**	**1,013.82**
Diluted	15	**952.52**	**992.81**

The financial statements were approved by the Board of Directors and authorised for issue on 22 October 2014 and were signed on behalf of the Board by:

Nigel Cayzer
Chairman

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

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 July 2014

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Equity Component CULS 2019 £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 August 2013		9,712	2,062	36,617	11,715	1,361	312,313	9,152	382,932
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	12	6	–	205	–	–	–	–	211
Issue of own shares	13	75	–	2,789	–	–	–	–	2,864
Return on ordinary activities after taxation		–	–	–	–	–	(16,305)	4,344	(11,961)
Dividends paid	7	–	–	–	–	–	–	(4,928)	(4,928)
Balance at 31 July 2014		**9,793**	**2,062**	**39,611**	**11,715**	**1,361**	**296,008**	**8,568**	**369,118**

For the year ended 31 July 2013

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Equity Component CULS 2019 £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 August 2012		9,287	2,062	14,512	8,372	1,361	216,887	8,513	260,994
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	12	51	–	1,660	–	–	–	–	1,711
Issue of own shares	13	374	–	14,368	–	–	–	–	14,742
Issue of own shares from treasury	13	–	–	6,077	3,343	–	–	–	9,420
Return on ordinary activities after taxation		–	–	–	–	–	95,426	5,048	100,474
Dividends paid	7	–	–	–	–	–	–	(4,409)	(4,409)
Balance at 31 July 2013		**9,712**	**2,062**	**36,617**	**11,715**	**1,361**	**312,313**	**9,152**	**382,932**

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

Cash Flow Statement

	Notes	Year ended 31 July 2014 £'000	£'000	Year ended 31 July 2013 £'000	£'000
Net cash inflow from operating activities	16		5,725		7,156
Servicing of finance					
Interest paid			(1,212)		(1,288)
Financial investment					
Purchases of investments		(34,044)		(58,522)	
Sales of investments	9	14,933		43,289	
Net cash outflow from financial investment			(19,111)		(15,233)
Equity dividends paid	7		(4,928)		(4,409)
Net cash outflow before financing			(19,526)		(13,774)
Financing					
Issue of own shares	13	2,864		24,162	
Drawdown of loan	11	5,000		–	
Net cash inflow from financing activities			7,864		24,162
(Decrease)/increase in cash			**(11,662)**		**10,388**
Reconciliation of net cash flow to movements in net debt					
(Decrease)/increase in cash as above			(11,662)		10,388
Drawdown of loan			(5,000)		–
Other non-cash movements			(34)		1,475
Exchange movements			103		(186)
Movement in net debt			(16,593)		11,677
Net debt at 1 August			(14,444)		(26,121)
Net debt at 31 July	17		**(31,037)**		**(14,444)**

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

1. **Accounting policies**

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

The financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 31.

The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

(b) Valuation of investments

Listed investments have been designated upon initial recognition as 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 valued 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 in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

(c) Borrowings

Interest-bearing bank loans and overdrafts are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they continue to be valued at fair value, which is determined by aggregating the expected future cash flows for that loan or overdraft at a rate comprising the borrower's margin plus an average of market rates applicable to loans or overdrafts of a similar period of time and currency. 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 Income Statement with the exception of transaction costs incurred on the purchase and disposal of investments which are charged to the capital column of the Income Statement and are separately identified and disclosed in note 9 within gains on investments.

(f) Taxation

The charge for taxation is based on the profit for the year.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in future against which the deferred tax asset can be offset.

(g) Capital reserve

The capital reserve reflects the following:

- gains and losses on the sale of investments and changes in fair values of investments held are transferred to the capital reserve;
- transfers from the warrant reserve on the exercise of warrants; and
- applicable capital tax charges.

(h) Foreign currency

Overseas monetary assets are converted into Sterling at the rate of exchange ruling at the Balance Sheet date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

(i) 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 by applying the assumed rate of 4.662% to the liability component of the instrument.

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 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.

2. Income	2014 £'000	2013 £'000
Income from investments		
UK dividend income	–	109
Overseas dividends	11,287	11,385
Stock dividends	130	–
	11,417	11,494

	2014 £'000	2013 £'000
Other income		
Deposit interest	10	18
Total income	**11,427**	**11,512**

3. Investment management fees	2014 £'000	2013 £'000
Investment management fees	**3,907**	**3,170**

The Company has an agreement with Aberdeen Fund Managers Limited for the provision of management services, which has been delegated to Aberdeen Asset Management Asia Limited.

During the year the management fee was payable monthly in arrears and is based on an annual amount of 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 £347,000 (2013 – £586,000). The agreement is terminable on one year's notice.

4. Administrative expenses	2014 £'000	2013 £'000
Administration fees	84	82
Directors' fees	168	129
Promotional activities	240	215
Auditor's remuneration:		
• fees payable to the auditor for the audit of the annual accounts	24	24
• fees payable to the auditor and its associates for other services:		
– interim review	6	6
– taxation and iXBRL tagging services (all compliance)	11	9
Custodian charges	283	287
Other expenses	331	306
	1,147	**1,058**

The Company reorganised its management and administration contractual arrangements during the course of the financial year but with no change to the commercial effect of those arrangements. As a result, the Company has a management agreement with Aberdeen Fund Managers Limited ("AFML") for inter alia the provision of administration services which are, in turn, delegated to Aberdeen Asset Management PLC. The administration fee is payable quarterly in advance and based on an index–linked annual amount of £85,000 (2013 – £82,000) and there was an accrual of £21,000 (2013 – £41,000) at the year end. 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 Aberdeen Asset Managers Limited ("AAML"). The total fee paid and payable under the agreement in relation to promotional activities was £240,000 (2013 – £215,000) and there was a £73,000 (2013 – £21,000) balance due to AAML at the year end.

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

5. Finance costs

	2014 £'000	2013 £'000
Loans repayable in less than 1 year	50	21
Interest on 3.5% Convertible Unsecured Loan Stock 2019	1,162	1,213
Notional interest on 3.5% Convertible Unsecured Loan Stock 2019	170	161
Amortisation of 3.5% Convertible Unsecured Loan Stock 2019 issue expenses	75	75
	1,457	**1,470**

6. Taxation

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
(a) Analysis of charge for the year						
Overseas taxation	536	–	536	624	–	624
Tax relief to revenue	–	–	–	–	–	–
Current taxation	536	–	536	624	–	624
Movement on deferred taxation	36	(36)	–	142	(142)	–
Total tax	**572**	**(36)**	**536**	**766**	**(142)**	**624**

At 31 July 2014 the Company had surplus management expenses and loan relationship deficits with a tax value of £3,540,000 (2013 – £1,599,000) in respect of which a deferred tax asset has not been recognised. This includes a provision for deferred taxation in respect of the holding in CDL Hospitality Trust. 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. CDL is a Singapore based real estate investment trust without distributor or reporting fund status and therefore the realised gains on disposal of its units are subject to corporation tax in the hands of this Company.

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the effective rate of corporation tax in the UK for a large company of 22.33% (2013 – 23.67%). The differences are explained below:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Return on ordinary activities before taxation	4,916	(16,341)	(11,425)	5,814	95,284	101,098
Return on ordinary activities multiplied by the effective UK standard tax rate of corporation tax of 22.33% (2013 – 23.67%)	1,098	(3,649)	(2,551)	1,376	22,554	23,930
Effects of:						
Losses/(gains) on investments not taxable	–	3,672	3,672	–	(22,598)	(22,598)
Exchange (gains)/losses	–	(23)	(23)	–	44	44
Franked dividend receipts not chargeable to corporation tax	–	–	–	(26)	–	(26)
Overseas tax	536	–	536	624	–	624
Non-taxable dividend income	(2,525)	–	(2,525)	(2,663)	–	(2,663)
Movement in unutilised management expenses	1,104	–	1,104	969	–	969
Movement in unutilised loan relationship deficits	323	–	323	344	–	344
Current tax charge for the year	**536**	–	**536**	**624**	–	**624**

7. Dividends	2014 £'000	2013 £'000
Final dividend for 2013 – 10.00p (2012 – 9.50p)	3,791	3,351
Special dividend for 2013 – 3.00p (2012 – 3.00p)	1,137	1,058
	4,928	**4,409**

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 £4,344,000 (2013 – £5,048,000).

	2014 £'000	2013 £'000
Proposed final dividend for 2014 – 10.00p (2013 – 10.00p)	3,810	3,791
Proposed special dividend for 2014 – 3.00p (2013 – 3.00p)	1,143	1,137
Total	**4,953**	**4,928**

8. Return per Ordinary share	2014 Revenue	2014 Capital	2014 Total	2013 Revenue	2013 Capital	2013 Total
Basic						
Return on ordinary activities after taxation (£'000)	4,344	(16,305)	(11,961)	5,048	95,426	100,474
Weighted average number of shares in issue[A]			38,020,666			36,478,795
Return per Ordinary share (p)	11.43	(42.89)	(31.46)	13.84	261.59	275.43

Diluted	2014 Revenue	2014 Capital	2014 Total	2013 Revenue	2013 Capital	2013 Total
Return on ordinary activities after taxation (£'000)	5,314	(16,305)	(10,991)	5,985	95,426	101,411
Weighted average number of shares in issue[B]			42,016,382			40,656,854
Return per Ordinary share (p)	n/a	n/a	n/a	n/a	234.71	249.43

[A] Calculated excluding shares held in treasury.

[B] The calculation of the diluted total, revenue and capital returns per Ordinary share are carried out in accordance with Financial Reporting Standard 22, "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 3,995,716 (2013 – 4,178,059) to 42,016,382 (2013 – 40,656,854) Ordinary shares.

For the period ended 31 July 2014 the assumed conversion for potential Ordinary shares was non-dilutive due to a capital loss being reported and no dilution to the revenue return per Ordinary share. For the period ended 31 July 2013 there was also no dilution to the revenue 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.

9. Investments	Listed in UK £'000	Listed overseas £'000	Total £'000
Fair value through profit or loss:			
Opening book cost	5,316	184,235	189,551
Opening fair value gains on investments held	4,132	204,678	208,810
Opening fair value	9,448	388,913	398,361
Movements in year:			
Purchases at cost	944	32,832	33,776
Sales – proceeds	(32)	(14,901)	(14,933)
Sales – gains on sales	20	10,231	10,251
Movement in fair value gains on investments held	3,048	(29,743)	(26,695)
Closing fair value	**13,428**	**387,332**	**400,760**
Closing book cost	6,248	212,397	218,645
Closing fair value gains on investments held	7,180	174,935	182,115
	13,428	**387,332**	**400,760**
(Losses)/gains on investments			
Gains on sales	20	10,231	10,251
Movement in fair value gains on investments held	3,048	(29,743)	(26,695)
	3,068	**(19,512)**	**(16,444)**

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 (losses)/gains on investments in the Income Statement. The total costs were as follows:

	2014 £'000	2013 £'000
Purchases	52	103
Sales	23	63
	75	**166**

10. Debtors: amounts falling due within one year	2014 £'000	2013 £'000
Other debtors	30	21
Prepayments and accrued income	197	467
	227	**488**

11. Creditors: amounts falling due within one year	2014 £'000	2013 £'000
Bank loans	5,000	–
Amounts due to brokers	83	481
Other creditors	749	992
	5,832	**1,473**

On 27 May 2014 the £2 million 3 year multi currency revolving advance loan facility the Company had with Royal Bank of Scotland expired. The agreement contained covenants requiring that the on-going gearing ratio (Gross Borrowings divided by Adjusted Assets) shall not exceed 25%. Gross Borrowings are calculated by deducting from the Company's assets (Portfolio Value plus cash) (1) the value of any unquoted investments; (2) the value of any bonds rated below investment grade or which are unrated; (3) the extent to which the value of any single security or asset exceeds 5% of Investment Portfolio Value; (4) the extent to which the aggregate value of the 20 largest securities or assets exceeds 65% of Investment Portfolio Value; (5) the extent to which the aggregate value of securities or assets in any one country exceeds 25% of Investment Portfolio Value; (6) the extent to which the aggregate value of securities or assets in countries with a S&P foreign sovereign debt rating lower than BBB- exceeds 30% of Investment Portfolio Value. The Company met these covenants throughout the period that the facility was in place.

In June 2014 the Company entered into a £20 million multi currency revolving loan facility with State Street Bank and Trust Company. The agreement contains a covenant that total debt shall not exceed 25% of the adjusted net asset value of the Company, where total debt is the sum of total borrowings including loan stock excluding any liabilities under derivative instruments which would otherwise be included on the basis that such a contract or instrument was being closed out on the date of calculation. The adjusted net asset value is defined as the net asset value of the borrower adjusted by deducting:

- market value of any investments not quoted on an internationally recognised exchange;
- total market value of investments in Sub-Investment Grade or Unrated Corporate Bonds;
- amount by which the market value of investments in a single issuer exceeds 5% of the Net Asset Value;
- amount by which the market value of the largest twenty holdings exceeds 65% of the Net Asset Value;
- the amount by which market value of investments in any one country exceeds 25% of the Net Asset Value; or
- the amount by which market value of investments in any Sub-Investment Grade Country exceeds 30%.

The Company met this covenant for the period of which the loan was utilised with State Street.

As at 31 July 2014, £5,000,000 (2013 – Royal Bank of Scotland – nil) had been drawn down at an all–in rate of 1.4% (2013 – Royal Bank of Scotland – nil) which matured on 26 August 2014. On 26 August 2014 the principal amount was rolled over at an all-in interest rate of 1.40094% until maturity on 26 September 2014, when the principal amount was rolled over at an all-in interest rate of 1.40663% until maturity on 27 October 2014.

12. Non-current liabilities

3.5% Convertible Loan Stock 2019	Number of units £'000	Liability component £'000	Equity component £'000
Balance at beginning of year	33,288	31,688	1,361
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	(211)	(211)	–
Notional interest on CULS transferred to revenue reserve	–	170	–
Amortisation and issue expenses	–	75	–
Balance at end of year	**33,077**	**31,722**	**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 2014 the Company converted £211,293 (31 July 2013 – £1,711,586) nominal amount of CULS into 25,438 (31 July 2013 – 206,159) Ordinary shares.

As at 31 July 2014, there was £33,077,121 (2013 – £33,288,414) nominal amount of 3.5% Convertible Unsecured Loan Stock 2019 in issue.

13. Called up share capital	2014 £'000	2013 £'000
Allotted, called-up and fully paid		
Ordinary shares of 25p	9,524	9,443
Treasury shares	269	269
	9,793	**9,712**

	Ordinary shares Number	Treasury shares Number	Total Number
At 31 July 2013	37,771,369	1,076,290	38,847,659
Conversion of CULS	25,438	–	25,438
Issue of own shares	300,000	–	300,000
At 31 July 2014	**38,096,807**	**1,076,290**	**39,173,097**

During the year 300,000 Ordinary shares of 25p were issued by the Company (2013 – 2,605,000) at a total consideration of £2,864,000 (2013 – £24,162,000), none of which were issued from treasury (2013 – 1,110,000). At the year end 1,076,290 (2013– 1,076,290) shares were held in treasury, which represents 2.75% (2013 – 2.77%) of the Company's total issued share capital at 31 July 2014. During the year there were a further 25,438 Ordinary shares issued as a result of CULS conversion (2013 – 206,159).

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:

	2014 £'000	2013 £'000
Equity		
Equity share capital	9,793	9,712
Reserves	359,325	382,932
Liabilities		
CULS	31,722	31,688
	400,840	**424,332**

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.

	2014 £'000	2013 £'000
Investments at fair value through profit or loss	400,760	398,361
Current assets excluding cash	227	488
Current liabilities excluding bank loans	(832)	(1,473)
Total assets	**400,155**	**397,376**
Net assets	**369,118**	**382,932**
Gearing (%)	**8.4**	**3.8**

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.

14. Retained earnings

	2014 £'000	2013 £'000
Capital reserve		
At 31 July	312,313	216,887
Movement in investment holdings fair value	(26,695)	60,940
Gains on realisation of investments at fair value	10,251	34,530
Foreign exchange movement	103	(186)
Capital tax charge	36	142
At 31 July	**296,008**	**312,313**

Revenue reserve	2014 £'000	2013 £'000
At 31 July	9,152	8,513
Revenue	4,344	5,048
Dividends paid	(4,928)	(4,409)
At 31 July	**8,568**	**9,152**

15. Net asset value per equity share

	2014	2013
Basic		
Net assets attributable	£369,118,000	£382,932,000
Number of Ordinary shares in issue[A]	38,096,807	37,771,369
Net asset value per Ordinary share	968.89p	1,013.82p

	2014	2013
Diluted		
Net assets attributable	£400,840,000	£414,815,000
Number of Ordinary shares in issue (excluding shares held in treasury)[A]	42,082,002	41,782,021
Net asset value per Ordinary share[B]	952.52p	992.81p

[A] Calculated excluding shares held in treasury

[B] The diluted net asset value per Ordinary share has been calculated on the assumption that the 33,077,121 (2013 – 33,288,414) 3.5% Convertible Unsecured Loan Stock 2019 ("CULS") are converted at 830.00p per share, giving a total of 42,082,002 (2013 – 41,782,021) 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 830.00p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 31 July 2014 the cum income NAV was 968.89p (31 July 2013 – 1,013.82p) and thus the CULS were 'in the money'.

16. **Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities**	2014 £'000	2013 £'000
Net returns before finance costs and taxation	(9,968)	102,568
Adjustments for:		
Losses/(gains) on investments	16,444	(95,470)
Effect of foreign exchange rate (gains)/losses	(103)	186
Decrease in prepayments and accrued income	270	145
Increase in other debtors	(9)	(6)
(Decrease)/increase in other creditors	(243)	357
Overseas withholding tax suffered	(536)	(624)
Stock dividends included in investment income	(130)	–
Net cash inflow from operating activities	**5,725**	**7,156**

17. **Analysis of changes in net debt**	1 August 2013 £'000	Cash flow £'000	Exchange movements £'000	Other non-cash movements £'000	31 July 2014 £'000
Cash and short term deposits	17,244	(11,662)	103	–	5,685
Debt falling due within one year	–	(5,000)	–	–	(5,000)
Debt falling due in more than one year	(31,688)	–	–	(34)	(31,722)
Net debt	**(14,444)**	**(16,662)**	**103**	**(34)**	**(31,037)**

18. **Transactions with the Manager**

Mr Gilbert and his alternate Director, Mr Young are both directors of Aberdeen Asset Management PLC ("AAM") and its subsidiary Aberdeen Asset Management Asia Limited ('AAM Asia') which has been delegated, under an agreement with Aberdeen Fund Managers Limited, to provide management services to the Company, the terms of which are outlined in note 3. Neither Mr Gilbert nor Mr Young are directors of AFML.

19. Financial instruments

Risk management

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 Manager has a dedicated investment management process, which ensures that the investment policy explained on page 3 is followed. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a senior investment manager and also by the Manager's investment committee.

The Company's Manager has an independent investment risk department for reviewing the investment risk parameters of the Company's portfolio on a regular basis. The department reports to the Manager's performance review committee which is chaired by the Manager's chief investment officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's compliance department continually monitors the Company's investment and borrowing powers and reports to the Manager's risk management committee.

The main financial risks that the Company faces from its financial instruments are market price risk (comprising interest rate risk, currency risk and other price risk), liquidity risk and credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors.

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.

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 Balance Sheet date was as follows:

At 31 July 2014	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Hong Kong Dollar	–	–	–	184
Sterling	–	–	–	5,498
Thailand Baht	–	–	–	3
	–	–	–	**5,685**

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Liabilities				
Bank loan	0.08	1.4	5,000	–
3.5% Convertible Loan Stock 2019	4.83	3.5	31,722	–
	–	–	**36,722**	–

At 31 July 2013	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Indian Rupee	–	–	–	186
Malaysian Ringgitt	–	–	–	117
Sterling	–	–	–	16,758
Thailand Baht	–	–	–	183
	–	–	–	**17,244**
Liabilities				
3.5% Convertible Loan Stock 2019	**5.83**	**3.5**	**31,688**	–

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 11 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.

Maturity profile

The maturity profile of the Company's financial assets and liabilities at 31 July was as follows:

	2014 £'000	2013 £'000
Assets		
In less than one year	**5,685**	**17,244**
Liabilities		
In less than one year	5,000	–
In more than one year	31,722	31,688
	36,722	**31,688**

All the other financial assets and liabilities do not have a maturity date. The full contractual liability for the CULS assuming no further conversion is £38,869,000 (2013 – £40,279,000).

Interest rate sensitivity

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

Foreign currency risk

All of the Company's investment portfolio is invested in overseas securities and the Balance Sheet, therefore, can be significantly affected by movements in foreign exchange rates. 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 fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

	31 July 2014			31 July 2013		
	Overseas investments £'000	Net monetary assets/(liabilities) £'000	Total currency exposure £'000	Overseas Investments £'000	Net monetary assets/(liabilities) £'000	Total currency exposure £'000
Australian Dollar	12,419	–	12,419	12,820	–	12,820
Danish Krona	3,977	–	3,977	–	–	–
Hong Kong Dollar	54,210	–	54,210	60,698	–	60,698
Indian Rupee	54,910	184	55,094	41,687	186	41,873
Indonesian Rupiah	28,106	–	28,106	30,721	–	30,721
Korean Won	2,896	–	2,896	2,942	–	2,942
Malaysian Ringgit	84,494	–	84,494	89,575	117	89,692
New Zealand Dollar	5,404	–	5,404	7,169	–	7,169
Pakistan Rupee	864	–	864	634	–	634
Philippine Peso	21,169	–	21,169	25,107	–	25,107
Singapore Dollar	48,605	–	48,605	47,305	–	47,305
Sri Lankan Rupee	18,337	–	18,337	17,268	–	17,268
Thailand Baht	51,941	3	51,944	52,987	183	53,170
	387,332	187	387,519	388,913	486	389,399
Sterling	13,428	(31,224)	(17,796)	9,448	(14,930)	(5,482)
Total	**400,760**	**(31,037)**	**369,723**	**398,361**	**(14,444)**	**383,917**

Foreign currency sensitivity

There is no sensitivity analysis included as the Company's significant foreign currency financial instruments are in the form of equity investments, which have been included within security price risk sensitivity analysis so as to show the overall level of exposure. 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 61, 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 Balance Sheet date had been 10% (2013 – 10%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2014 would have increased/(decreased) by £40,076,000 (2013 – increased/(decreased) by £39,836,000)) 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.

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 2014 are shown in notes 11 and 12.

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 11. 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 2014 the Company had borrowings in the form of the £33,077,121 (2013 – £33,288,414) nominal of 3.5% Convertible Unsecured Loan Stock 2019.

At 31 July 2014 the Company's bank loan, amounting to £5,000,000 (2013 – £nil), was due for repayment or roll–over within 1 month. The maximum exposure during the year was £5,000,000 (2013 – £nil) and the minimum exposure during the year was £nil (2013 – £nil).

The maturity profile of the the Company's existing borrowings is set out in the credit risk profile section of this note.

	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	38,866	–	1,158	37,708
Bank loans	5,000	5,000	–	–
	43,866	**5,000**	**1,158**	**37,708**

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. The risk is not considered to be significant and is managed as follows:

– 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;

– 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 enhancements.

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 Balance Sheet, the maximum exposure to credit risk at 31 July was as follows:

	2014		2013	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
Current assets	£'000	£'000	£'000	£'000
Debtors	212	212	465	465
Cash and short term deposits	5,685	5,685	17,244	17,244
	5,897	**5,897**	**17,709**	**17,709**

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

Maturity of financial liabilities

The maturity profile of the Company's financial liabilities at 31 July 2014 was as follows:

	In less than 1 year £'000	Between 1 and 3 years £'000	In more than 3 years £'000
3.5% Convertible Unsecured Loan Stock 2019	–	–	33,077
Bank loans	5,000	–	–
	5,000	–	**33,077**

All the other financial assets and liabilities do not have a maturity date. The full contractual liability for the CULS assuming no further conversion is £38,866,000 (2013 – £40,279,000).

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, including CULS which are held at amortised cost, are stated at fair value in the Balance Sheet and considered that this is equal to the carrying amount.

20. Fair value hierarchy

FRS 29 'Financial Instruments: Disclosures' 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. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 31 July 2014 as follows:

As at 31 July 2014	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)	400,760	–	–	400,760
CULS	b)	(38,204)	–	–	(38,204)
Net fair value		**362,556**	–	–	**362,556**

As at 31 July 2013	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)	398,361	–	–	398,361
CULS	b)	(40,445)	–	–	(40,445)
Net fair value		**357,916**	–	–	**357,916**

a) Quoted equities

The fair value of the Company's investments in quoted equities have 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 have therefore been deemed Level 1. The carrying value of the CULS is disclosed in note 12.

21. Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Aberdeen Fund Managers Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available from the Company's Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 70) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 30 September 2015) will be made available in due course.

The Company's maximum and actual leverage (see Glossary of Terms on page 65) levels at 31 July 2014 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.15:1	1.17:1

Information about the Manager

Aberdeen Asset Management Asia Limited

Aberdeen Asset Management Asia Limited is the Manager of the Company. AAM Asia is based in Singapore and is a wholly-owned subsidiary, and the Asia Pacific headquarters of, Aberdeen Asset Management PLC ("Aberdeen Asset Management"), a publicly-quoted company on the London Stock Exchange.

Worldwide, Aberdeen Asset Management manages a combined £323.5 billion (as at 31 July 2014) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

AAM Asia has been Aberdeen Asset Management's principal manager of Asia-Pacific assets since 1992, and had 449 staff across the region at 31 July 2014.

Total funds in the region are over £22.5 billion as at 31 July 2014.

Aberdeen Asset Management has its headquarters in Aberdeen with over 33 offices globally including Bangkok, Edinburgh, Frankfurt, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

The Aberdeen Group manages over 66 investment companies and other closed-ended funds representing approximately £16.3 billion of assets under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

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.

Chou Chong
Investment Director
Masters in accounting and finance from the London School of Economics. Joined Aberdeen in 1994 and was investment director in Australia followed by head of the pan-European desk in the UK before returning to Singapore in 2008

Flavia Cheong
Investment Director
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 Aberdeen 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. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.

The Investment Process

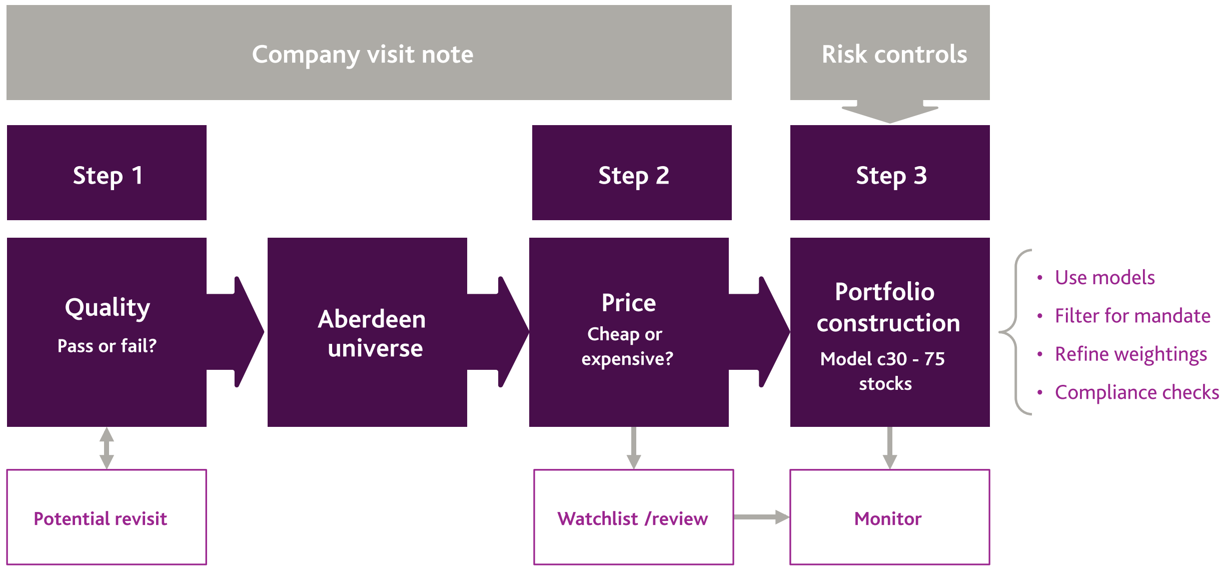
Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We (AAM) 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 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'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



Promotional Strategy

Aberdeen Asian Smaller Companies Investment Trust PLC contributes to the promotional activities programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by Aberdeen Asset Managers ("AAM"). This contribution, which is reviewed annually, will amount to £220,000 (ex VAT) for 2014/2015.

The purpose of the Programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by the Aberdeen Group, is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Group Head of Brand, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trusts web site contains details of closed end funds and investment companies managed or advised by the Aberdeen Group.

Aberdeen Asian Smaller Companies Investment Trust PLC also has its own dedicated website: www.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. The site is continuously being evaluated for improvement.

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Programme and AAM's Group Head of Brand reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40. 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.

How to Invest in Aberdeen Asian Smaller Companies Investment Trust PLC

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.

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 investment products.

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.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") 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%) 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 AAM 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

AAM 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%) 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 AAM 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 £15,000 can be made in the tax year 2014/2015.

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.

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.

How to Invest in Aberdeen Asian Smaller Companies Investment Trust PLC continued

Investor Warning

The Board has been made aware by Aberdeen Asset Management ("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 (www.asian-smaller.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 (free when dialling from a UK landline) for trust information.

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40 (free when dialling from a UK landline)

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

The information on pages 62 to 64 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

Glossary of Terms and Definitions

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 £33.08 million nominal of 3.5 per cent. 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 per cent. premium to the unaudited NAV per Ordinary share (including income) of 725p at 14 May 2012, rounded down to the nearest 5 pence.
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.
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.
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	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.
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 xd. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Notice of Annual General Meeting

Notice is hereby given that the nineteenth 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 2 December 2014 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 11 will be proposed as Ordinary Resolutions and Resolutions 12 to 15 as Special Resolutions:

Ordinary Business

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2014, together with the auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 July 2014 (other than the Directors' Remuneration Policy).
3. To approve the Directors' Remuneration Policy.
4. To approve the payment of a final dividend of 10.0 pence per Ordinary share.
5. To approve the payment of a special dividend of 3.0 pence 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 elect Mr P. Yea as a Director.
10. To re-appoint Ernst & Young LLP as auditor and to authorise the Directors to determine their remuneration.

Special Business

11. 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 £3,174,733; and

    (b) up to a further aggregate nominal amount of £3,174,733 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 2015 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.

12. THAT subject to the passing of Resolution numbered 11 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 11 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 £952,420 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 per cent. 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 2015, 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.

13. 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 per cent. of the Ordinary shares in issue as at the date of the passing of this Resolution 13;
    (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 per cent. 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 2015 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.

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

15. THAT the Articles of Association of the Company be amended as follows:

    By inserting the following definition immediately after the definition of "address":

    "AIFM Rules" -means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers, as supplemented by Commission Delegated Regulations (EU) No. 231/2013 of 19 December 2012 and the rules issued by the FCA and ESMA from time to time (including any amendments or updates made in relation thereto) as implemented in the UK by the Alternative Investment Fund Managers Regulations 2013 (as amended);

    By inserting the following new articles ommediately after article 144:

    Compliance with AIFM Rules Calculation of Net Asset Value

    145. Calculation of Net Asset Value

    The Board shall ensure that the net asset value per share is calculated at least annually and disclosed to shareholders from time to time in such manner as may be determined by the Board. The net asset value per share shall be calculated in accordance with prevailing accounting standards.

Discharge of Liability of Depositary

146. Discharge of Liability by Depositary

The Board, at its discretion, may allow a depositary appointed by the Company to discharge itself of liability for loss of the Company's assets provided that all other conditions for such discharge set out in the AIFM Rules have been met.

Bow Bells House
1 Bread Street
London EC4M 9HH
31 October 2014

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 www.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 6.00 p.m. on 28 November 2014 or, if this meeting is adjourned, at 6.00 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.
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 www.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 22 October 2014 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 38,096,807 Ordinary shares of 25 pence each and there was a further 1,076,290 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 22 October 2014 is 38,096,807. Treasury shares represent 2.75% 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.
19. Copies of the proposed amended articles of association of the Company, including a version showing by tracked changes the alterations from the existing articles, will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to and including the date of the AGM, and for inspection by any person attending the annual general meeting.

Corporate Information

Directors

Nigel Cayzer, Chairman
Randal Dunluce (Viscount Dunluce)
Haruko Fukuda, OBE
Martin Gilbert
M Hadsley-Chaplin
Chris Maude
Philip Yea*
* Appointed 23 January 2014

Alternate Director

Hugh Young (alternate for Martin Gilbert)

Manager

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

Alternative Investment Fund Manager*

Aberdeen Fund Managers Limited
Authorised and regulated by the Financial Conduct Authority
(* appointed as required by EU Directive 2011/61/EU).

Secretaries and Registered Office

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

Registration Number: 03106339

Registrars

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

Tel. 0871 384 2416
(Calls to the above Equiniti numbers will be charged at 8p per minute from a BT landline. Other telephony providers' costs may vary. Lines open 8.30a.m. to 5.30p.m. Monday to Friday)

Stockbrokers

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Auditor

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

Bankers

State Street Bank and Trust Company
100 Huntington Avenue
Tower 1, Floor 4
Boston MA 02116

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

Depositary

BNP Paribas Securities Services, London Branch
55 Moorgate
London EC2R 6PA

Website

www.asian-smaller.co.uk

Your Company's History

Issued Share Capital at 31 July 2014

38,096,807	Ordinary shares of 25p (excluding treasury shares)
1,076,290	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
21 December 1998	600 Ordinary shares issued following the exercise of Warrants
27 January 2000	3,500,000 Ordinary shares purchased for cancellation at 95p per share
22 February 2000	1,746,500 Ordinary shares purchased for cancellation at 105p per share
5 June 2001	500,000 Ordinary shares purchased for cancellation at 90.25p
31 July 2001	2,500,000 Ordinary shares purchased for cancellation at 91.5p
Year ended 31 July 2005	2,100,000 new Ordinary shares issued at prices ranging from 196.5p to 252.5p
14 December 2005	1,507,108 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2006	1,825,000 new Ordinary shares issued at prices ranging from 250.75p to 324.0p
12 December 2006	143,389 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2007	250,000 new Ordinary shares issued at 313p and 500,000 Warrants purchased for cancellation at prices ranging from 214p to 227p
7 December 2007	71,547 new 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 and 282,000 Warrants purchased for cancellation at prices ranging from 193p to 222p
15 December 2009	229,023 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
14 December 2009	442,698 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
1 December 2010	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
5 December 2012	23,372 new Ordinary shares issued following the conversion of 194,182 units of CULS
14 June 2013	182,787 new Ordinary shares issued following the conversion of 1,517,404 units of CULS
Year ended 31 July 2013	2,605,000 Ordinary shares issued for cash and sold from treasury at a premium to NAV
13 December 2013	23,228 new Ordinary shares issued following the conversion of 192,896 units of CULS
13 June 2014	2,210 new Ordinary shares issued following the conversion of 18,397 units of CULS
Year ended 31 July 2014	300,000 Ordinary shares issued for cash at a premium to NAV