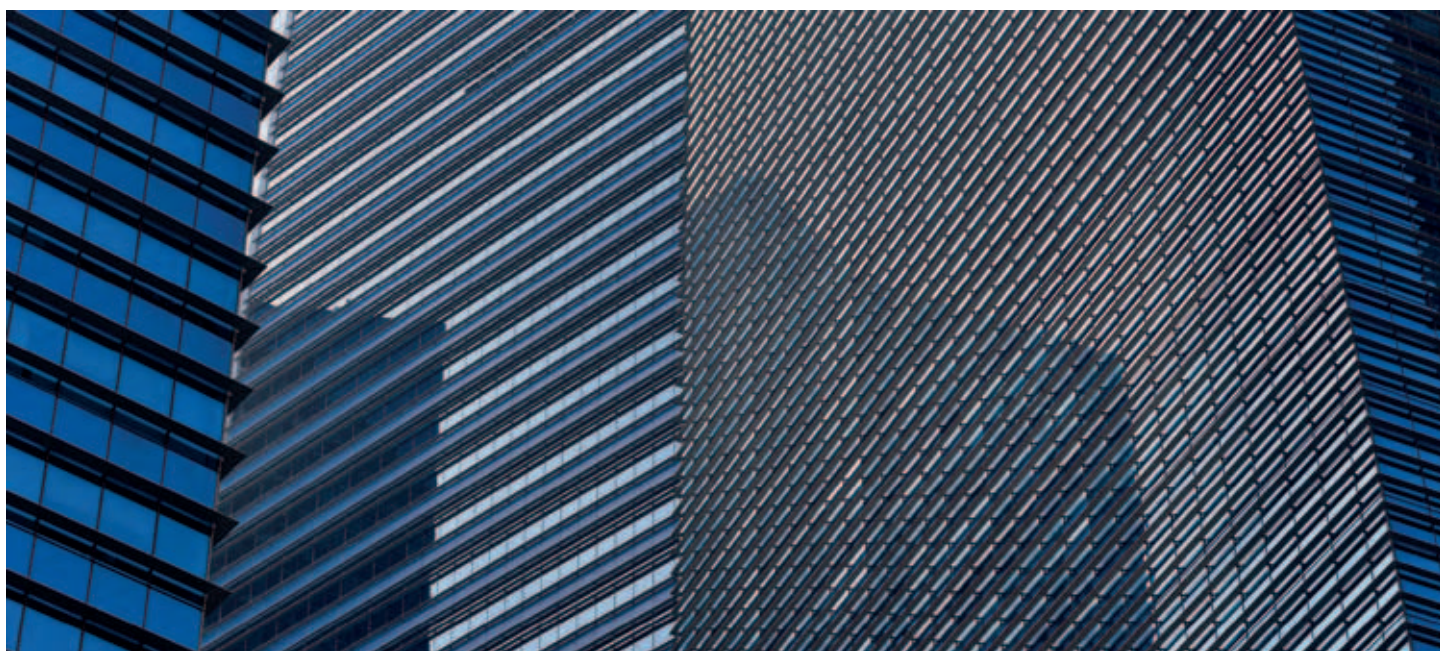


# Aberdeen Asian Smaller Companies Investment Trust PLC

Annual Report  
31 July 2015



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



Raffles Place, Singapore. Gordon Bell/Shutterstock.com



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### Visit our website

To find out more about Aberdeen Asian Smaller Companies Investment Trust PLC, please visit [asian-smaller.co.uk](http://asian-smaller.co.uk)

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# Financial Highlights

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

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

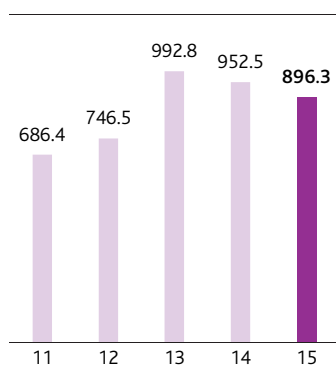
Share price total return	Discount to net asset value (diluted)	Earnings per share (revenue)
<b>-15.4%</b>	<b>11.9%</b>	<b>+59.3%</b>
2014 -4.2%	2014 0.7%	2014 -17.4%
Net asset value capital return (diluted)	MSCI AC Asia Pacific ex Japan Index capital return <sup>A</sup>	Ordinary dividend per share <sup>B</sup>
<b>-5.9%</b>	<b>-4.2%</b>	<b>+5.0%</b>
2014 -4.1%	2014 +4.0%	2014 0%
Net asset value total return (diluted)	MSCI AC Asia Pacific ex Japan Small Cap Index capital return <sup>A</sup>	Special dividend per share <sup>B</sup>
<b>-4.7%</b>	<b>-3.5%</b>	<b>+50.0%</b>
2014 -2.7%	2014 +1.8%	2014 0%

<sup>A</sup> Currency adjusted, capital gains basis

<sup>B</sup> Dividends are subject to shareholder approval at the Annual General Meeting

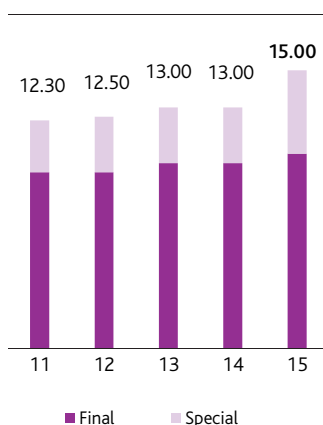
### Net asset value per share

At 31 July – pence



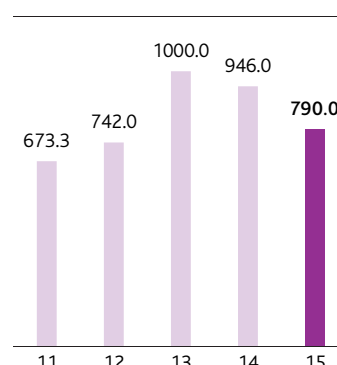
### Dividends per share

Year ended 31 July – pence



### Mid-market price per share

At 31 July – pence



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## Investment Policy

The Company's assets are invested in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) 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. Investments may also be made in collective investment schemes and in companies traded on stock markets outside the investment region provided that over 75% of their consolidated revenue is earned from trading in the investment region or they hold more than 75% of their consolidated net assets in the investment region.

### Gearing

The Board is responsible for determining the gearing strategy for the Company. Gearing - borrowing money - is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered

appropriate to do so. Gearing is subject to a maximum gearing level of up to 25% of adjusted net asset value at the time of draw down (see note 21 for definition).

### Risk Diversification

The Company aims to achieve a spread of investments, with no single investment representing more than 15% of assets at the time of investment. The Company seeks to diversify its portfolio across a range of industries and economies within the investment region.

### Management

Aberdeen Asset Management Asia Limited ("AAM Asia" or the "Investment Manager")

Aberdeen Fund Managers Limited (the "Alternative Investment Fund Manager" or "AIFM")

## Financial Calendar

27 October 2015	Announcement of annual results for the year ended 31 July 2015
2 November to 30 November 2015	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 2015	CULS Conversion Date
1 December 2015	Annual General Meeting at 11.30 a.m.
4 December 2015	Payment of final and special dividends for year ended 31 July 2015
March 2016	Announcement of half yearly results for the six months ending 31 January 2016
3 May to 31 May 2016	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
31 May 2016	CULS Conversion Date
October 2016	Announcement of annual results for the year ending 31 July 2016

## Chairman's Statement

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**Nigel Cayzer**  
Chairman

### Results

During the last year, we have seen the collapse in energy and commodity prices, the rise and fall of the equity markets in China and the weakness in regional currencies across Asia.

Against this backdrop, the net asset value total return, in Sterling terms, fell by 4.7%. Approximately 1.3% of this fall is attributed to currency loss. This compared to a return in the MSCI AC Asia Pacific ex Japan Index of -1.2% and the MSCI AC Asia Pacific ex Japan Small Cap Index's return of -0.8%. During the same period, market uncertainty saw the discount widen with a consequent fall in the share price from 946.0p to 790.0p.

2015 is our 20th anniversary. In the brochure that accompanies this Annual Report, we have attempted to chronicle the history of this Company in the context of the underlying story which has seen the Asia-Pacific region emerge to become amongst the most vibrant in the world. We have seen our net assets grow from £35m to over £380m but this has not happened in a straight line. Since 1995, there have been three periods of great economic and market uncertainty and 2015 looks as though it will be a fourth.

However, on each previous occasion, the companies in which we invest have continued to grow their businesses to the benefit of their shareholders. The fundamental reason for this goes to the heart of the investment philosophy that has been pursued by Hugh Young and his team at Aberdeen in Singapore since the Company's inception. It is based on carrying out fundamental research to establish that each company in which we invest has strong management, a robust balance sheet and excellent prospects. This philosophy has stood us in good stead in the past and both your Board and the management team at Aberdeen believe it will on this occasion.

While the accompanying brochure deals with the local economic background in greater depth, it is worth noting that amid all the current commentary on the slowdown in

China, The Economist Intelligence Unit is projecting that "By 2050, the Asia-Pacific region is on track to constitute more than half of the global economy. In the process it will again transform beyond recognition". Underpinning this statement is the fact that Asia is home to some of the world's largest and fastest growing retail markets. "By 2018, retail sales in China will approximate those of the US, while sales in Indonesia will come close to matching those of Germany."

The smaller companies in the portfolio serve the local markets and therefore will enjoy the benefits of an emerging and economically powerful middle class across the region.

It is also important to closely monitor ongoing investments to ensure that they continue to meet the criteria on which the original investment decision was made. With its broad spread of offices in the region, Aberdeen is well placed to not only do this but also to identify potential new investments.

As we have seen, investing in a smaller company during its growth stages can reap outsized rewards. In serving niche markets with steady demand for their products and services, these companies are more likely to enjoy rapid growth compared to their larger counterparts operating in mature western markets. Small-cap stocks can be overlooked, as analysts typically focus on better-known large-cap names. A lack of research across such a broad sector means that there is more scope for market mispricing, which provides opportunities to purchase quality holdings at attractive valuations.

### Overview

While the medium term continues to offer great opportunities, there were four short-term broad macroeconomic themes that dominated during the year.

The first was the collapse in energy prices. This has been largely positive for Asian countries, such as India, Indonesia and Thailand, as the bulk of these economies are net

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importers of energy and should therefore benefit from lower import prices. In addition, this presents an opportunity for governments to remove fuel subsidies that have been costly, while more importantly providing resources for spending on key areas such as infrastructure. Lower inflationary pressures from reduced energy prices also provided policymakers with more flexibility to boost growth. This will particularly help India regain some of the momentum lost under the previous Government.

The second was the collapse in commodity prices. Lower crude palm oil prices weighed on Malaysia, which is one of the world's largest exporters of palm oil. Concerns over the impact on the economy weighed on both its equity market and its currency, the ringgit, over the period. Our exposure to Malaysia's palm oil sector has hurt performance but we remain confident of the longer-term prospects of these holdings, which are backed by solid balance sheets. Meanwhile, iron ore prices sank to their lowest since the global financial crisis, hovering around US\$50 a tonne. Australia felt the brunt of the fallout, as its trade deficit was worsened by sharply lower bulk commodity prices that drove a fall in export values, with the consequential impact on economic growth. We are underweight to Australia and have no exposure to commodity companies there, and hence, we have been sheltered from any negative impact on performance as a result.

The third was the rise and fall of the equity markets in China. During the review period, Chinese stocks rose to multi-year highs following Beijing's rate cuts and fresh initiatives to liberalise its capital markets. Companies became increasingly expensive against the backdrop of deteriorating macroeconomic conditions and fundamentals. The liquidity-fuelled rally, however, did not last long. Despite the government's supportive measures, stocks continued to fall in July, most notably with the Shanghai stock market posting the biggest one-day loss in eight years. The steep decline vindicated Aberdeen's disinclination to follow the herd and the importance of investing in companies with solid fundamentals. We continue to have little exposure to Chinese companies due to the challenges in finding companies that fit our quality investment criteria.

The fourth was the weakness in regional currencies across Asia. Regional currencies, such as the Australian dollar, Malaysian ringgit, Indonesian rupiah and Thai baht, weakened against the US dollar. Expectations of a Federal Reserve rate increase have fuelled a shift towards US-dollar assets. The Malaysian ringgit was further beset by deepening political problems and allegations of corruption.

## 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.

In the current year, we have seen a steady increase in both ordinary income and in the income that we receive as special dividends. Accordingly, the Board is pleased to recommend an increase in the Ordinary dividend by 0.5p to 10.5p (2014: 10.0p) and to recommend a special dividend of 4.5p (2014: 3.0p). If approved by shareholders at the Annual General Meeting of the Company on 1 December 2015, the final and special dividends will be paid on 4 December 2015 to shareholders on the register on 6 November 2015.

It is worth noting that in the last 20 years, the Board has recommended an increase in the dividend in all but seven years and has paid special dividends in nine of these years.

## Gearing and Share Capital Management

The Company's year-end net gearing was 8.8%. The majority of the gearing is provided by the Convertible Unsecured Loan Stock of which approximately £33 million remains outstanding. The Company also has a £20 million loan facility with State Street and £5.0 million was drawn down under that facility at the year end. On 1 September 2015 the Board approved the drawing down of a further \$9 million under the facility in order to allow the Manager to exploit on-going turbulence in the markets. 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 purchased for treasury 142,000 Ordinary shares at a discount to the prevailing NAV. Subsequent to the period end a further 590,947 Ordinary shares have been purchased into treasury. Share buy backs can reduce the volatility of any discount as well as modestly enhancing the NAV for shareholders.

## Annual General Meeting

The Annual General Meeting is scheduled to be held on 1 December 2015 at 11.30 a.m. In addition to the usual ordinary business, as special business the Board is seeking to 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.

## Chairman's Statement continued

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

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

### Outlook

The story over the last twenty years has been remarkable. The Asia-Pacific region will continue as a key player in the global economic story. Your Board together with Hugh Young and his team believe that the portfolio is well positioned to benefit from strong growth across the region. While short term movements in the market are hard to judge, we remain confident that the companies in which we invest, will continue to prosper, grow their dividends and add value in the years to come.

On a more personal note, I would like to thank all those involved in the Company- shareholders, Directors, Managers or advisors, for all their enormous support and help during the last twenty years- it has been a great honour and pleasure to serve as your Chairman during this period.

**Nigel Cayzer**

Chairman

27 October 2015



# Strategic Report

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

The Company's assets are invested in a diversified portfolio of securities in quoted smaller companies spread across a range of industries and economies in the investment region. These include 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.

## 20

The Company was launched on the London Stock Exchange in 1995 and celebrates its twentieth anniversary in 2015.

Shangri-La Hotels Malaysia is one of the ten largest investments of Aberdeen Asian Smaller Companies.

Shangri-La Hotel at Pacific Place, Hong Kong Island.

Lee Snider photo images/Shutterstock.com

# Overview of Strategy

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## Business Model

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

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

## Investment Policy 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% of their consolidated revenue is earned from trading in the Investment Region or they hold more than 75% of their consolidated net assets in the Investment Region.

## Risk Diversification

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

## Gearing

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

## Delivering the Investment Policy

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

A detailed description of the investment process and risk controls employed by the Investment Manager is disclosed on page 71. A comprehensive analysis of the Company's portfolio is disclosed on pages 20 to 25 including a description of the ten largest investments, the portfolio investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 78 holdings.

## Comparative Indices

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

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## Key Performance Indicators (KPIs)

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

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

## Principal Risks and Uncertainties

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

Description	Mitigating Action
<b>Investment strategy and objectives</b> – the setting of an unattractive strategic proposition to the market and the failure to adapt to changes in investor demand may lead to the Company becoming unattractive to investors, a decreased demand for shares and a widening discount.	The Board keeps the level of discount at which the Company's shares trade as well as the investment objective and policy under review and in particular holds an annual strategy meeting where the Board reviews updates from the Investment Manager, investor relations reports and the Broker on the market. In particular, the Board is updated at each board meeting on the make up of and any movements in the shareholder register.

## Overview of Strategy *continued*

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

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

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

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

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

The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated by the Investment Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 19 to the financial statements. The Board relies upon the Aberdeen Group to ensure the Company's compliance with applicable regulations and from time to time employs external advisers to advice on specific concerns.

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

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



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## Promoting the Company

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

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

## Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow the Board to fulfill its obligations. The Board also recognises the benefits, and is supportive, of the principle of diversity in its recruitment of new board members.

At 31 July 2015, there were six male Directors and one female Director on the Board.

## Environmental, Social and Human Rights Issues

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

## Socially Responsible Investment Policy

The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and has noted the Aberdeen Group's policy on social responsibility. The Investment Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments as part of its investment process. In particular, the Investment Manager encourages companies in which investments are made to adhere to best practice in the

area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective, however, is to deliver superior investment return for its shareholders. Accordingly, whilst the Investment Manager will seek to favour companies which pursue best practice in the above areas, this must not be to the detriment of the return on the investment portfolio.

## 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.

## Future

Many of the non-performance related trends likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, the impact of regulatory changes (including MiFID II and Packaged Retail Investment and Insurance Products) and the recent changes to the pensions and savings market in the UK. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in my Chairman's statement on page 6 whilst the Investment Manager's views on the outlook for the portfolio are included on page 17.

**Nigel Cayzer**

Chairman

27 October 2015

# Results

## Financial Highlights

	31 July 2015	31 July 2014	% change
Total assets (see definition on page 81)	£380,911,000	£405,840,000	-6.1
Total equity shareholders' funds (net assets)	£343,967,000	£369,118,000	-6.8
Net asset value per share (basic)	906.16p	968.89p	-6.5
Net asset value per share (diluted)	896.31p	952.52p	-5.9
Share price (mid market)	790.00p	946.00p	-16.5
Market capitalisation	£299,875,000	£360,396,000	-16.8
Discount to net asset value (diluted)	11.9%	0.7%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	540.72	564.62	-4.2
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis)	1,138.98	1,179.98	-3.5
Net gearing <sup>A</sup>	8.8%	8.4%	
<b>Dividends and earnings</b>			
Total return per share (basic) <sup>B</sup>	(50.13)p	(31.46)p	
Revenue return per share (basic)	18.21p	11.43p	+59.3
Dividends per share <sup>C</sup>	15.00p	13.00p	+15.4
Dividend cover	1.21	0.88	+37.5
Revenue reserves <sup>D</sup>	£10,553,000	£8,568,000	+23.2
<b>Operating costs</b>			
Ongoing charges ratio <sup>E</sup>	1.46%	1.44%	

<sup>A</sup> Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 81).

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

<sup>C</sup> The figures for dividends per share reflect the dividends for the year in which they were earned.

<sup>D</sup> Prior to payment of final and special dividends.

<sup>E</sup> 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	-15.4	+10.9	+72.4	+267.2	+1051.0
Net asset value per Ordinary share – diluted	-4.7	+25.2	+72.3	+318.7	+1103.1
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	-1.2	+18.1	+29.6	+143.0	+204.6
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted)	-0.8	+19.9	+18.1	+135.2	n/a

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

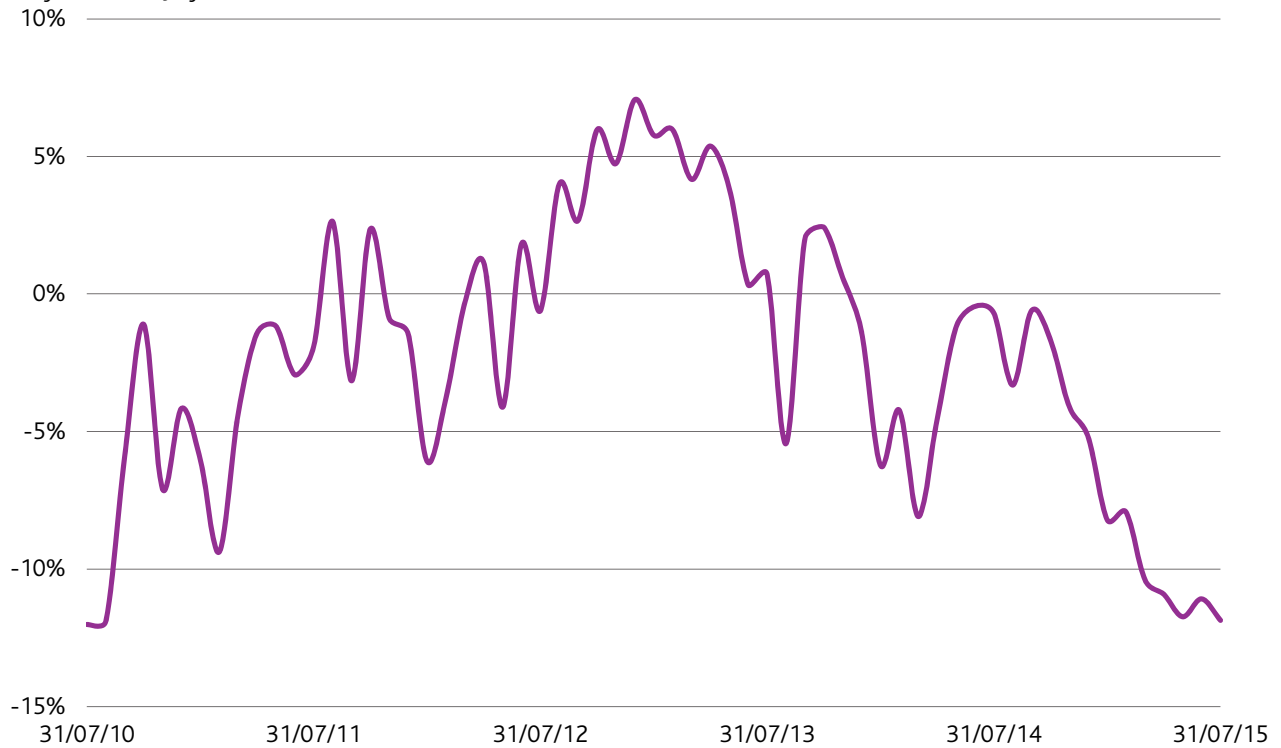
## Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2015	10.50p	5 November 2015	6 November 2015	4 December 2015
Proposed special 2015	4.50p	5 November 2015	6 November 2015	4 December 2015
	<b>15.00p</b>			
Final 2014	10.00p	6 November 2014	11 November 2014	5 December 2014
Special 2014	3.00p	6 November 2014	11 November 2014	5 December 2014
	<b>13.00p</b>			

# Performance

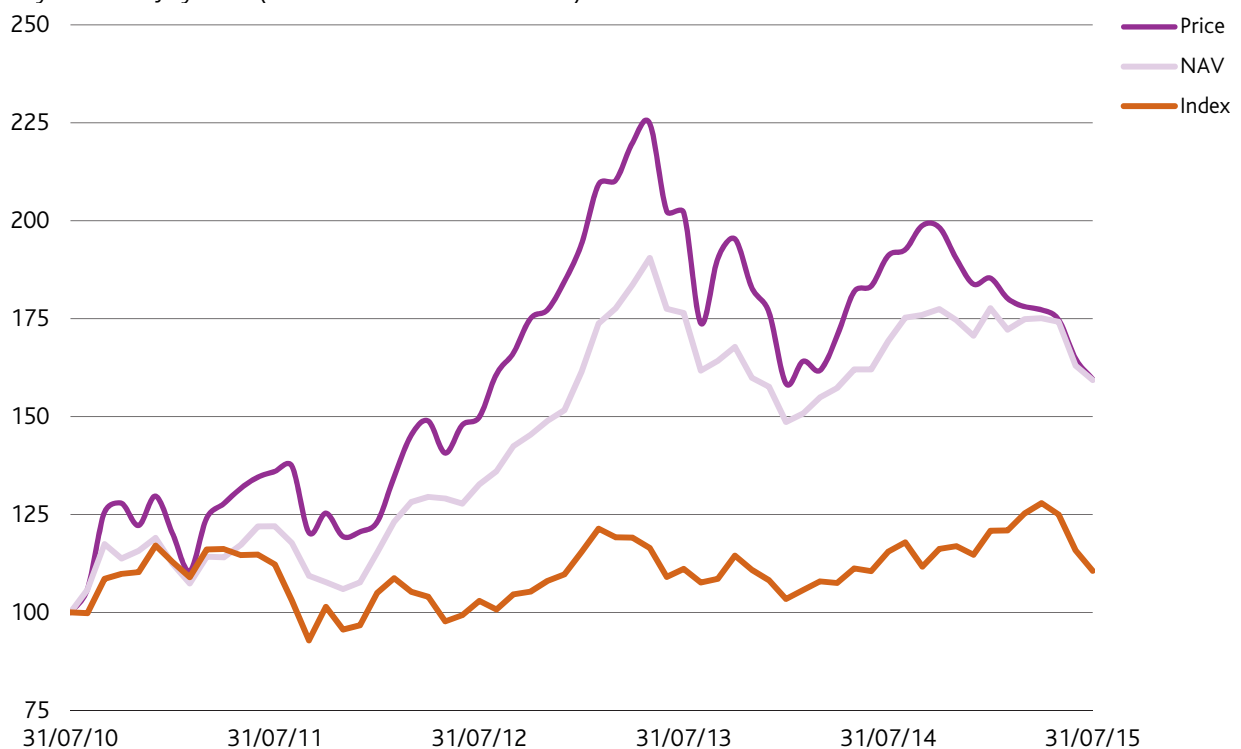
## Share Price Premium/(Discount) to Diluted NAV

Five years to 31 July 2015



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

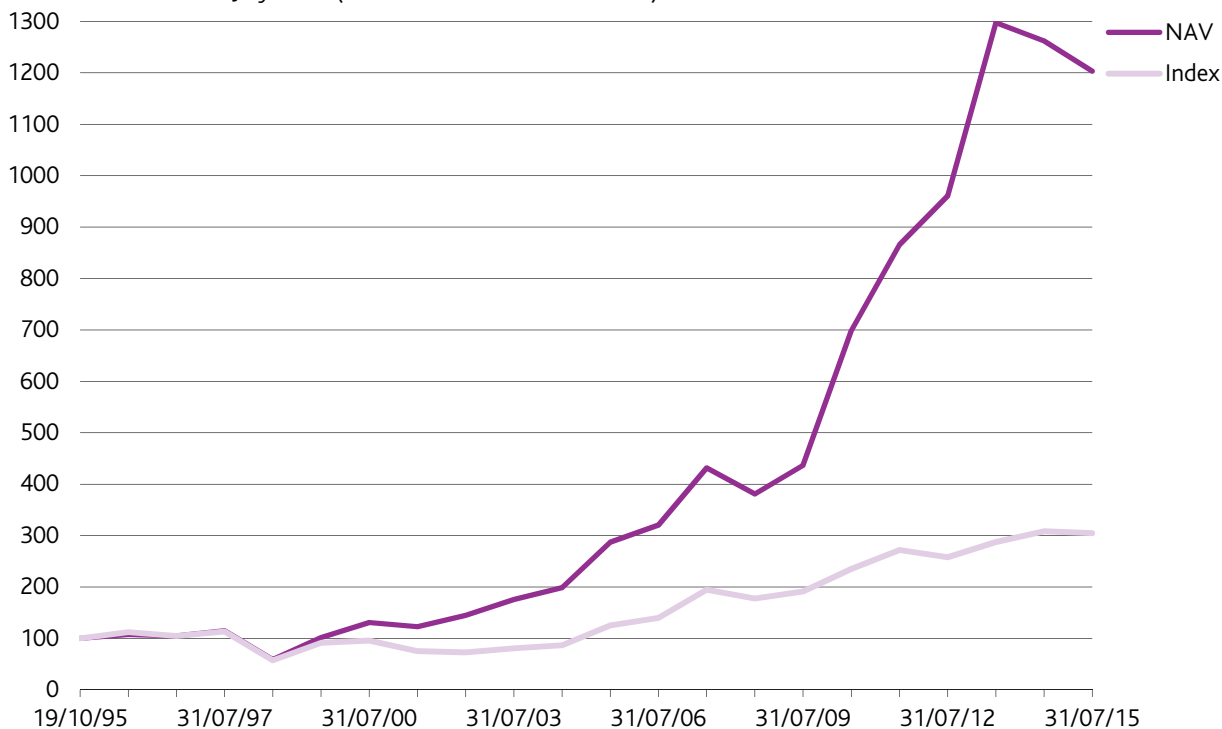
Five years to 31 July 2015 (rebased to 100 as at 31/07/10)





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

19 October 1995 to 31 July 2015 (rebased to 100 as at 19/10/95)



## Ten Year Financial Record

Year to 31 July	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total revenue (£'000)</b>	5,080	5,485	5,021	4,954	6,103	8,380	9,168	11,512	11,427	14,746
<b>Per share (p)</b>										
Net revenue return	7.25	6.98	5.88	6.75	12.85	15.42	13.18	13.84	11.43	18.21
Total return	31.48	108.38	(50.80)	48.21	236.82	137.91	68.56	275.43	(31.46)	(50.13)
Net ordinary dividends paid/proposed	3.45	3.45	4.00	5.00	8.20	9.50	9.50	10.00	10.00	10.50
Net special dividends paid/proposed	2.70	2.70	1.00	–	1.90	2.80	3.00	3.00	3.00	4.50
<b>Net asset value per share (p)</b>										
Basic	306.56	404.18	347.24	390.96	619.37	686.39	746.55	1013.82	968.89	906.16
Diluted	276.45	364.77	316.46	355.95	562.57	n/a	n/a	922.81	952.52	896.31
<b>Shareholders' funds (£'000)</b>	98,669	131,679	109,829	121,963	192,851	239,965	260,994	382,932	369,118	343,967

# Investment Manager's Review

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## Overview

Asian small-cap equities generally retreated during the year. Monetary policy easing supported sentiment, as growth weakened globally except in the US, where recovery appeared to gain traction. The US Federal Reserve contemplated policy normalisation. Elsewhere, the reverse was true, with Europe launching quantitative easing, while most Asian central banks trimmed interest rates. Tumbling oil prices soothed inflation fears and enabled the reduction or removal of fuel-subsidy cuts across Southeast Asia, diverting resources towards more productive infrastructure projects.

In early 2015, China's accelerated stimulus efforts drove heavy speculative buying in its domestic markets. Other Asian markets rode on the feel-good sentiment, rallying sharply through April. Market momentum, however, reversed dramatically thereafter. Most global asset classes suffered heightened volatility. This was driven by turbulence in Chinese equities, anxiety over Greece and a commodity rout. China's faltering economy and concerns over systemic risk sparked several stop-gap measures that granted markets only a temporary reprieve. Prices of many commodities sank to multi-year lows on the back of dwindling demand from China.

After the review period, China's central bank devalued the yuan, shaking regional stock and currency markets, as investors interpreted the move as a sign that the economy was in much worse shape than conveyed by official data.

## Portfolio Review

The portfolio underperformed the regional small-cap benchmark over the period. We have heavy exposure to India, where we find quality companies that rank among the top in Asia. It is worth noting that our country weightings result from where we find the best companies. Our overweight position benefited the fund, as the Indian stockmarket was the best regional performer, buoyed by hopes that the new government under prime minister Narendra Modi would press ahead with much-needed reforms. Our Indian holdings also performed impressively relative to the domestic stock market. Optimism over consumer spending and a recovery in the domestic car sector boosted industrial and auto paints maker **Kansai Nerolac** Paints and lubricants producer **Castrol India**. Cement-maker **Ramco Cements** benefited from the government's focus on fixing creaky infrastructure. **Gujarat Gas'** plans to merge with sister company **GSPC Gas** were viewed positively by the market. **Godrej Consumer Products** also outperformed, given its healthy bottom line and leading position in the fast-moving consumer goods industry.

In China, we have long been apprehensive about the quality of domestic companies and, hence, remain underweight

there. The dominant role of the state is also a deterrent. During the period, we saw irrational exuberance, as local speculators dominated the run-up and fundamentals proved inconsequential. The subsequent correction saw big state-owned entities engaging in national service by supporting the market. Our light exposure hurt performance, as the stockmarket was among the best performers despite the sell-off.

We prefer to gain exposure to China via smaller companies listed in Hong Kong that have operations on the mainland. The territory has the added advantage of better standards of accounting and transparency. The underlying holdings there, particularly **Dah Sing Financial**, benefited from the broader China rally.

Elsewhere, in North Asia, the lack of exposure to Taiwan added to performance, owing to expectations that slowing exports could hurt some of the country's core industries, such as electronics. But the underweight to Korea dampened returns, given that the market was the second-strongest regional performer after India, led by sizzling gains in health-care and internet stocks. The central bank cut interest rates to a record low of 1.75% in efforts to revitalise the economy. The portfolio has a small position in the country, because chaebol domination can make the business landscape less competitive, while moves to prevent hostile domestic takeovers have also raised concerns.

The plunge in commodity prices hurt stockmarkets and currencies of resources-exporting countries, such as Australia, Indonesia and Malaysia. Investors worried about the impact of shrinking revenues on government income and economic growth, although depreciating currencies could offer some cushion. The portfolio benefited from its light exposure to energy and mining-related stocks, particularly in Australia, which sold off heavily. We maintain our view that small-cap producers in the highly cyclical sector tend to be less efficient and unable to derive the same economies of scale as their large-cap peers. At the stock level, our holding in **ARB** – which makes and sells parts for four-wheel-drive vehicles – contributed to performance; its exports were boosted by the weak currency, while its domestic and Thai plants operated efficiently through the year.

Conversely, the heavy exposure to Indonesia and Malaysia detracted from performance. Aside from commodity weakness, country-specific risks also eroded sentiment. In Indonesia, delays to government projects weighed on investment activity and confidence, with questions over the ability of president Joko Widodo to navigate the political waters and boost the economy. He has since realigned his cabinet, bringing in former central bank governor, Darmin Nasution, and a close ally, Luhut Panjaitan. Among our holdings, cement-maker **Holcim Indonesia's** shares fell in

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tandem with other cement stocks, as president Jokowi requested state-owned producers to cut prices. Our view is that as infrastructure projects kick off in the second half of 2015, cement demand should begin to rise. Another weak performer was **Multi Bintang**, as the brewer reported weaker results amid a tightening regulatory environment.

Elsewhere, the political storm over alleged misuse of funds at state-owned **1MDB** caused the ringgit to plumb new multi-year lows, amid concerns over the deterioration of sovereign governance. Some of our holdings lagged over the period. Retailer **Aeon Co (Malaysia)**, a core holding, was hurt by higher store-opening costs and weaker consumer confidence after the goods and services tax was implemented in April. We continue to hold it because of its established brand, wide store network and pipeline of new malls. Despite share price weakness, **Shangri-La Hotel (Malaysia)**'s results were decent and the weak ringgit could boost tourist arrivals.

### Portfolio Activity

A few companies caught our eye on quality and valuation grounds, and we initiated positions in their stocks. Among them was Singapore-listed Chinese property company **First Sponsor Group**. It has a solid balance sheet, enabling it to fund its development pipeline targeting the mass market. One of its key shareholders is the Kwek family, who also owns the biggest stake in **City Developments (CDL)**, an established large-cap real estate group that we know well. The stock was received as an in-specie distribution from an existing holding, **Millennium & Copthorne Hotels New Zealand**, a CDL unit. We subsequently added to our position. Our confidence in the Kwek stewardship also led us to initiate a position in New Zealand-listed property firm **CDL Investments**, a subsidiary of **Millennium & Copthorne**.

We also introduced **Manulife Malaysia**, an insurer with a growing domestic franchise. It is backed by a strong parent in Canadian-based financial services group **Manulife Financial**. Another new holding was **MayAir Group**, as we participated in its initial public offering on London's AIM market. **MayAir** supplies air-filtration systems for industrial cleanrooms and is a leading brand in China, the biggest market for cleanrooms. Since it was founded in 2001, **MayAir** has been profitable, owing to a healthy order book and recurring revenues from filter replacements. We also invested in Malaysia's **Riverstone Holdings**, the global leader in cleanroom gloves used in semiconductor manufacturing. It has decent

operating margins, strong operating cash flow and a net-cash balance sheet.

In addition, we supported the rights issues of Korea's **DGB Financial**, given its regional market position, solid customer relationships and loan growth expectations, and **Yoma Strategic**, a Singapore-listed conglomerate with businesses in property, agriculture and tourism in Myanmar. Both issues were priced at an attractive discount. We also added to our position in **Pacific Basin Shipping**. The operating environment remains tough, but the company runs a solid operation in its core chartering business.

Conversely, we capitalised on the Indian market's rally to take profits in several holdings, such as **Castrol India**, **Godrej Consumer**, **Gujarat Gas** and **Kansai Nerolac**.

### Outlook

We expect conditions to remain difficult across Asia and, hence, are cautious about the earnings outlook in the year ahead, although valuations remain reasonable with the Company's portfolio trading at a forward multiple of around 15.9 times for the financial year 2015 (as of end-July). Your Chairman has highlighted key challenges for the region. In such a climate, we are sticking to our knitting. We invest in companies with sustainable competitive advantages, capable management and solid financials. These attributes stand out even more in tough times, acting as a buffer against fierce headwinds. They also enable the opportunistic capturing of market share by the merging with or acquiring of more highly leveraged rivals. We will continue to do what we have been doing well: identify good-quality stocks at a reasonable price and hold them. We believe that our investment approach, based on company due diligence, is key to generating good long-term returns. This is backed by our track record. Over five years and longer, the portfolio has consistently outperformed the benchmark. On a broader level, we remain convinced of Asia's growth potential, underpinned by increasing domestic consumption on the back of a growing middle class.

### Aberdeen Asset Management Asia Limited

Investment Manager

27 October 2015

## Portfolio

Your Company continues with its policy of investing in companies with good management, strong balance sheets and good prospects.

Since 1995, there have been three periods of great economic and market uncertainty and 2015 looks as though it will be a fourth. However, on each previous occasion, the companies in which we invest have continued to grow their businesses to the benefit of their shareholders. The fundamental reason for this goes to the heart of the investment philosophy that has been pursued by Hugh Young and his team at Aberdeen in Singapore since the Company's inception. It is based on carrying out fundamental research to establish that each company in which we invest has strong management, a robust balance sheet and excellent prospects. This philosophy has stood us in good stead in the past and both your Board and the management team at Aberdeen believe it will on this occasion.

Your Board together with Hugh Young and his team believe that the portfolio is well positioned to benefit from strong growth across the region. While short term movements in the market are hard to judge, we remain confident that the companies in which we invest, will continue to prosper, grow their dividends and add value in the years to come.



Aberdeen Asian Smaller Companies is an investor in AEON Co, an operator of general merchandise stores, supermarkets and convenience stores.



# Ten Largest Investments

As at 31 July 2015

Company	Industry	Country	Valuation 2015 £'000	Total assets %	Valuation 2014 £'000
<b>LPI Capital Berhad</b> Malaysia-based insurance company involved in underwriting fire, motor, marine, aviation, transit and miscellaneous insurance.	Insurance	Malaysia	11,372	3.0	10,319
<b>AEON Co (M)</b> Operator of general merchandise stores, supermarkets and convenience stores.	Multiline Retail	Malaysia	10,865	2.8	17,358
<b>AEON Credit Service (M)<sup>A</sup></b> Subsidiary company of Aeon Credit Japan that provides shariah compliant consumer financial services in Malaysia.	Consumer Finance	Malaysia	10,802	2.8	9,307
<b>Dah Sing Financial Holdings</b> A conservative medium-sized Hong Kong based bank with exposure to both Hong Kong and China. The bank offers appealing valuation and strong asset quality.	Banks	Hong Kong	10,409	2.7	8,379
<b>Shangri-La Hotels Malaysia</b> Operator of hotels, beach resorts, property management and investment, and commercial laundry.	Hotels, Restaurants & Leisure	Malaysia	9,444	2.5	12,793
<b>Bank OCBC NISP</b> Indonesian subsidiary of Singapore-based OCBC Bank.	Banks	Indonesia	9,384	2.5	11,351
<b>Asian Terminals</b> One of the Philippines' main port operators. ATI manages and operates Port of Manila South Harbour Container Terminal, Port of Batangas, Port of General Santos and the Inland Clearance Depot yard in Calamba, Laguna.	Transportation Infrastructure	Philippines	9,155	2.4	7,397
<b>CMC</b> A subsidiary of Tata Consultancy Services, it is an IT services provider to global clients.	IT Services	India	9,122	2.4	8,711
<b>Gujarat Gas Co</b> One of India's largest gas distributors that is based in the State of Gujarat.	Gas Utilities	India	9,086	2.4	6,251
<b>Bukit Sembawang Estates</b> Singapore-based residential property developer with a large land bank.	Real Estate Management & Development	Singapore	8,968	2.4	11,570
<b>Top ten investments</b>			<b>98,607</b>	<b>25.9</b>	

<sup>A</sup> Holding includes investment in both common and non-voting depositary receipt lines.

## Other Investments

As at 31 July 2015

Company	Industry	Country	Valuation 2015 £'000	Total assets %	Valuation 2014 £'000
Hana Microelectronics (Foreign)	Electronic Equipment, Instruments & Components	Thailand	8,776	2.3	9,939
First Sponsor	Real Estate Management & Development	Singapore	8,545	2.2	7,895
Cebu Holdings	Real Estate Management & Development	Philippines	8,219	2.2	7,606
Tisco Financial Group <sup>B</sup>	Banks	Thailand	7,943	2.1	7,898
AEON Thana Sinsap (Thailand) <sup>B</sup>	Consumer Finance	Thailand	7,742	2.0	11,201
Yoma Strategic Holdings	Real Estate Management & Development	Singapore	7,265	1.9	6,878
Public Financial Holdings	Banks	Hong Kong	7,213	1.9	6,327
Ramco Cements	Construction Materials	India	6,943	1.8	5,439
Jollibee Foods Corporation	Hotels, Restaurants & Leisure	Philippines	6,812	1.8	6,166
United Plantations	Food Products	Malaysia	6,788	1.8	8,020
Top twenty investments			<b>174,853</b>	<b>45.9</b>	
Sanofi India	Pharmaceuticals	India	6,767	1.8	4,545
Giordano International	Specialty Retail	Hong Kong	6,514	1.7	6,991
Hong Kong Economic Times Holdings	Media	Hong Kong	6,293	1.7	5,186
Eastern Water Resources Development and Management (Foreign)	Water Utilities	Thailand	6,233	1.6	6,049
Multi Bintang Indonesia	Beverages	Indonesia	6,150	1.6	9,488
ARB Corporation	Auto Components	Australia	6,132	1.6	5,664
Linde India	Chemicals	India	6,127	1.6	5,999
M.P. Evans Group	Food Products	United Kingdom	5,987	1.6	6,838
Thai Stanley Electric (Foreign)	Auto Components	Thailand	5,940	1.6	7,358
Castrol India	Chemicals	India	5,936	1.5	5,238
Top thirty investments			<b>236,932</b>	<b>62.2</b>	
Kansai Nerolac Paints	Chemicals	India	5,761	1.5	5,459
Straits Trading Company	Metals & Mining	Singapore	5,672	1.5	6,332
Commercial Bank of Ceylon	Banks	Sri Lanka	5,607	1.5	4,458
Millennium & Copthorne Hotels New Zealand <sup>C</sup>	Hotels, Restaurants & Leisure	New Zealand	5,360	1.4	5,404
Guinness Anchor	Beverages	Malaysia	5,353	1.4	5,638
Convenience Retail Asia	Food & Staples Retailing	Hong Kong	5,080	1.3	5,593
YHN Property	Real Estate Management & Development	Malaysia	4,977	1.3	6,146
Thaire Life Assurance (Foreign)	Insurance	Thailand	4,794	1.3	6,080
Tasek Corporation	Construction Materials	Malaysia	4,757	1.2	4,950
Cabcharge Australia	Commercial Services & Supplies	Australia	4,439	1.2	6,755
Top forty investments			<b>288,732</b>	<b>75.8</b>	

Other Investments *continued*

As at 31 July 2015

Company	Industry	Country	Valuation	Total	Valuation
			2015	assets	2014
			£'000	%	£'000
United International Enterprises	Food Products	Denmark	4,308	1.1	3,977
Wheelock Properties (S)	Real Estate Management & Development	Singapore	4,051	1.1	4,497
Green Dragon Gas	Oil, Gas & Consumable Fuels	China	3,936	1.0	6,459
Kingmaker Footwear Holdings	Textiles, Apparel & Luxury Goods	Hong Kong	3,886	1.0	1,799
John Keells Holdings <sup>D</sup>	Industrial Conglomerates	Sri Lanka	3,815	1.0	3,850
DFCC Vardhana Bank	Banks	Sri Lanka	3,693	1.0	2,919
Godrej Consumer Products	Personal Products	India	3,677	1.0	7,974
Holcim Indonesia	Construction Materials	Indonesia	3,592	0.9	4,103
Jammu & Kashmir Bank	Banks	India	3,548	0.9	5,294
Asia Satellite Telecommunications Holdings	Diversified Telecommunication Services	Hong Kong	3,449	0.9	5,035
Top fifty investments			<b>326,687</b>	<b>85.7</b>	
Pacific Basin Shipping	Marine	Hong Kong	3,398	0.9	1,405
Pos Malaysia	Air Freight & Logistics	Malaysia	3,390	0.9	5,365
AEON Stores Hong Kong	Multiline Retail	Hong Kong	3,275	0.9	2,570
United Malacca	Food Products	Malaysia	3,122	0.8	4,213
The Hong Kong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	3,057	0.8	3,036
Chevron Lubricants Lanka	Oil, Gas & Consumable Fuels	Sri Lanka	2,700	0.7	3,831
Eu Yan Sang International	Pharmaceuticals	Singapore	2,359	0.6	4,001
DGB Financial Group	Banks	South Korea	2,214	0.6	2,896
National Development Bank	Banks	Sri Lanka	2,178	0.6	1,624
Hong Leong Finance	Consumer Finance	Singapore	2,141	0.6	2,376
Top sixty investments			<b>354,521</b>	<b>93.1</b>	
Cafe de Coral Holdings	Hotels, Restaurants & Leisure	Hong Kong	2,136	0.6	2,000
SBS Transit	Road & Rail	Singapore	2,098	0.5	2,095
ORIX Leasing Pakistan	Consumer Finance	Pakistan	1,868	0.5	864
CDL Hospitality Trusts	Real Estate Investment Trusts	Singapore	1,790	0.5	2,035
Haad Thip (Foreign)	Beverages	Thailand	1,778	0.5	1,654
Riverstone Holdings	Commercial Services & Supplies	Singapore	1,760	0.5	–
Goodyear (Foreign)	Auto Components	Thailand	1,653	0.4	1,762
Aitken Spence & Co	Industrial Conglomerates	Sri Lanka	1,620	0.4	1,655
Mayfair Group	Machinery	United Kingdom	1,350	0.4	–
City e-Solutions	Hotels, Restaurants & Leisure	Hong Kong	1,221	0.3	1,268
Top seventy investments			<b>371,795</b>	<b>97.7</b>	



Company	Industry	Country	Valuation	Total	Valuation
			2015	assets	2014
			£'000	%	£'000
Hung Hing Printing	Containers & Packaging	Hong Kong	698	0.2	717
FJ Benjamin Holdings	Specialty Retail	Singapore	482	0.1	926
Wintermar Offshore Marine	Marine	Indonesia	479	0.1	2,797
CDL Investments	Real Estate Investment Trusts	New Zealand	413	0.1	–
Riverview Rubber Estates	Food Products	Malaysia	304	0.1	385
Mustika Ratu	Personal Products	Indonesia	203	–	367
Manulife Holdings	Insurance	Malaysia	59	–	–
Greka Engineering & Technology	Energy Equipment & Services	China	27	–	131
<b>Total investments</b>			<b>374,460</b>	<b>98.3</b>	
<b>Net current assets (before deducting prior charges)</b>			<b>6,451</b>	<b>1.7</b>	
<b>Total assets<sup>E</sup></b>			<b>380,911</b>	<b>100.0</b>	

<sup>B</sup> Holding includes investment in both common and non-voting depositary receipt lines.

<sup>C</sup> Holding includes investment in both common and preference lines.

<sup>D</sup> Holding includes investment in both common and convertible warrant lines.

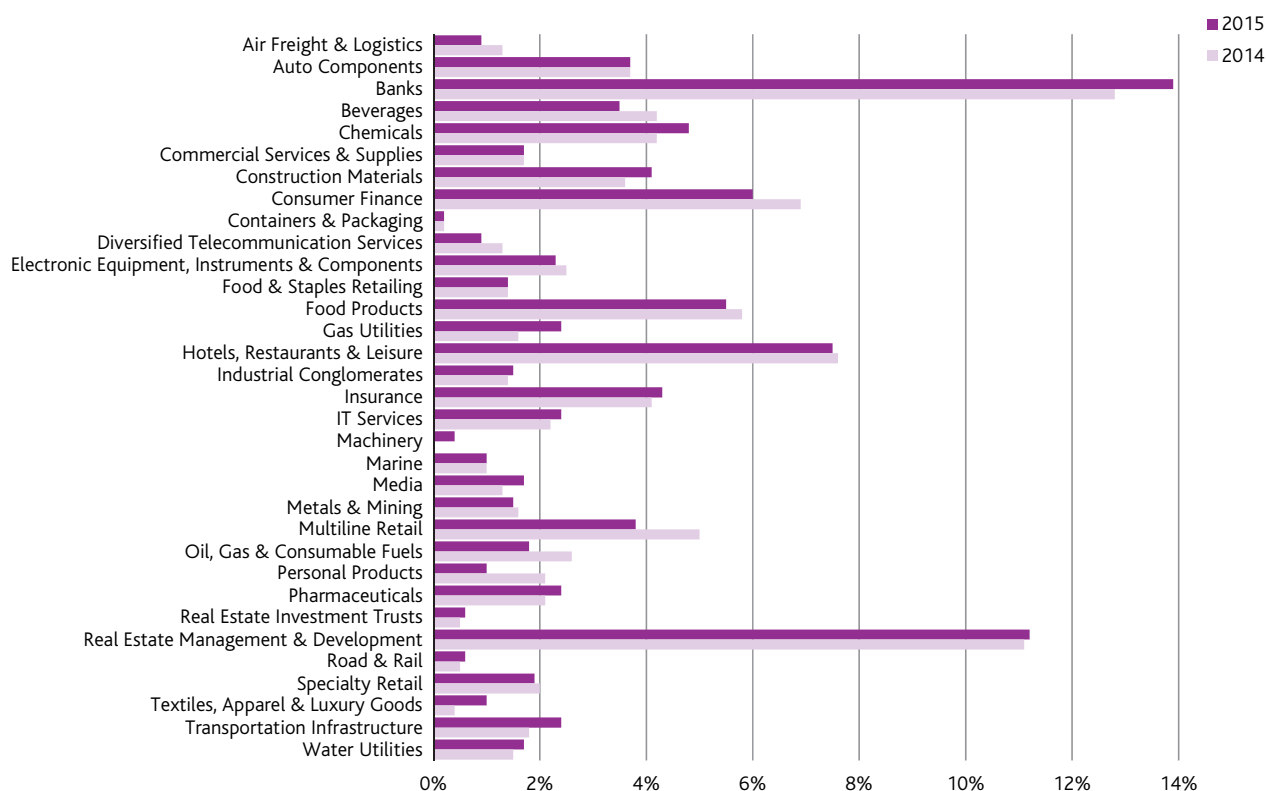
<sup>E</sup> See definition on page 81.

All investments are in equities.

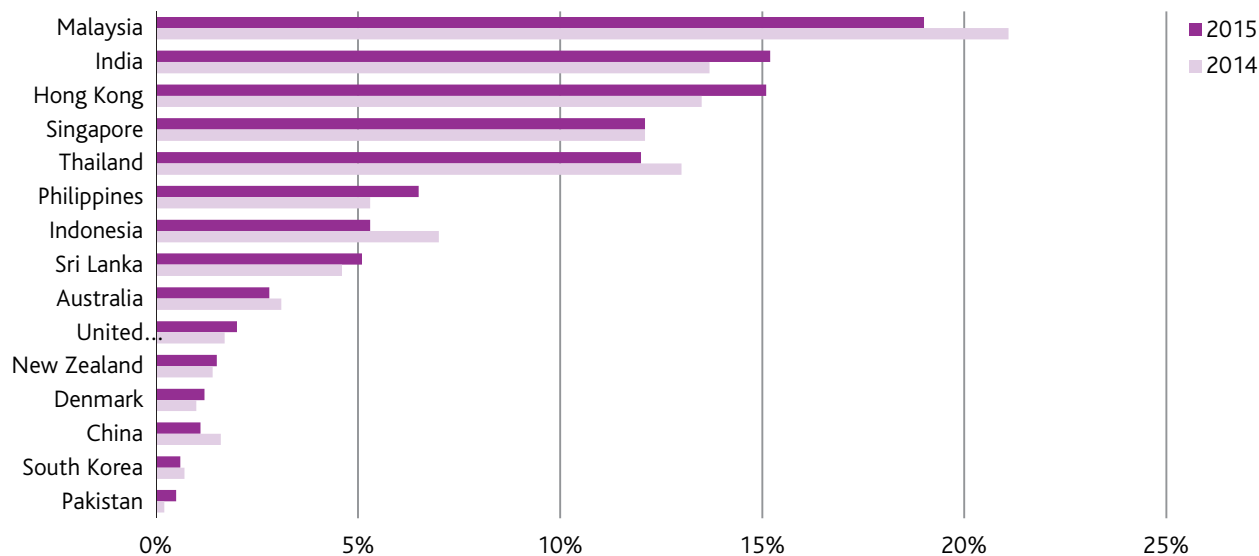
# Sector/Geographical Analysis

As at 31 July 2015

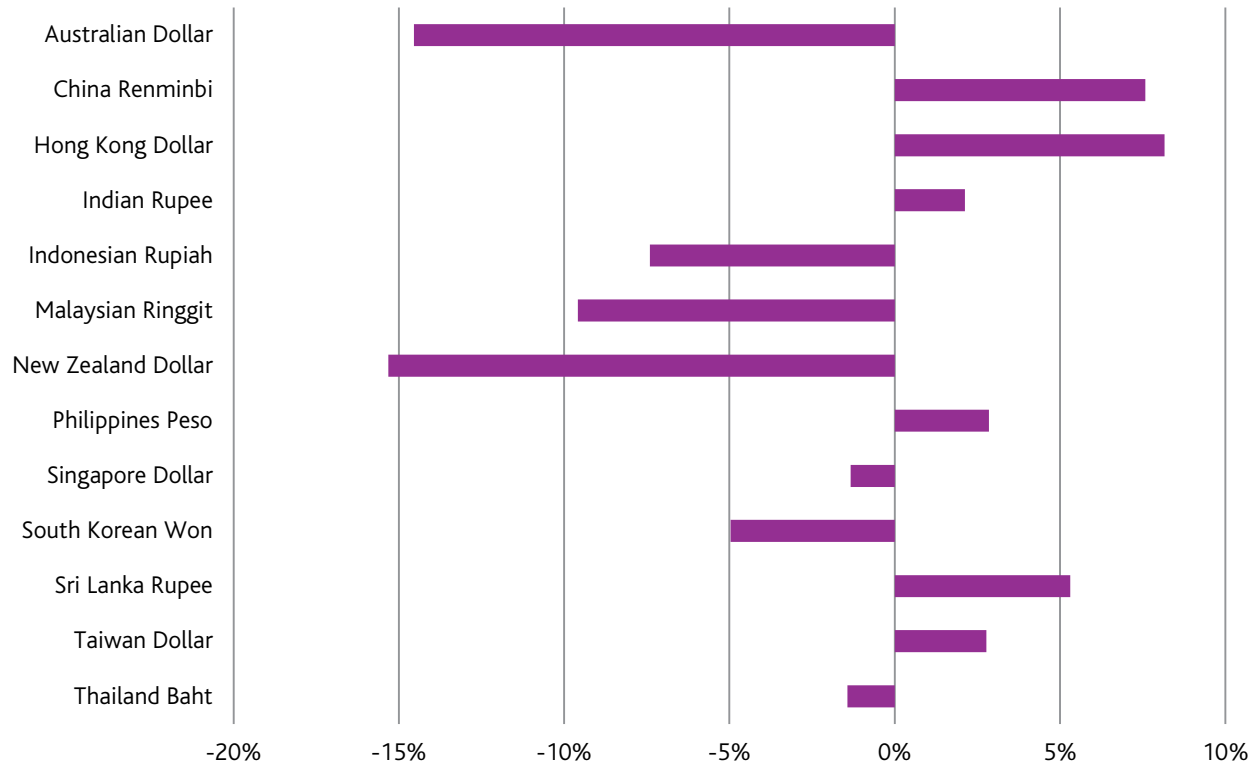
## Sector Breakdown



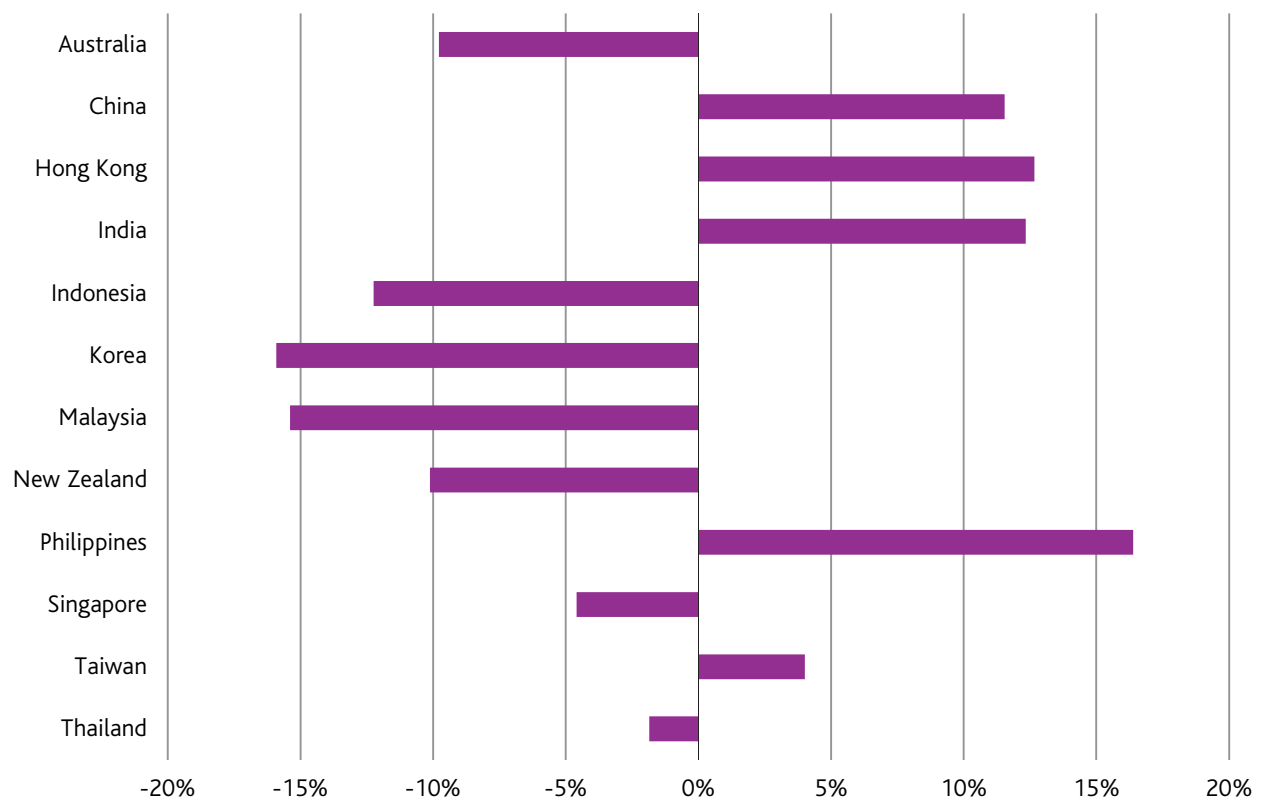
## Geographic Breakdown



### Currency Returns (in sterling terms)



### MSCI Country Index Total Returns (in sterling terms)







## Governance

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

The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2015 so as to enable it to comply with the ongoing requirements for investment trust status. The Company has also conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts and the Directors intend that the Company will continue to direct its affairs in this manner.

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 Aberdeen Asset Management Asia is in the interests of shareholders as a whole.



## Your Board of Directors

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



**Nigel Cayzer**

**Status:**

Independent Non-Executive Chairman

**Length of service:**

20 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:**

2 December 2014

**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

**Length of service:**

2 years, appointed a Director on 1 July 2013

**Experience:**

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

**Last re-elected to the Board:**

elected to the Board on 3 December 2013

**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

**Length of service:**

12 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:**

2 December 2014

**Committee membership:**

Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:**

£23,000 per annum

**All other public company directorships:**

Global Resources Investment Trust plc

**Employment by the Manager:**

None

**Other connections with Trust or Manager:**

None

**Shared Directorships with any other Trust Directors:**

None

**Shareholding in Company:**

3,414 Ordinary shares



**Martin Gilbert**

**Status:**

Non-Executive Director

**Length of service:**

20 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:**

2 December 2014

**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:**

92,256 Ordinary shares and £128,696 of CULS

**Alternate Director:** Hugh Young

## Your Board of Directors continued

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**Mark Hadsley-Chaplin**

**Status:**

Independent Non-Executive Director

**Length of service:**

2 years, 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:**

elected to the Board on 3 December 2013

**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:**

10,000 Ordinary shares



**Chris Maude**

**Status:**

Independent Non-Executive Director

**Length of service:**

8 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:**

3 December 2013

**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

**Length of service:**

1 year 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 was Chairman of the Trustees of the British Heart Foundation up to 1 October 2015

**Last re-elected to the Board:**

elected to the Board on 2 December 2014

**Committee membership:**

Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:**

£23,000 per annum

**All other public company directorships:**

Computacenter Plc

**Employment by the Manager:**

None

**Other connections with Trust or Manager:**

None

**Shared Directorships with any other Trust Directors:**

None

**Shareholding in Company:**

2,063 Ordinary shares



**Hugh Young**

**Status:**

Alternate Non-Executive Director for Martin Gilbert

**Experience:**

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

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The Directors present their Report and the audited financial statements for the year ended 31 July 2015.

### Results and Dividends

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

### Investment Trust Status

The Company (registered in England & Wales No. 03106339) has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 August 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2015 so as to enable it to comply with the ongoing requirements for investment trust status.

### Individual Savings Accounts

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

### Capital Structure, Buybacks and Issuance

The Company's capital structure is summarised in note 13 to the financial statements. At 31 July 2015, there were 37,958,890 fully paid Ordinary shares of 25p each (2014 – 38,096,807 Ordinary shares) in issue with a further 1,218,290 Ordinary shares of 25p held in treasury (2014 – 1,076,290 treasury shares). During the year 142,000 Ordinary shares were purchased in the market for treasury. Subsequent to the period a further 590,947 Ordinary shares have been purchased in the market for treasury. During the period and up to the date of this report no new Ordinary shares were issued for cash at a premium to the prevailing net asset value per share and no shares were sold from treasury.

On 12 December 2014, 29,188 units of Convertible Unsecured Loan Stock were converted into 3,510 new Ordinary shares and on 12 June 2015, 4,790 units of CULS were converted into 573 new Ordinary shares. In accordance with the terms of the CULS Issue, the conversion price of the CULS was determined at 830.0 pence nominal of CULS for one Ordinary share.

### Voting Rights

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

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

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

### Borrowings

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.

### Management Agreement

The Company has appointed Aberdeen Fund Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager. Under the management arrangements with AFML, management of the Company's portfolio has been delegated to Aberdeen Asset Management Asia Limited by way of a group delegation agreement in place between AFML and AAM Asia.

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

The management agreement may be terminated by either the Company or the Manager on the expiry of twelve months' written notice. On termination, the Manager would be entitled to receive fees which would otherwise have been due to that date. Details of the fees payable by the Company to the Aberdeen Group companies for the provision of management, secretarial and promotional services are shown in notes 3 and 4 to the financial statements.

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

### Political and Charitable Donation

The Company does not make political donations (2014 - nil).



During the year the Company made no charitable donations (2014 £10,000 was donated to the British Red Cross Typhoon Haiyan Appeal in the Philippines.)

## Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 19 to the financial statements.

## The Board

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 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 on 1 December 2015 and, being eligible, offer themselves for re-election.

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

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

## Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, has applied the principles identified in the UK Corporate Governance Code (published in September 2012) for the year ended 31 July 2015. For the year ending 31 July 2016 the company will be required to comply with the UK Corporate Governance Code (published in September 2014) which is effective for financial years commencing on or after 1 October 2014). The UK Corporate Governance Codes are available on the Financial Reporting Council's website: [frc.org.uk](http://frc.org.uk).

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

Code and the AIC Guide are available on the AIC's website: [theaic.co.uk](http://theaic.co.uk).

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

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.2.1 and D.2.2);
- and the need for an internal audit function (C.3.5).

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

During the year ended 31 July 2015, the Board met six 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 2015 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 <sup>A</sup>	6 (6)	n/a	1 (1)
Viscount Dunluce <sup>A</sup>	6 (6)	n/a	1 (1)
H Fukuda	6 (6)	2 (2)	1 (1)
MJ Gilbert <sup>AB</sup>	6 (6)	n/a	1 (1)
M Hadsley-Chaplin	6 (6)	2 (2)	1 (1)
CS Maude	6 (6)	2 (2)	1 (1)
P Yea	6 (6)	2 (2)	1 (1)

<sup>A</sup> Mr Cayzer, Mr Gilbert and Viscount Dunluce are not members of the Audit and Management Engagement Committees.

<sup>B</sup> Including attendance by Mr Young as Alternate Director to Mr Gilbert.

## Directors' Report *continued*

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### Policy on Tenure

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

### Board Committees

#### Audit Committee

The Audit Committee Report is on pages 42 and 43 of this Annual Report.

#### Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and is chaired by Nigel Cayzer. The Board's overriding priority in appointing new Directors to the Board is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board also recognises the benefits of diversity and its policy on diversity is referred to in the Strategic Report on page 11.

#### Remuneration Committee

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

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on pages 40 and 41.

### Terms of Reference

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

### Going Concern

In accordance with the Financial Reporting Council's guidance 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 9 and 10 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

### Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

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

### Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements are set out on pages 38 and 44 respectively.

Each Director confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware, and

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- 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.

### Internal Control

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

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

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

Risks are identified and documented through a risk management framework by each function within the Aberdeen Group's activities. Risk includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those

functions for review. Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

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

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

- the Aberdeen Group prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager and Investment Manager as appropriate;
- as a matter of course the Aberdeen Group's compliance department continually reviews the Aberdeen Group's operations;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Aberdeen Group, has decided to place reliance on the Aberdeen Group's systems and internal audit procedures; and
- at its September 2015 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2015 by considering documentation from the Manager, Investment Manager and the Depositary, including the internal audit and compliance functions and taking account of events since 31 July 2015. 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 2015:

# Directors' Report continued

Shareholder	No. of Ordinary shares held	% held
Aberdeen Asset Managers Savings Scheme (non-beneficial)	3,689,123	9.7
Hargreaves Lansdown	2,844,784	7.5
Funds managed by Aberdeen Asset Management PLC	2,279,447	6.0
Alliance Trust Savings	1,924,957	5.1
Investec Wealth Management	1,827,636	4.8
Charles Stanley, Stockbrokers	1,481,716	3.9
Brewin Dolphin, Stockbrokers	1,298,303	3.4

## The UK Stewardship Code and Proxy Voting

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 Company's investments are held in nominee names. The Board has delegated responsibility for actively monitoring the activities of portfolio companies, including the exercise of voting powers on its behalf, to the Manager who has in turn delegated this responsibility to the Investment Manager.

The Investment 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 Investment Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

In exercising the Company's voting rights, the Aberdeen Group follows a number of principles which set out the framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Aberdeen Group has invested or is considering investing. The Board has reviewed these principles together with the Aberdeen Group's Disclosure Response to the UK Stewardship Code, and is satisfied that the exercise of delegated voting powers by the Investment Manager is being properly executed. The Aberdeen Group's Corporate Governance Principles together with the Aberdeen Group's Disclosure Response to the UK Stewardship Code may be found on the Aberdeen Group's website, at <http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship>.

The Board recognises and supports the Aberdeen Group's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives regular reports on the exercise of the Company's voting rights and discusses any issues arising with

the Investment Manager. It is the Board's view that having an active voting policy and a process for monitoring the Investment 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 ([asian-smaller.co.uk](http://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 Aberdeen Group (either the Company Secretary or the Manager) in situations where direct communication is required and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

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

## Special Business at the Annual General Meeting

### Directors' Authority to Allot Relevant Securities

Approval is sought in Resolution 9 to renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares under a fully pre-emptive rights issue. The effect of Resolution 9 is to authorise the Directors to allot up to a maximum of 24,911,962 shares in total (representing approximately 2/3 of the existing issued capital of the Company, of which a maximum of 12,455,981 shares (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues. This authority is renewable annually and will expire at the conclusion of the next Annual General Meeting in 2016. The Board has no present intention to utilise this authority.

### Disapplication of Pre-emption Rights

Resolution 10 seeks to renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to 10% of the issued share capital other than according to

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the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders.

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

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

#### **Purchase of the Company's Shares**

Resolution 11 is proposing to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. The minimum price to be paid per Ordinary share by the Company will not be less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5% above the average of the middle market quotations for the shares for the preceding five business days; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out.

The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in 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 10 and 11 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 11 will expire at the conclusion of the Annual General Meeting in 2016 unless it is renewed before that date. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or under the authority granted in Resolution 11 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 to the benefit of shareholders as a whole.

#### **Notice of Meetings**

Resolution 12 is seeking to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on 14 days' notice. This approval will be effective until the Company's next Annual General Meeting in 2016. 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 12 in limited and time sensitive circumstances.

#### **Recommendation**

Your Board considers Resolutions 9 to 12 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 9 to 12 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 269,833 Ordinary shares.

By order of the Board

#### **Aberdeen Asset Management PLC - Secretaries**

Bow Bells House  
1 Bread Street  
London EC4M 9HH

27 October 2015



## Statement of Directors' Responsibilities

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

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

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

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

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

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

For Aberdeen Asian Smaller Companies Investment Trust PLC

**Nigel Cayzer**  
Chairman  
27 October 2015

# Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the AGM in 2014;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; 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 44 to 46.

## Remuneration Policy

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

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

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

	31 July 2015 £	31 July 2014 £
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. Under the Articles, Company indemnifies each of the Directors out of the assets of the Company against any liability incurred by them as a Director in defending proceedings or in connection with any application to the Court in which relief is granted and separate deeds of indemnity exist in this regard between the Company and each Director.

## Implementation Report

### Directors' Fees

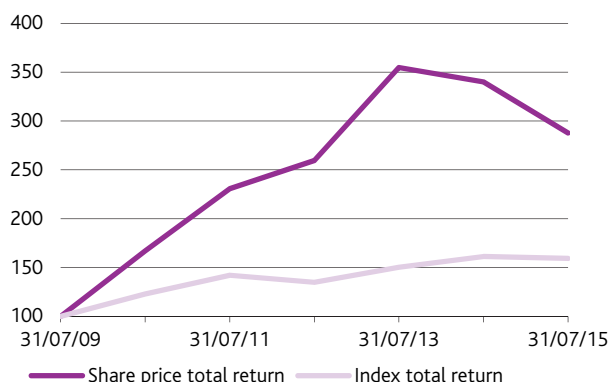
The Board carried out a review of Directors' annual fees during the year and concluded that these should remain unchanged for the year to 31 July 2015, at £30,000, £26,000 and £23,000 for the Chairman, Audit Committee Chairman and other Directors, respectively. There are no further fees to disclose as 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 six year period to

# Directors' Remuneration Report continued

31 July 2015 (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 2 December 2014, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 July 2014 and the following proxy votes were received on the resolutions:

Resolution	For	Discret.	Against	Withheld
2) Receive and Adopt Directors' Remuneration Report	14.18m (99.7%)	6,360 (0.04%)	34,552 (0.3%)	52,897 (0.4%)
3) Approve Directors' Remuneration Policy	14.18m (99.7%)	6,360 (0.04%)	41,729 (0.3%)	57,820 (0.4%)

## Spend on Pay

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

The total fees paid to Directors are shown below.

## Audited Information

### Fees Payable

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

Director	2015 £	2014 £	Taxable Benefits 2015	Taxable Benefits 2014
N K Cayzer (Chairman and highest paid Director)	30,000	30,000	-	-
Viscount Dunluce	23,000	23,000	-	-
H Fukuda	23,000	23,000	-	-
M J Gilbert <sup>A</sup>	23,000	23,000	-	-
M Hadsley-Chaplin	23,000	23,000	-	-
C S Maude (Audit Committee Chairman)	26,000	24,976	-	-
P Yea	23,000	12,056	-	-
A S Kemp	-	8,876	-	-
<b>Total</b>	<b>171,000</b>	<b>167,908</b>	<b>-</b>	<b>-</b>

Notes to the Fees Payable Table:

<sup>A</sup> Plus applicable VAT.

## Sums Paid to Third Parties

Of the fees disclosed above, £23,000 (2014 – £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 2015, and 1 August 2014, 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.

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	31 July 2015		1 August 2014	
	Ordinary shares	CULS	Ordinary shares	CULS
N K Cayzer	-	-	-	-
Viscount Dunluce <sup>A</sup>	800	400	800	400
M Hadsley- Chaplin	10,000	-	2,500	-
H Fukuda	3,414	-	3,372	-
M J Gilbert	92,256	128,696	87,256	128,696
C S Maude	37,300	-	37,300	-
P Yea	2,063	-	2,063	-
H Young (alternate)	124,000	211,948	124,000	211,948

The above interests are unchanged at 27 October 2015, 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 2015:

- 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

27 October 2015

# Report of the Audit Committee

I am pleased to present the report of the audit committee for the year ended 31 July 2015.

## Committee Composition

The Audit Committee comprises four independent Directors: Ms Fukuda, Mr Hadsley-Chaplin, Mr Yea and myself (Mr Maude) as Chairman. The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – I am a member of the Institute of Chartered Accountants.

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

## Functions of the Committee

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

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

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- to review the content of the Annual Report and Financial Statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to meet with the auditor to review their proposed audit programme of work and the findings of the auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees of £20,000 were paid to the independent auditor during the

year ended 31 July 2015 (2014 - £17,000), split between the interim review (£7,000) tax compliance and the preparation of annual corporation tax returns in the format prescribed by HMRC (£13,000). All figures are quoted inclusive of applicable VAT. The Committee will review any future non-audit fees in the light of the requirement for the Auditor to maintain their independence;

- to review a statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ("whistleblowing");
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor;
- to monitor and review annually the auditor's independence, objectivity, effectiveness, resources and qualification; and
- to investigate, when an auditor resigns, the reasons giving rise to such resignation and consider whether any action is required.

## Activities During the Year

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

## Review of Internal Control Systems and Risk

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

## Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 July 2015, 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 statements on page 52. With the exception of one holding (Gujarat Gas) which was temporarily suspended at the year end pending the conclusion of a corporate action, 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



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accounts, including a full portfolio listing, are prepared each month and circulated to the Board. The portfolio is also reviewed annually by the auditor and a sample of price checks to independent sources is undertaken by the auditor. The Company used the services of an independent Depositary (BNP Paribas Securities Services) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager and the audit includes independent confirmation of the existence of all investments. Subsequent to the period end the holding in Gujarat Gas was relisted in September 2015.

### 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.

### Review of Financial Statements

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

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

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

turn has made its own statement in this regard in the Directors' Responsibility Statement on page 38.

### 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.

### Tenure of the Auditor

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 2015 will be the fifth year for which the present partner has served. The Committee considers EY, the Company's auditor, to be independent of the Company. The Audit Committee is aware that 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.

**Chris Maude**  
Audit Committee Chairman

27 October 2015

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

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## Our audit opinion on the 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 2015 and of its net loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Our audit opinion on 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.

## What we have audited

We have audited the financial statements of Aberdeen Asian Smaller Companies Investment Trust PLC for the year ended 31 July 2015 which comprise the Income Statement, Balance Sheet, the Reconciliation of Movement in Shareholders' Funds and Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in the preparation of the financial statements 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 38, 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, International Standards on Auditing (UK and Ireland). Those

standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## The 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 applied 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 Accounts 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.

## Our assessment of the risk of material misstatement and our audit response

The risks included in the table below represent those material risks of misstatement that have had the greatest impact on our audit strategy and approach for the year ended 31 July 2015 (including the allocation of resources and the directing of efforts of the engagement team). The table also includes our audit response to each of these risks:

Risk identified	Our response
The valuation of the assets held in the investment portfolio is the key driver of the company's investment return. The value of the Company's investment portfolio at 31 July 2015 was £374.5m (movements in the investment portfolio are shown in Note 9 to the financial statements).	<ul style="list-style-type: none"> <li>• We agreed the year end prices of the investments to an independent source.</li> <li>• We agreed the exchange rates used to translate the year end valuation of non-sterling securities to an external source.</li> <li>• We agreed the number of shares held in each security to a confirmation of legal title received from both the company's custodian and its depositary</li> </ul>
Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	
The fees payable by the company for investment management services are a significant component of the company's cost base and, therefore, impact the company's total return. For the year to 31 July 2015, the management fee was £4.4m (as disclosed in Note 3 to the financial statements).	<ul style="list-style-type: none"> <li>• We used the terms contained in the investment management agreement to perform a recalculation of the management fee.</li> <li>• We agreed the inputs used in the calculation of the management fee to source data.</li> </ul>
If the management fees are not calculated in accordance with the methodology described in the investment management agreement this could have a significant impact on both costs and overall performance.	<ul style="list-style-type: none"> <li>• In relation to the management fee we agreed the cash payments made to bank statements.</li> </ul>

## Our application of materiality

We have defined the concept of materiality and planning materiality below.

We determined materiality for the company to be £3,400,000, which is one per cent of total equity (2014: £3,800,000 based on one per cent of total equity). We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the company.

We determined performance materiality for the company to be 75% of materiality, or £2,600,000 (2014: £2,780,000). In addition, we agreed with the Audit Committee that we would report any audit differences in excess of £172,000 (2014: £185,000), as well as any differences below that threshold that, in our view, warranted reporting on qualitative grounds.

In accordance with the scope of our audit, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We apply the concept of materiality for the purposes of obtaining sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. For this reason, we also define a separate performance materiality threshold which reflects our tolerance for misstatement in an individual account balance and is set as a proportion of our overall materiality. Our objective in setting the performance materiality threshold is to identify the amount of testing required in respect of each balance to reduce to an appropriately low level the probability that the aggregate of any uncorrected and undetected misstatements in the financial statements as a whole exceeds our materiality level.

We evaluate any uncorrected misstatements and potential audit differences against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

We applied the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements on the financial statements, and in forming our audit opinion. When establishing our overall audit strategy, we determined the magnitude of omissions or uncorrected misstatements that we judged would be material to the financial statements as a whole. This provided a basis for determining the nature of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

## Matters on which we are required to report by exception

We are required by the International Standards on Auditing (UK and Ireland), the Companies Act 2006 and the Listing Rules to report to you by exception if certain matters are identified during the course of our audit. These matters are listed below and we have nothing to report in respect of any of these matters.

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

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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
- 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 34, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the ten 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

27 October 2015



A photograph of a lush palm oil plantation in Malaysia. The foreground is filled with dense, green palm fronds and undergrowth. In the background, a line of taller palm trees stands against a bright blue sky with scattered white clouds. The image is used as a background for the text overlay.

## Financial statements

Four broad macroeconomic themes dominated during the year. First was the collapse in energy prices. Second was the collapse in commodity prices. Third was the rise and fall in equity markets in China. Fourth was the weakness in regional currencies across Asia.

Your Company had a relatively weak year where its net asset value total return, in Sterling terms, fell by 4.7%. This compared to the MSCI AC Asia Pacific ex Japan Index's return of -1.2% and the MSCI AC Asia Pacific ex Japan Small Cap Index's return of -0.8%.

Your Company's exposure to South East Asian companies, which we believe to remain fundamentally strong, hurt returns. The stock prices of these companies were pressured by the challenging economic conditions and currency weakness.

In contrast, your Company has little exposure to Chinese companies, which continue to present an investment challenge for us from a quality perspective. However, the stock prices of mainland companies were incredibly strong on reform hopes and anticipation of further loose monetary conditions. This, in our view, was not supported by improving fundamentals and there has been an increasing disconnect between economic reality and stock market performance.

We are pleased to recommend for this year the payment of an increased dividend of 10.5p per share together with an increased special dividend of 4.5p per share.



# Income Statement

	Notes	Year ended 31 July 2015			Year ended 31 July 2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	9	–	(26,196)	(26,196)	–	(16,444)	(16,444)
Income	2	14,746	–	14,746	11,427	–	11,427
Exchange (losses)/gains		–	(131)	(131)	–	103	103
Investment management fees	3	(4,381)	–	(4,381)	(3,907)	–	(3,907)
Administrative expenses	4	(1,108)	–	(1,108)	(1,147)	–	(1,147)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>9,257</b>	<b>(26,327)</b>	<b>(17,070)</b>	<b>6,373</b>	<b>(16,341)</b>	<b>(9,968)</b>
Finance costs	5	(1,522)	–	(1,522)	(1,457)	–	(1,457)
<b>Return on ordinary activities before taxation</b>		<b>7,735</b>	<b>(26,327)</b>	<b>(18,592)</b>	<b>4,916</b>	<b>(16,341)</b>	<b>(11,425)</b>
Taxation	6	(797)	294	(503)	(572)	36	(536)
<b>Return on ordinary activities after taxation</b>		<b>6,938</b>	<b>(26,033)</b>	<b>(19,095)</b>	<b>4,344</b>	<b>(16,305)</b>	<b>(11,961)</b>
<b>Return per share (pence):</b>							
<b>Basic</b>	<b>8</b>	<b>18.21</b>	<b>(68.34)</b>	<b>(50.13)</b>	<b>11.43</b>	<b>(42.89)</b>	<b>(31.46)</b>

For the years ended 31 July 2015 and 31 July 2014 the conversion option for potential Ordinary shares within the Convertible Unsecured Loan Stock was non-dilutive due to a capital loss being reported and no dilution to the revenue return per Ordinary share.

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 2015 £'000	As at 31 July 2014 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9	374,460	400,760
<b>Current assets</b>			
Debtors and prepayments	10	1,010	227
Cash and short term deposits	17	6,678	5,685
		7,688	5,912
<b>Creditors: amounts falling due within one year</b>			
Bank loans	11	(5,000)	(5,000)
Other creditors	11	(1,237)	(832)
		(6,237)	(5,832)
<b>Net current assets</b>		1,451	80
<b>Total assets less current liabilities</b>		375,911	400,840
<b>Non-current liabilities</b>			
3.5% Convertible Unsecured Loan Stock 2019	12	(31,944)	(31,722)
<b>Net assets</b>		<b>343,967</b>	<b>369,118</b>
<b>Capital and reserves</b>			
Called-up share capital	13	9,794	9,793
Capital redemption reserve		2,062	2,062
Share premium account		39,644	39,611
Special reserve		10,578	11,715
Equity component of 3.5% Convertible Unsecured Loan Stock 2019	12	1,361	1,361
Capital reserve	14	269,975	296,008
Revenue reserve	14	10,553	8,568
<b>Equity shareholders' funds</b>		<b>343,967</b>	<b>369,118</b>
<b>Net asset value per share (pence):</b>			
<b>Basic</b>	15	<b>906.16</b>	<b>968.89</b>
<b>Diluted</b>	15	<b>896.31</b>	<b>952.52</b>

The financial statements were approved by the Board of Directors and authorised for issue on 27 October 2015 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 2015

		Share capital	Capital redemption reserve	Share premium account	Special reserve	Equity Component CULS 2019	Capital reserve	Revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2014		9,793	2,062	39,611	11,715	1,361	296,008	8,568	369,118
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	12	1	–	33	–	–	–	–	34
Purchase of own shares to treasury	13	–	–	–	(1,137)	–	–	–	(1,137)
Return on ordinary activities after taxation		–	–	–	–	–	(26,033)	6,938	(19,095)
Dividends paid	7	–	–	–	–	–	–	(4,953)	(4,953)
<b>Balance at 31 July 2015</b>		<b>9,794</b>	<b>2,062</b>	<b>39,644</b>	<b>10,578</b>	<b>1,361</b>	<b>269,975</b>	<b>10,553</b>	<b>343,967</b>

## For the year ended 31 July 2014

		Share capital	Capital redemption reserve	Share premium account	Special reserve	Equity Component CULS 2019	Capital reserve	Revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 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)
<b>Balance at 31 July 2014</b>		<b>9,793</b>	<b>2,062</b>	<b>39,611</b>	<b>11,715</b>	<b>1,361</b>	<b>296,008</b>	<b>8,568</b>	<b>369,118</b>

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

# Cash Flow Statement

		Year ended 31 July 2015		Year ended 31 July 2014	
	Notes	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	16		7,347		5,725
<b>Servicing of finance</b>					
Interest paid			(1,266)		(1,212)
<b>Financial investment</b>					
Purchases of investments		(18,074)		(34,044)	
Sales of investments		18,794		14,933	
<b>Net cash inflow/(outflow) from financial investment</b>			720		(19,111)
<b>Equity dividends paid</b>	7		(4,953)		(4,928)
<b>Net cash inflow/(outflow) before financing</b>			1,848		(19,526)
<b>Financing</b>					
Issue of own shares	13	–		2,864	
Purchase of own shares to treasury	13	(724)		–	
Drawdown of loan	11	–		5,000	
<b>Net cash (outflow)/inflow from financing activities</b>			(724)		7,864
<b>Increase/(decrease) in cash</b>			1,124		(11,662)
<b>Reconciliation of net cash flow to movements in net debt</b>					
Increase/(decrease) in cash as above			1,124		(11,662)
Drawdown of loan			–		(5,000)
Other non-cash movements			(222)		(34)
Exchange movements			(131)		103
<b>Movement in net debt</b>			771		(16,593)
Net debt at 1 August			(31,037)		(14,444)
<b>Net debt at 31 July</b>	17		(30,266)		(31,037)

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

# Notes to the Financial Statements For the year ended 31 July 2015

## 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 34.

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; 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.

	2015	2014
	£'000	£'000
<b>2. Income</b>		
<b>Income from investments</b>		
Overseas dividends	14,060	11,287
Stock dividends	677	130
	<b>14,737</b>	<b>11,417</b>

Notes to the Financial Statements *continued*

	2015 £'000	2014 £'000
<b>Other income</b>		
Deposit interest	9	10
<b>Total income</b>	<b>14,746</b>	<b>11,427</b>

	2015 £'000	2014 £'000
<b>3. Investment management fees</b>		
Investment management fees	<b>4,381</b>	<b>3,907</b>

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 £366,000 (2014 – £347,000). The agreement is terminable on one year's notice.

	2015 £'000	2014 £'000
<b>4. Administrative expenses</b>		
Administration fees	86	84
Directors' fees	171	168
Promotional activities	230	240
Auditor's remuneration:		
• fees payable to the auditor for the audit of the annual accounts	25	24
• fees payable to the auditor and its associates for other services:		
• interim review	7	6
• taxation and iXBRL tagging services (all compliance)	13	11
Custodian charges	260	283
Other expenses	316	331
	<b>1,108</b>	<b>1,147</b>

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 £87,000 (2014 – £85,000) and there was an accrual of £22,000 (2014 – £21,000) 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 £230,000 (2014 – £240,000) and there was a £83,000 (2014 – £73,000) balance due to AAML at the year end.

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

	2015 £'000	2014 £'000
<b>5. Finance costs</b>		
Loans repayable in less than 1 year	109	50
Interest on 3.5% Convertible Unsecured Loan Stock 2019	1,157	1,162
Notional interest on 3.5% Convertible Unsecured Loan Stock 2019	181	170
Amortisation of 3.5% Convertible Unsecured Loan Stock 2019 issue expenses	75	75
	<b>1,522</b>	<b>1,457</b>

	Revenue £'000	2015 Capital £'000	Total £'000	Revenue £'000	2014 Capital £'000	Total £'000
<b>6. Taxation</b>						
<b>(a) Analysis of charge for the year</b>						
Overseas taxation	503	–	503	536	–	536
<b>Current taxation</b>	503	–	503	536	–	536
Movement on deferred taxation	294	(294)	–	36	(36)	–
<b>Total tax</b>	<b>797</b>	<b>(294)</b>	<b>503</b>	<b>572</b>	<b>(36)</b>	<b>536</b>

At 31 July 2015 the Company had surplus management expenses and loan relationship deficits with a tax value of £4,972,000 (2014 – £3,540,000) in respect of which a deferred tax asset has not been recognised. This is due to the Company having sufficient excess management expenses available to cover the potential liability and the Company is not expected to generate taxable income in the future in excess of deductible expenses.

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is lower than the effective rate of corporation tax in the UK for a large company of 20.67% (2014 – 22.33%). The differences are explained below:

	Revenue £'000	2015 Capital £'000	Total £'000	Revenue £'000	2014 Capital £'000	Total £'000
Return on ordinary activities before taxation	7,735	(26,327)	(18,592)	4,916	(16,341)	(11,425)
Return on ordinary activities multiplied by the effective UK standard tax rate of corporation tax of 20.67% (2014 – 22.33%)	1,599	(5,442)	(3,843)	1,098	(3,649)	(2,551)
<i>Effects of:</i>						
Losses on investments not taxable	–	5,415	5,415	–	3,672	3,672
Exchange losses/(gains)	–	27	27	–	(23)	(23)
Overseas tax	503	–	503	536	–	536
Non-taxable dividend income	(3,012)	–	(3,012)	(2,525)	–	(2,525)
Movement in unutilised management expenses	1,101	–	1,101	1,104	–	1,104
Movement in unutilised loan relationship deficits	312	–	312	323	–	323
<b>Current tax charge for the year</b>	<b>503</b>	<b>-</b>	<b>503</b>	<b>536</b>	<b>-</b>	<b>536</b>

Notes to the Financial Statements *continued*

	2015 £'000	2014 £'000
<b>7. Dividends</b>		
Final dividend for 2014 – 10.00p (2013 – 10.00p)	3,810	3,791
Special dividend for 2014 – 3.00p (2013 – 3.00p)	1,143	1,137
	<b>4,953</b>	<b>4,928</b>

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 £7,160,000 (2014 – £4,344,000).

	2015 £'000	2014 £'000
Proposed final dividend for 2015 – 10.50p (2014 – 10.00p)	3,938	3,810
Proposed special dividend for 2015 – 4.50p (2014 – 3.00p)	1,688	1,143
<b>Total</b>	<b>5,626</b>	<b>4,953</b>

<b>8. Return per Ordinary share</b>	2015			2014		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>Basic</b>						
Return on ordinary activities after taxation (£'000)	6,938	(26,033)	(19,095)	4,344	(16,305)	(11,961)
Weighted average number of shares in issue <sup>A</sup>			38,094,721			38,020,666
Return per Ordinary share (p)	18.21	(68.34)	(50.13)	11.43	(42.89)	(31.46)

	2015			2014		
<b>Diluted</b>	Revenue	Capital	Total	Revenue	Capital	Total
Return on ordinary activities after taxation (£'000)	7,990	(26,033)	(18,043)	5,314	(16,305)	(10,991)
Weighted average number of shares in issue <sup>B</sup>			42,077,584			42,016,382
Return per Ordinary share (p)	n/a	n/a	n/a	n/a	n/a	n/a

<sup>A</sup> Calculated excluding shares held in treasury.

<sup>B</sup> 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 3,982,863 (2014 – 3,995,716) to 42,077,584 (2014 – 42,016,382) Ordinary shares.

For the period ended 31 July 2015 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 2014 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.

	Listed in UK £'000	Listed overseas £'000	Total £'000
<b>9. Investments</b>			
<b>Fair value through profit or loss:</b>			
Opening book cost	6,248	212,397	218,645
Opening fair value gains on investments held	7,180	174,935	182,115
<b>Opening fair value</b>	<b>13,428</b>	<b>387,332</b>	<b>400,760</b>
Movements in year:			
Purchases at cost	1,395	17,303	18,698
Sales – proceeds	(16)	(18,786)	(18,802)
Sales – gains on sales	10	16,094	16,104
Movement in fair value gains on investments held	(3,517)	(38,783)	(42,300)
<b>Closing fair value</b>	<b>11,300</b>	<b>363,160</b>	<b>374,460</b>
Closing book cost	7,637	227,008	234,645
Closing fair value gains on investments held	3,663	136,152	139,815
	<b>11,300</b>	<b>363,160</b>	<b>374,460</b>
<b>(Losses)/gains on investments</b>			
Gains on sales	10	16,094	16,104
Movement in fair value gains on investments held	(3,517)	(38,783)	(42,300)
	<b>(3,507)</b>	<b>(22,689)</b>	<b>(26,196)</b>

#### 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:

	2015 £'000	2014 £'000
Purchases	37	52
Sales	77	23
	<b>114</b>	<b>75</b>

	2015 £'000	2014 £'000
<b>10. Debtors: amounts falling due within one year</b>		
Amounts due from brokers	8	–
Other debtors	11	30
Prepayments and accrued income	991	197
	<b>1,010</b>	<b>227</b>

None of the above amounts are past their due date or impaired (2014 – nil).



Notes to the Financial Statements *continued*

	2015 £'000	2014 £'000
<b>11. Creditors: amounts falling due within one year</b>		
Bank loans	5,000	5,000
Amounts due to brokers	30	83
Amount due for the purchase of own shares to treasury	413	–
Other creditors	794	749
	<b>6,237</b>	<b>5,832</b>

As at 31 July 2015, £5,000,000 (2014 – £5,000,000) had been drawn down at an all-in rate of 1.4% (2014 – 1.4%) which matured on 28 August 2015. On 28 August 2015 the principal amount was rolled over at an all-in interest rate of 1.4% until maturity on 28 September 2015, when the principal amount was rolled over at an all-in interest rate of 1.4% until maturity on 28 October 2015. Further, an additional US\$9,000,000 was drawn down on 1 September 2015 at an all-in rate of 1.1% until maturity on 28 September 2015, when the principal amount was rolled over at an all-in rate of 1.1% until maturity on 28 October 2015.

<b>12. Non-current liabilities</b>	Number of units £'000	Liability component £'000	Equity component £'000
<b>3.5% Convertible Loan Stock 2019</b>			
Balance at beginning of year	33,077	31,722	1,361
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	(34)	(34)	–
Notional interest on CULS transferred to revenue reserve	–	181	–
Amortisation and issue expenses	–	75	–
<b>Balance at end of year</b>	<b>33,043</b>	<b>31,944</b>	<b>1,361</b>

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 2015 the Company converted £33,978 (31 July 2014 – £211,293) nominal amount of CULS into 4,083 (31 July 2014 – 25,438) Ordinary shares.

As at 31 July 2015, there was £33,043,143 (2014 – £33,077,121) nominal amount of 3.5% Convertible Unsecured Loan Stock 2019 in issue.

	2015 £'000	2014 £'000
<b>13. Called up share capital</b>		
<b>Allotted, called-up and fully paid</b>		
Ordinary shares of 25p	9,490	9,524
Treasury shares	304	269
	<b>9,794</b>	<b>9,793</b>

	Ordinary shares Number	Treasury shares Number	Total Number
At 31 July 2014	38,096,807	1,076,290	39,173,097
Conversion of CULS	4,083	–	4,083
Buyback of own shares	(142,000)	142,000	–
<b>At 31 July 2015</b>	<b>37,958,890</b>	<b>1,218,290</b>	<b>39,177,180</b>

During the year 142,000 Ordinary shares of 25p were purchased by the Company (2014 – 300,000 Ordinary shares issued) at a total cost of £1,137,000 (2014 – total consideration of £2,864,000), all of which were held in treasury (2014 – none). At the year end 1,218,290 (2014 – 1,076,290) shares were held in treasury, which represents 3.11% (2014 – 2.75%) of the Company's total issued share capital at 31 July 2015. During the year there were a further 4,083 Ordinary shares issued as a result of CULS conversion (2014 – 25,438).

Since the year end a further 590,947 Ordinary shares of 25p have been purchased by the Company at a total cost of £4,322,000, all of which were held in treasury.

	2015 £'000	2014 £'000
<b>14. Retained earnings</b>		
<b>Capital reserve</b>		
At 31 July	296,008	312,313
Movement in investment holdings fair value	(42,300)	(26,695)
Gains on realisation of investments at fair value	16,104	10,251
Foreign exchange movement	(131)	103
Capital tax charge	294	36
<b>At 31 July</b>	<b>269,975</b>	<b>296,008</b>

	2015 £'000	2014 £'000
<b>Revenue reserve</b>		
At 31 July	8,568	9,152
Revenue	6,938	4,344
Dividends paid	(4,953)	(4,928)
<b>At 31 July</b>	<b>10,553</b>	<b>8,568</b>

	2015	2014
<b>15. Net asset value per equity share</b>		
<b>Basic</b>		
Net assets attributable	£343,967,000	£369,118,000
Number of Ordinary shares in issue <sup>A</sup>	37,958,890	38,096,807
Net asset value per Ordinary share	906.16p	968.89p

Notes to the Financial Statements *continued*

	2015	2014
<b>Diluted</b>		
Net assets attributable	£375,911,000	£400,840,000
Number of Ordinary shares in issue (excluding shares held in treasury) <sup>A</sup>	41,939,992	42,082,002
Net asset value per Ordinary share <sup>B</sup>	896.31p	952.52p

<sup>A</sup> Calculated excluding shares held in treasury

<sup>B</sup> The diluted net asset value per Ordinary share has been calculated on the assumption that the 33,043,143 (2014 – 33,077,121) 3.5% Convertible Unsecured Loan Stock 2019 ("CULS") are converted at 830.00p per share, giving a total of 41,939,992 (2014 – 42,082,002) 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 2015 the cum income NAV was 906.16p (31 July 2014 – 968.89p) 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	2015 £'000	2014 £'000
Net returns before finance costs and taxation	(17,070)	(9,968)
<i>Adjustments for:</i>		
Losses on investments	26,196	16,444
Effect of foreign exchange rate losses/(gains)	131	(103)
(Increase)/decrease in prepayments and accrued income	(794)	270
Decrease/(increase) in other debtors	19	(9)
Increase/(decrease) in other creditors	45	(243)
Overseas withholding tax suffered	(503)	(536)
Stock dividends included in investment income	(677)	(130)
<b>Net cash inflow from operating activities</b>	<b>7,347</b>	<b>5,725</b>

	1 August 2014 £'000	Cash flow £'000	Exchange movements £'000	Other non-cash movements £'000	31 July 2015 £'000
<b>17. Analysis of changes in net debt</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and short term deposits	5,685	1,124	(131)	–	6,678
Debt falling due within one year	(5,000)	–	–	–	(5,000)
Debt falling due in more than one year	(31,722)	–	–	(222)	(31,944)
<b>Net debt</b>	<b>(31,037)</b>	<b>1,124</b>	<b>(131)</b>	<b>(222)</b>	<b>(30,266)</b>

#### 18. Related Party Transactions and Transactions with the Manager

Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on pages 39 and 40. The balance of fees due to Directors at the year end was £2,000 (2014 – £2,000).

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.

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## 19. Financial instruments

### Risk management

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

The Board has delegated the risk management function to Aberdeen Fund Managers Limited ("AFML") under the terms of its management agreement with AFML (further details of which are included under note 3 and in the Directors' Report), however, it remains responsible for the risk and control framework and operation of third parties. The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

### Risk management framework

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

AFML is a fully integrated member of the Aberdeen Group, which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Management Asia Ltd, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

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

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

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

### Risk management

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

### Market risk

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

Notes to the Financial Statements *continued***Interest rate risk**

Interest rate movements may affect:

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

**Management of the risk**

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

**Interest rate risk profile**

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

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 July 2015</b>				
<b>Assets</b>				
Sterling	–	–	–	6,675
Thailand Baht	–	–	–	3
	–	–	–	<b>6,678</b>
<b>Liabilities</b>				
Bank loan	0.08	1.4	5,000	–
3.5% Convertible Loan Stock 2019	3.83	3.5	31,944	–
	–	–	<b>36,944</b>	–

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 July 2014</b>				
<b>Assets</b>				
Hong Kong Dollar	–	–	–	184
Sterling	–	–	–	5,498
Thailand Baht	–	–	–	3
	–	–	–	<b>5,685</b>
<b>Liabilities</b>				
Bank loan	0.08	1.4	5,000	–
3.5% Convertible Loan Stock 2019	4.83	3.5	31,722	–
	–	–	<b>36,722</b>	–

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.



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### Maturity profile

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

	2015 £'000	2014 £'000
<b>Assets</b>		
In less than one year	6,678	5,685
	2015 £'000	2014 £'000
<b>Liabilities</b>		
In less than one year	5,000	5,000
In more than one year	31,944	31,722
	36,944	36,722

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 £37,091,000 (2014 – £38,869,000).

### 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.

### Management of the risk

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

The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

Notes to the Financial Statements *continued*

	31 July 2015			31 July 2014		
	Overseas	Net monetary	Total	Overseas	Net monetary	Total
	investments	assets/(liabilities)	currency	Investments	assets/(liabilities)	currency
	£'000	£'000	£'000	£'000	£'000	£'000
Australian Dollar	10,571	–	10,571	12,419	–	12,419
Danish Krona	4,308	–	4,308	3,977	–	3,977
Hong Kong Dollar	56,629	–	56,629	54,210	–	54,210
Indian Rupee	56,967	–	56,967	54,910	184	55,094
Indonesian Rupiah	19,808	–	19,808	28,106	–	28,106
Korean Won	2,214	–	2,214	2,896	–	2,896
Malaysian Ringgit	71,233	–	71,233	84,494	–	84,494
New Zealand Dollar	5,772	–	5,772	5,404	–	5,404
Pakistan Rupee	1,868	–	1,868	864	–	864
Philippine Peso	24,186	–	24,186	21,169	–	21,169
Singapore Dollar	45,131	–	45,131	48,605	–	48,605
Sri Lankan Rupee	19,612	–	19,612	18,337	–	18,337
Thailand Baht	44,861	3	44,864	51,941	3	51,944
	363,160	3	363,163	387,332	187	387,519
Sterling	11,300	(30,269)	(18,969)	13,428	(31,224)	(17,796)
<b>Total</b>	<b>374,460</b>	<b>(30,266)</b>	<b>344,194</b>	<b>400,760</b>	<b>(31,037)</b>	<b>369,723</b>

**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% (2014 – 10%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2015 would have increased/(decreased) by £37,446,000 (2014 – increased/(decreased) by £40,076,000) 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.

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### Management of the risk

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Gearing comprises both bank loans and convertible unsecured loan stock. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 25%. Details of borrowings at the 31 July 2015 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 2015 the Company had borrowings in the form of the £33,043,143 (2014 – £33,077,121) nominal of 3.5% Convertible Unsecured Loan Stock 2019.

At 31 July 2015 the Company's bank loan, amounting to £5,000,000 (2014 – £5,000,000), was due for repayment or roll-over within 1 month. The maximum exposure during the year was £5,000,000 (2014 – £5,000,000) and the minimum exposure during the year was £nil (2014 – £nil).

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

	Expected cashflows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
3.5% Convertible Unsecured Loan Stock 2019	37,091	–	1,157	35,934
Bank loans	5,000	5,000	–	–
	<b>42,091</b>	<b>5,000</b>	<b>1,157</b>	<b>35,934</b>

### Credit risk

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

### Management of the risk

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker. Settlement of investment transactions are also done on a delivery versus payment basis;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the third party administrator carries out a stock reconciliation to Custodian records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's risk management committee. This review will also include checks on the maintenance and security of investments held; and
- cash is held only with reputable banks with high quality external credit ratings.

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

Notes to the Financial Statements *continued***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:

	2015		2014	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Current assets</b>				
Debtors	1,010	1,010	212	212
Cash and short term deposits	6,678	6,678	5,685	5,685
	<b>7,688</b>	<b>7,688</b>	<b>5,897</b>	<b>5,897</b>

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

**Fair values of financial assets and financial liabilities**

Investments held at fair value through profit or loss are valued at their quoted bid prices which equate to their fair values. The Directors are of the opinion that the other financial assets and liabilities, excluding CULS which are held at amortised cost, are stated at fair value in the Balance Sheet and considered that this approximates 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 2015 as follows:

		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 July 2015</b>	<b>Note</b>				
<b>Financial assets and liabilities at fair value through profit or loss</b>					
Quoted equities	a)	365,374	–	–	365,374
Unquoted equities	b)	–	9,086	–	9,086
CULS	c)	(37,174)	–	–	(37,174)
<b>Net fair value</b>		<b>328,200</b>	<b>9,086</b>	<b>–</b>	<b>337,286</b>

		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 July 2014</b>	<b>Note</b>				
<b>Financial assets and liabilities at fair value through profit or loss</b>					
Quoted equities	a)	400,760	–	–	400,760
CULS	c)	(38,204)	–	–	(38,204)
<b>Net fair value</b>		<b>362,556</b>	<b>–</b>	<b>–</b>	<b>362,556</b>

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**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) Unquoted equities**

Equities included in Fair Value Level 2 are assets that do not have regular market pricing, but whose fair value can be readily determined based on other data values or market prices.

**c) 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. 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:

	2015 £'000	2014 £'000
<b>Equity</b>		
Equity share capital	9,794	9,793
Reserves	334,173	359,325
<b>Liabilities</b>		
CULS	31,944	31,722
	<b>375,911</b>	<b>400,840</b>

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.

	2015 £'000	2014 £'000
Investments at fair value through profit or loss	374,460	400,760
Current assets excluding cash	1,010	227
Current liabilities excluding bank loans	(1,237)	(832)
<b>Total assets</b>	<b>374,233</b>	<b>400,155</b>
<b>Net assets</b>	<b>343,967</b>	<b>369,118</b>
<b>Gearing (%)</b>	<b>8.8</b>	<b>8.4</b>

## Notes to the Financial Statements continued

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

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

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

The Company does not have any externally imposed capital requirements.





## Corporate information

Aberdeen Asset Management Asia Limited is the Manager of the Company. Aberdeen 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 £305.9 billion (as at 31 July 2015) 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 489 staff across the region at 31 July 2015. Total funds in the region are over £64.3 billion as at 31 July 2015.

Aberdeen Asset Management has its headquarters in Aberdeen with over 44 offices globally including Bangkok, Edinburgh, Frankfurt, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

## Information about the Manager

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### Aberdeen Fund Managers Limited

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

### Aberdeen Asset Management Asia Limited

Aberdeen Asset Management Asia Limited (AAM Asia) is the investment 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 £305.9 billion (as at 31 July 2015) 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 489 staff across the region at 31 July 2015.

Total funds in the region are over £64.3 billion as at 31 July 2015.

Aberdeen Asset Management has its headquarters in Aberdeen with over 44 offices globally including Bangkok, Edinburgh, Frankfurt, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

The Aberdeen Group manages over 80 investment companies and other closed-ended funds representing approximately £15.4 billion of assets under management. They adhere closely to the Aberdeen 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 having previously been an associate director at Arthur Andersen.

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## 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



## Investor Information

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### AIFMD

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services as its depositary under the AIFMD. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD which can be found on the website [asian-smaller.co.uk](http://asian-smaller.co.uk). The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 76.

### Benchmark

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

### Website

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

### Investor Warning

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

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

### Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Trust's website ([asian-smaller.co.uk](http://asian-smaller.co.uk)) and the TrustNet website ([trustnet.co.uk](http://trustnet.co.uk)). Alternatively you can call 0500 00 00 40 (free when dialling from a UK landline) for trust information.

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](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

### Shareholder Enquiries

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

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

### Direct

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

### Aberdeen's Investment Plan for Children

Aberdeen runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) 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.



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## 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 £15,240 can be made in the tax year 2015/2016.

The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

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

## Pre-investment Disclosure Document (PIDD)

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

[www.asian-smaller.co.uk/en/itasiansmaller/literature](http://www.asian-smaller.co.uk/en/itasiansmaller/literature)

## Literature Request Service

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

Telephone: 0500 00 40 00  
Email: [aam@lit-request.com](mailto: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 [invtrusts.co.uk](http://invtrusts.co.uk)

## Online Dealing details

### Investor information

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

### Online dealing

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

AJ Bell You Invest  
Alliance Trust Savings  
Barclays Stockbrokers  
Charles Stanley Direct  
Halifax Share Dealing  
Hargreave Hale  
Idealing  
Selftrade  
The Share Centre  
Stocktrade  
Hargreaves Lansdown  
TD Direct  
Interactive Investor

## Discretionary private client stockbrokers

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

## Investor Information continued

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### Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit [unbiased.co.uk](http://unbiased.co.uk)

### Regulation of Stockbrokers

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

Tel: 0800 111 6768 or at [www.fca.org.uk/firms/systems-reporting/register/search](http://www.fca.org.uk/firms/systems-reporting/register/search)

Email: [register@fca.org.uk](mailto:register@fca.org.uk)

### Suitable for Retail/NMPI Status

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

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

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

### Note

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

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

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

The information on pages 72 to 74 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



# Contact Addresses

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## Directors

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

## Alternate Director

Hugh Young (alternate for Martin Gilbert)

## Alternative Investment Fund Manager

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

## Investment Manager

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

## Secretaries and Registered Office

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

## Registration Number

03106339

## Website

asian-smaller.co.uk

## Depository

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

## Stockbrokers

Panmure Gordon & Co  
1 New Change  
London EC4M 9AF

## Independent 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

## Registrars

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

Tel. 0371 384 2416

## Alternative Investment Fund Managers Directive Disclosures (Unaudited)

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Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website [asian-smaller.co.uk](http://asian-smaller.co.uk). There have been no material changes to the disclosures contained within the PIDD since first publication in July 2014.

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

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 19 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 74 and the numerical remuneration in the disclosures in respect of the AIFM's first relevant reporting period (year ended 30 September 2015) will be made available in due course).

### Leverage

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

	Gross method	Commitment method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 July 2015	1.13:1	1.15:1

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

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

# Notice of Annual General Meeting

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Notice is hereby given that the twentieth Annual General Meeting of Aberdeen Asian Smaller Companies Investment Trust PLC will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH, at 11.30 a.m. on 1 December 2015 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 9 will be proposed as Ordinary Resolutions and Resolutions 10 to 12 as Special Resolutions:

## Ordinary Business

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2015, together with the auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 July 2015 (other than the Directors' Remuneration Policy).
3. To approve the payment of a final dividend of 10.5 pence per Ordinary share.
4. To approve the payment of a special dividend of 4.5 pence per Ordinary share.
5. To re-elect Mr N.K. Cayzer as a Director.
6. To re-elect Mr M.J. Gilbert as a Director.
7. To re-elect Ms H. Fukuda as a Director.
8. To re-appoint Ernst & Young LLP as auditor and to authorise the Directors to determine their remuneration.

## Special Business

9. 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 £3,113,995; and
- (b) up to a further aggregate nominal amount of £3,113,995 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 2016 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.

10. THAT subject to the passing of Resolution numbered 9 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 9 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 £934,198 which are, or are to be, wholly paid up in cash, at a price representing a premium to the net asset value per share at allotment, as determined by the Directors, and do not exceed up to 10% of the issued share capital (as at the date of the Annual General Meeting convened by this notice); and
- (b) the allotment of equity securities in connection with an offer to (a) all holders of Ordinary shares of 25p each in the capital of the Company in proportion (as nearly as may be) to the respective numbers of Ordinary shares held by them and (b) to holders of other equity securities as required by the rights of those securities (but subject in either case to such

## Notice of Annual General Meeting *continued*

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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 2016, 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.

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

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 14.99% of the Ordinary shares in issue as at the date of the passing of this Resolution 11;
- (b) the minimum price which may be paid for an Ordinary share is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the higher of (i) an amount equal to 5% above the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016 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.

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

Bow Bells House  
1 Bread Street  
London EC4M 9HH

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries  
27 October 2015

### Notes:

1. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [asian-smaller.co.uk](http://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 27 November 2015 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.
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6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
  7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual which can be viewed at [euroclear.com](http://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 27 October 2015 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 37,367,943 Ordinary shares of 25 pence each and there was a further 1,809,237 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 27 October 2015 is 37,367,943. Treasury shares represent 4.6% 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

## Notice of Annual General Meeting continued

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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.



# Glossary of Terms and Definitions

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<b>AAM Asia or the Investment Manager</b>	Aberdeen Asset Management Asia Limited
<b>Aberdeen</b>	Aberdeen Asset Management PLC
<b>Aberdeen Group</b>	the Aberdeen group of companies
<b>AFML or Manager</b>	Aberdeen Fund Managers Limited
<b>AIC</b>	Association of Investment Companies
<b>AIFM</b>	the alternative investment fund manager, being AFML
<b>AIFMD</b>	The Alternative Investment Fund Managers Directive
<b>Asset Cover</b>	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
<b>CULS</b>	The £33.08 million nominal of 3.5% Convertible Unsecured Loan Stock 2019
<b>CULS Conversion Date</b>	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")
<b>CULS Conversion Price</b>	The CULS is convertible semi-annually on the Conversion Date on the basis of 830p nominal of CULS for one Ordinary share. This equated to a 15% premium to the unaudited NAV per Ordinary share (including income) of 725p at 14 May 2012, rounded down to the nearest 5 pence
<b>Discount</b>	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
<b>Dividend Cover</b>	Earnings per share divided by dividends per share expressed as a ratio
<b>Dividend Yield</b>	The annual dividend expressed as a percentage of the share price
<b>FRC</b>	Financial Reporting Council
<b>Leverage</b>	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.
<b>Net Asset Value or NAV</b>	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.
<b>Net Gearing</b>	Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
<b>Ongoing Charges</b>	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard.
<b>PIDD</b>	The pre-investment disclosure document made available by the AIFM in relation to the Company
<b>Premium</b>	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.
<b>Prior Charges</b>	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.
<b>Total Assets</b>	Total assets less current liabilities (before deducting prior charges as defined above).
<b>Total Return</b>	Total return involves reinvesting the net dividend in the month that the share price goes up. 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.

# Your Company's Share Capital History

## Issued Share Capital at 31 July 2015

37,958,890	Ordinary shares of 25p (excluding treasury shares)
1,218,290	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
12 December 2014	3,510 new Ordinary shares issued following conversion of 29,188 units of CULS
12 June 2015	573 new Ordinary shares issued following conversion of 4,790 units of CULS
Year ended 31 July 2015	142,000 Ordinary shares purchased for treasury at a discount to NAV







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