

# Aberdeen Asian Smaller Companies Investment Trust PLC

Annual Report and Accounts  
31 July 2012

2012



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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.** If you have sold or otherwise transferred all your Ordinary shares in Aberdeen Asian Smaller Companies Investment Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

# Financial Highlights

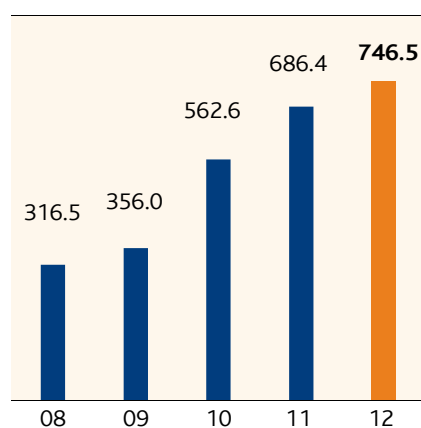
	2012	2011
Share price total return	<b>+12.5%</b>	+38.3%
Net asset value capital return <sup>A</sup>	<b>+8.8%</b>	+22.0%
Net asset value total return <sup>A</sup>	<b>+11.0%</b>	+23.9%
Ordinary dividend per share <sup>B</sup>	<b>9.50p</b>	9.50p
Special dividend per share <sup>B</sup>	<b>3.00p</b>	2.80p

<sup>A</sup> Due to all outstanding warrants being exercised during the financial year to 31 July 2011 the basic net asset value performance for the year to 31 July 2011 is based against the diluted net asset value as at 31 July 2010. This has been done to ensure the true uplift in the period is reflected.

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

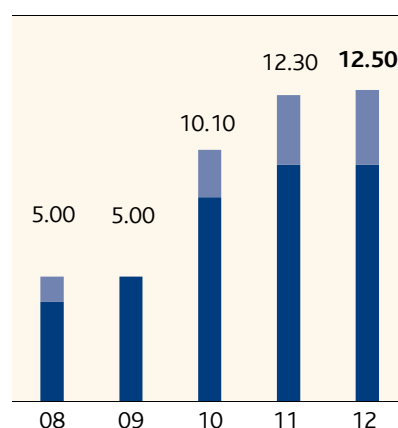
## Net asset value\* per share

At 31 July – pence



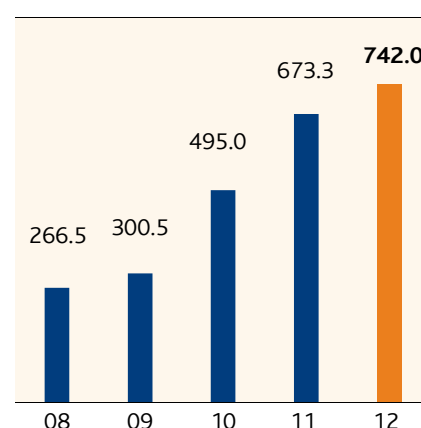
## Dividends per share

pence



## Mid-market price per share

At 31 July – pence



\*Diluted values used for 2007-2010.

■ Final ■ Special

# Financial Calendar

<b>28 September 2012</b>	Announcement of results for the year ended 31 July 2012
<b>1 November to 30 November 2012</b>	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
<b>21 November 2012</b>	Annual General Meeting at 11.30 a.m.
<b>23 November 2012</b>	Payment of final and special dividends for year ended 31 July 2012
<b>30 November 2012</b>	CULS Conversion Date
<b>March 2013</b>	Announcement of half yearly results for the six months ending 31 January 2013
<b>1 March to 31 March 2013</b>	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
<b>31 March 2013</b>	CULS Conversion Date
<b>September 2013</b>	Announcement of annual results for the year ending 31 July 2013

# Corporate Summary

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## Aberdeen Asian Smaller Companies Investment Trust PLC (the "Company")

The Company is an investment trust and its shares are listed on the London Stock Exchange. It is a member of the Association of Investment Companies ("AIC").

### Manager

Aberdeen Asset Management Asia Limited ("AAM Asia" or "the Manager"), 21 Church Street, #01-01 Capital Square Two, Singapore 049480.

### Investment Objective up to 17 May 2012

The investment objective of the Company up to 17 May 2012, was 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\$750m at the time of investment) in the economies of Asia and Australasia, excluding Japan.

### Investment Objective from 17 May 2012

The investment objective of the Company, approved by shareholders at the General Meeting held on 17 May 2012, is to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$1 billion at the time of investment) in the economies of Asia and Australasia, excluding Japan.

### Investment Policy

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 including Australia, Bangladesh, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan and Thailand, together with such other countries in Asia as the Directors may from time to time determine, (collectively, the "Investment Region").

Investments may also be made through collective investment schemes and in companies traded on stock markets outside the Investment Region provided that over 75 per cent. of their consolidated revenue is earned from trading in the Investment Region or they hold more than 75 per cent. of their consolidated net assets in the Investment Region.

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

The Company does not invest more than 15 per cent. of its gross assets at the time of investment either in other listed investment companies (including listed investment trusts), or in the shares of any one company.

### Achieving the Investment Policy

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day to day management of the Company's assets has been delegated to AAM Asia. The Manager invests in a diversified range of companies throughout the Investment Region in accordance with the investment policy. The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value. No stock is bought without the fund managers having first met management. The Manager estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Top-down investment factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. Except for the maximum market capitalisation limit little regard is paid to market capitalisation. The Manager is authorised to invest up to 10% of the Company's gross assets in any single stock although circumstances may occasionally arise when it may be in shareholders' interests to make an investment that exceeds this level.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 20. A comprehensive analysis of the Company's portfolio is disclosed on pages 14 to 18 including a description of the ten largest investments, the top 50 investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 65 holdings.

### Benchmark

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

### Capital Structure

At 31 July 2012 the Company had a capital structure comprising 37,146,500 Ordinary shares (of which 34,960,210

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Ordinary shares are in issue and 2,186,290 Ordinary shares are held in treasury). The Company also had £35 million nominal of Convertible Unsecured Loan Stock ("CULS") in issue at that date.

### Ordinary Share Rights

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

- a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;
- b) the right, on a return of assets on liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of Ordinary shares; and
- c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

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

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

### Total Assets and Net Asset Value

The Company had total assets (see definition on page 55) of £294.16 million and a net asset value per Ordinary share of 746.55p per share at 31 July 2012.

### Websites

[www.asian-smaller.co.uk](http://www.asian-smaller.co.uk)  
[www.aberdeen-asset.com](http://www.aberdeen-asset.com)

### Company Secretary

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

Email: [company.secretary@invtrusts.co.uk](mailto:company.secretary@invtrusts.co.uk)

### Customer Services

Freephone: 0500 00 00 40  
(open Monday – Friday, 9am - 5pm)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

### Duration

The Company does not have a fixed life.

### Principal Risk Factors

#### 1. General Market Risks

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

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

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

1.4 An investment in the Company should constitute part of a diversified investment portfolio and is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment



and who have sufficient resources to bear any loss which may result from such investment.

### 2. CULS

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

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

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

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

similar provisions relating to or affecting creditors' rights generally.

### 3. Ordinary Shares

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

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

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

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

### 4. The Company's Investments

4.1 Investment in Far East equities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk.

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

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

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

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

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

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

## **5. Gearing**

5.1 The CULS provides gearing for the Company. All gearing used by the Company must be in accordance with its

investment policy. Whilst the use of gearing should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the costs associated with the gearing, it will have the opposite effect where the underlying return is less than the cost of borrowing, further reducing the total return on the Ordinary Shares.

5.2 The use of borrowings by the Company may increase the volatility of the NAV and market price of the Ordinary Shares and, as a result, the market price of the CULS.

## **6. Foreign Exchange**

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

## **7. Taxation**

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

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

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

## **8. Accounting Practices and Policies**

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

8.2 The interest expense on the CULS is calculated according to the effective interest rate method by assuming the

coupon rate of an equivalent non-convertible obligation of the Company. The interest expenses on the CULS is charged to the revenue account in accordance with the Company's existing policy of charging all expenses to the revenue account. This could reduce the level of profit available for the payment of dividend and could reduce the returns to Ordinary Shareholders.

### 9. The Manager

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

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

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

### 10. Legal and Regulatory

The EU Alternative Investment Fund Managers Directive (the "Directive") is due to be implemented on 1 January 2013. Investment Companies, including investment trusts, will constitute alternative investment funds for the purposes of the Directive, which will regulate, *inter alia*, the management of the Company by the Manager and marketing of the Company's securities. Requirements of the Directive include increased disclosure obligations on the Company, ensuring that the Company has an appropriately authorised institution acting as its "depository", the requirement to have independent portfolio valuations and ensuring that any delegate of the Investment Manager is agreed to by the FSA. Whilst certain provisions of the Directive may benefit the Company (such as the increased ability to market the

Company's securities to professional investors throughout the EU), some of these changes may have significant consequences for the Company (and all similar investment companies) and might materially increase compliance and regulatory costs.

### Share Dealing/PEP/ISA status

Shares in the Company can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes and qualify fully for inclusion within tax-efficient ISA wrappers (see page 54).

### Management Agreement

The Company has an agreement with AAM Asia for the provision of management services, details of which are shown in notes 3 and 4 to the financial statements.

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



# Chairman's Statement

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**Nigel Cayzer**  
Chairman

## Results

For the year ended 31 July 2012, I am very pleased to report an increase in Net Asset Value on a total return basis of 11.0% and in the share price of 12.5%. This excellent result, in a year of considerable economic difficulty, compares with a fall in the MSCI AC Asia Pacific ex Japan Small Cap Index of 16.2% and MSCI AC Asia ex Japan Index of 5.2% (currency adjusted with dividends reinvested).

Since the Company's inception in 1995, the annualised return in terms of share price total return has been 15.0% compared to 5.8% for the currency adjusted MSCI AC Asia Pacific ex Japan Index. £100 invested in the Company's shares in 1995 would have been worth £938 as at 31 July 2012 with dividends having been reinvested compared to £158 if invested in the index or £187 if invested in the FTSE All-share. The £938 figure includes the reinvestment of dividends amounting to 62.5p per Ordinary share that were paid over the period but excludes the dividends proposed below as well as any further benefit that accrued to the original subscribing shareholders who were also issued with one free Warrant to subscribe for Ordinary shares for every five Ordinary shares purchased at launch. In a recent Association of Investment Companies Olympic Press release, your Company was awarded the Silver Medal for the best performing member company over five years and the Gold Medal for ten years.

This strong performance is a testament to the investment philosophy pursued by Hugh Young and his team at Aberdeen investing only in companies with good management, strong balance sheets and excellent growth potential. This long term approach, aided by fundamental research, has led to a very stable portfolio. It has been pleasing to see so many companies, in which we have an investment, flourish over a long period.

## Dividend

Subject to market conditions, it is your Company's aim to maintain or increase the Ordinary dividend. Therefore, we are very pleased to recommend for this year the payment of a maintained final dividend of 9.5p per Ordinary share (2011: 9.5p) and the payment of a special dividend of 3.0p (2011: 2.8p) to reflect the level of special dividends that were

received during the year. If approved by shareholders at the Annual General Meeting of the Company on 21 November 2012, the final and special dividends will be paid on 23 November 2012 to shareholders on the register on 19 October 2012.

## Overview

As highlighted in the Manager's Review, Asian markets endured a difficult year. The fiscal problems of the developed nations, leading to America's first-ever credit rating downgrade and persistent speculation of a Eurozone breakup, weighed heavily on market sentiment. This, combined with slow economic growth, had an inevitable effect on Asia. China saw a reduction in economic activity and India has, once again, been hampered by the slow pace of reform. A lower inflationary outlook allowed most Asian Central Banks to loosen monetary policy and investors were cheered, albeit briefly, by interest rate cuts in Beijing and Delhi.

The Manager's detailed knowledge of the region and its companies helped overcome these travails. The broad range of stocks held in the portfolio, with their tilt towards the domestic consumer, assisted performance but as is discussed in the Manager's Review, while some benefited, others saw cost pressures. However, strong balance sheets should offer a measure of protection for those affected by the current climate. Asian economies are in a better position to weather these difficult times as the economic fundamentals are stronger than their Western counterparts. This will benefit and protect the stronger companies of the region over the medium term and with the constant emphasis Hugh Young and the team place on quality, we would expect to see our investments emerge from this period intact and hopefully stronger.

Smaller companies remain compelling investments. I would like, however, to point out that smaller companies face many of the same risks as their larger counterparts, and in times of heightened risk aversion, may sustain steeper falls in share prices. The falls in the MSCI AC Asia Pacific ex Japan Index and MSCI AC Asia Pacific ex Japan Small Cap Index during the review period are evidence of this. In the same vein, your Company will not be immune to periods of underperformance.

Nevertheless, small caps in Asia have fared better than large caps in eight of the past twelve years. The attractions of the asset class are undeniable. It is a proxy for domestic demand in economies that are still at early stages of development and often characterised by young populations with low debt levels and rising middle class aspirations. Opportunities for mergers and acquisitions are abundant as well-run local firms with market leading positions, such as those in the Company's portfolio, prove a draw for multinationals seeking a foothold. This is especially true of Southeast Asia, to which

we are overweight, rather than the more export-reliant North Asia, where we have a relatively lighter exposure.

As I have said above, the key to long-term outperformance is rigorous stock selection. Here, your Manager continues to rely on a well-resourced team that conducts intensive research and frequent management visits that have buttressed the performance of your Company. In an asset class that still receives limited coverage, this approach in identifying winning companies, while avoiding market fads, has paid dividends.

## Gearing, Investment Policy and Share Capital

I wrote to you in April 2012 with details of a proposed Placing and Open Offer of up to £35 million of Convertible Unsecured Loan Stock 2019 ("CULS") and on 17 May 2012 shareholders approved the proposals resulting in the issue of the full £35 million of CULS on 18 May 2012. The new CULS pays interest at the rate of 3.5% per annum and provides holders with the opportunity to convert semi-annually in the twenty-eight days preceding 30 November and 31 May into new Ordinary shares on the basis of one new Ordinary share for every 830p worth of nominal CULS held. As part of this CULS issue the Company repaid its loan facility with the Royal Bank of Scotland plc. Following the issue of CULS, the Company's year-end actual gearing stood at 10.0% of the net assets. This represents an increase from previous years but is well within the limits set by the Board. 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.

As part of the CULS proposals shareholders also approved a minor adjustment to the Company's investment policy to allow the Company to invest in companies with market capitalisations of up to approximately US\$1 billion at the time that an investment is made. This will maximise the investment opportunities available to the Manager.

Subsequent to the period end the Company has started to sell shares from treasury that had originally been purchased back in 2007 and 2008 at discounts in excess of 14%. It is very pleasing to be able to re-sell these shares at a premium to the inclusive of income net asset value per Ordinary share in order to satisfy the strong current demand. To date 310,000 shares have been sold from treasury and a further 1,876,290 treasury shares remain available for sale in the future subject to demand.

## Annual General Meeting

The Annual General Meeting is scheduled to be held on 21 November 2012 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. At the conclusion of the AGM there will be an opportunity for shareholders to meet the Board over a buffet lunch and your Board looks forward to seeing as many shareholders as possible.

## Outlook

Global growth is likely to stay subdued in the year ahead. Fiscal challenges in the US and Europe will continue to hamper recovery for some time. In Asia, structural rebalancing towards domestic consumption continues apace, but exports have been hurt by slowing Western demand. Relying on China or India to pick up the slack from the advanced nations is still premature. The mainland has its own worries, foremost being the lingering threat of a property bubble, while India has the hard task of trying to restore investor confidence after a series of policy missteps by a government trapped in political difficulties. Meanwhile, droughts stretching from the US and Russia to China and Australia have renewed inflationary pressures, complicating the outlook for further monetary easing.

The very uncertain outlook for the World economy will give both Asia and the companies in which we are invested some significant challenges in the year ahead. However, as we have seen during the last 17 years, the fundamental strengths of our portfolio have seen us through difficult times and, as the figures this year have demonstrated, with some pleasing results. It is impossible to make any short term predictions but we are confident that the policy that has been so successful in the past will prove resilient and rewarding in the future.

## Nigel Cayzer

Chairman

28 September 2012

# Manager's Review

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## Overview

Asian equities fell during the year under review, as sentiment vacillated between hopes of a resolution to Europe's debt crisis and disappointment over perceived inadequacy of policy responses. Other market stresses included economic frailty in the US and risks to growth in Asia. This resulted in a repeated cycle of steep falls followed by brief periods of recovery. Overall, a flight to quality was also evident as investors turned cautious and favoured the more defensive stocks and sectors within equities, as well as safe havens like bonds within asset classes.

The biggest sell-off was in September, when the US lost its triple-A sovereign credit rating, the Eurozone crisis escalated, and China's initial tightening raised worries of a hard landing. Another weak stretch was from March to May, when a spike in Spanish bond yields and uncertainty over Greece's Eurozone status reignited contagion fears. Policy support was most evident between October and February, with a slew of confidence-boosting attempts that included liquidity injections into the global financial system by major central banks, the provision of cheap, long-term loans to Eurozone banks, and the commitment to near-zero interest rates by the US Federal Reserve.

Asian economies continued to decelerate. Persistent weakness in developed markets hurt exports and manufacturing output, which stung the more open economies. China's slowdown was disconcerting, given the importance of mainland demand in the region. GDP growth cooled significantly in Korea, Hong Kong, Singapore and Taiwan. But domestically-oriented economies proved resilient. Malaysia and Indonesia were buttressed by higher investment and consumption. Philippine exports and remittances remained healthy. Consumer spending was solid in Thailand. But India proved an exception, the victim of its own foibles. The incessant infighting within the ruling coalition reduced policymaking to a farce.

On a more positive note, inflation, which had intensified because of rising food costs, eased as oil and commodity prices retreated in line with slowing growth. Policy focus changed accordingly from tightening to loosening, given the added impetus to shield economies from stiff global headwinds. Significantly, China cut interest rates for the first time in four years.

## Portfolio review

The portfolio delivered another year of solid outperformance amid difficult times, which underscored the quality, depth and defensiveness of our holdings. This excellent result was driven by our heavy exposure to South-east Asia and to the consumer sector. Our overweight position is based on our conviction that the expanding middle class and its growing

affluence will underpin the structural growth of domestic consumption.

The lack of exposure to China boosted performance, given a spate of scandals amongst China's smaller companies amid the weakening economic backdrop. While China appears attractive from a top-down perspective, it is a different story at the corporate level. Thus, we prefer to gain exposure to China via well-established Hong Kong-domiciled companies with growing mainland businesses. Hong Kong is also better regulated and administered, and has higher disclosure requirements for its listed companies.

Our consumer holdings in South-east Asia stood out. In Malaysia, retailer Aeon Co was boosted by healthy sales. Brewer Guinness Anchor extended its market leadership through effective advertising and promotions. United Plantations, one of Asia's most efficient oil palm plantation companies, benefited from expansion into Indonesia. Shangri-La Hotels performed well on expectations of a recovery in occupancy after renovating a major resort near Kota Kinabalu in Malaysia. Elsewhere, Jollibee Foods, which runs the Philippines' biggest fast-food chain, gained from a bigger and more loyal customer base. Thailand's Siam Makro, a leading cash-and-carry wholesaler, delivered steady profits. In Indonesia, dominant beer-maker Multi Bintang was buoyed by decent results. Outside of South-east Asia, India's Godrej Consumer Products posted better-than-expected earnings while retailer Aeon Stores Hong Kong was bolstered by its China business.

Other non-consumer stocks that did well included Indonesian cement-maker Holcim, whose earnings were underpinned by healthy demand from the property sector. The company also expanded capacity to capitalise on housing growth and infrastructure spending in the country. Philippine property developer Cebu Holdings saw significant re-rating owing to its attractive valuations as well as broader optimism over the country's prospects, given increasing political stability and the government's strengthening fiscal position. Thai utility group Eastern Water Resources posted higher sales and kept a tight rein on costs.

However, the tougher operating environment proved more challenging for some holdings. Cost pressures hurt publisher Hong Kong Economic Times and Hung Hing Printing, but their balance sheets remained healthy. Elsewhere, India's Gujarat Gas was affected by uncertainty over a possible divestment by its British parent, BG Group, and regulatory proposals that could squeeze profit margins. A rapid slowdown in IT spending weighed on niche technology company CMC, although its latest results indicated that its project pipeline was gaining traction. Commercial Bank of Ceylon's weaker quarterly earnings were compounded by a significant devaluation of the Sri Lankan rupee. Korean

regional lender DGB Financial Group grappled with a sluggish domestic economy, although loans grew and net interest margins stabilised.

### Portfolio activity

As mentioned in the interim report, we added one new holding in Singapore-listed Eu Yan Sang, a well-regarded name in the traditional Chinese medicine sector, in the first half of the year. Thereafter, we initiated positions in two other companies. We introduced Aeon Credit Service Malaysia, part of the Aeon Group. The company has grown steadily from humble beginnings and focuses on offering personal loans and vehicle financing to the mass market, where penetration remains low. Another new holding was Dah Sing Financial, a conservative financial group with good exposure to both Hong Kong and China, given its appealing valuation and asset quality. Smaller Hong Kong lenders like Dah Sing are attractive acquisition targets for foreign banks that are keen to capitalise on the growing internationalisation of the yuan.

After holding the stock for more than a decade, we sold Philippine liquor-maker Ginebra San Miguel because of its deteriorating prospects and stretched balance sheet.

In significant portfolio news, we voted against Hong Kong-based Asia Satellite's privatisation scheme, which was eventually rejected by minority shareholders. We view this outcome as positive because we felt that management's offer undervalued the company, particularly in light of its ability to continue to capture growth in the sector.

### Outlook

Tougher times lie ahead. As in the year past, external demand is likely to remain anaemic, given that economic conditions have remained fundamentally unchanged in Europe and the US. There is limited capacity for policy responses to boost economies in developed markets in view of the low interest rate environment, although policymakers appear committed to undertaking extraordinary measures to shore up liquidity. While these measures have brought about some stability, significant implementation risks remain particularly because the long-drawn crisis has sapped governments' ability to pursue expansionary fiscal policies. Meanwhile, growth across most of Asia is slowing at the macroeconomic and corporate levels. We certainly expect further pressure on costs and margins, with earnings growth to be in single-digits or even flatten in the quarters ahead. Our companies are sensibly building up cash and boosting capital to strengthen their balance sheets. Coupled with competent management and steady cashflow, we are confident that they are well positioned to withstand the headwinds that are likely to intensify in the year ahead.

### Aberdeen Asset Management Asia Limited

28 September 2012

# Results

## Financial Highlights

	31 July 2012	31 July 2011	% change
Total assets (see definition on page 55)	£294,157,000	£245,326,000	+19.9
Total equity shareholders' funds (net assets)	£260,994,000	£239,965,000	+8.8
Share price (mid market)	742.00p	673.25p	+10.2
Net Asset Value per share	746.55p	686.39p	+8.8
Discount to Net Asset Value	0.6%	1.9%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	503.14	548.75	-8.3
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis)	1,032.84	1,272.19	-18.8
Actual gearing (see definition on page 55)	10.0%	0.7%	
Potential gearing (see definition on page 55)	12.7%	2.2%	
<b>Dividends and earnings</b>			
Total return per share <sup>A</sup>	68.56p	137.91p	
Revenue return per share	13.18p	15.42p	-14.5
Dividends per share <sup>B</sup>	12.50p	12.30p	+1.6
Dividend cover	1.05	1.25	-16.0
Revenue reserves <sup>C</sup>	£8,513,000	£8,206,000	+3.7
<b>Operating costs</b>			
Ongoing Charges Ratio <sup>D</sup>	1.51%	1.28%	

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

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

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

<sup>D</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. The figures for 2011 have been restated. 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	Since inception
Share price	+12.5	+159.6	+154.2	+938.3
Net Asset Value per Ordinary share	+11.0	+120.1	+122.7	+860.9
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	-5.2	+34.8	+32.4	+157.9
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted)	-16.2	+28.3	+10.5	N/A

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

## Dividends

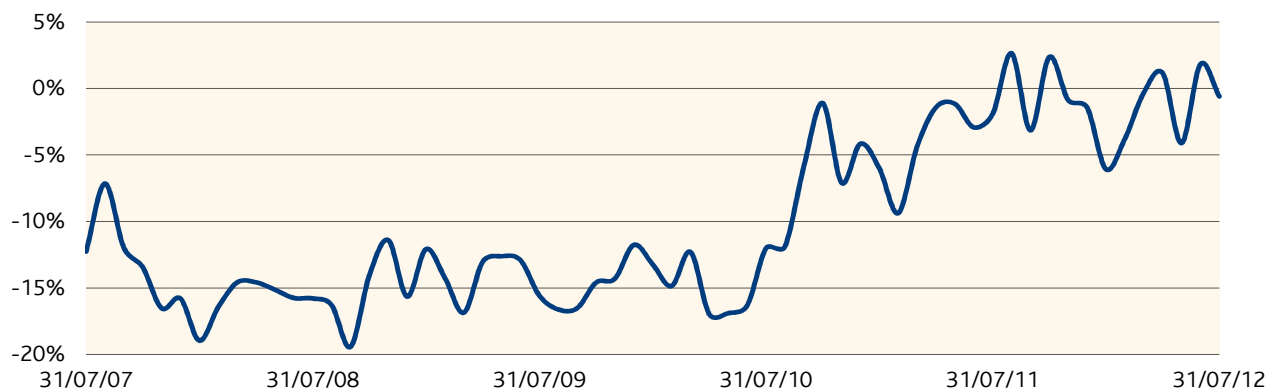
	Rate	xd date	Record date	Payment date
Proposed final 2012	9.50p	17 October 2012	19 October 2012	23 November 2012
Proposed special 2012	3.00p	17 October 2012	19 October 2012	23 November 2012
	12.50p			
Final 2011	9.50p	26 October 2011	28 October 2011	2 December 2011
Special 2011	2.80p	26 October 2011	28 October 2011	2 December 2011
	12.30p			



# Performance

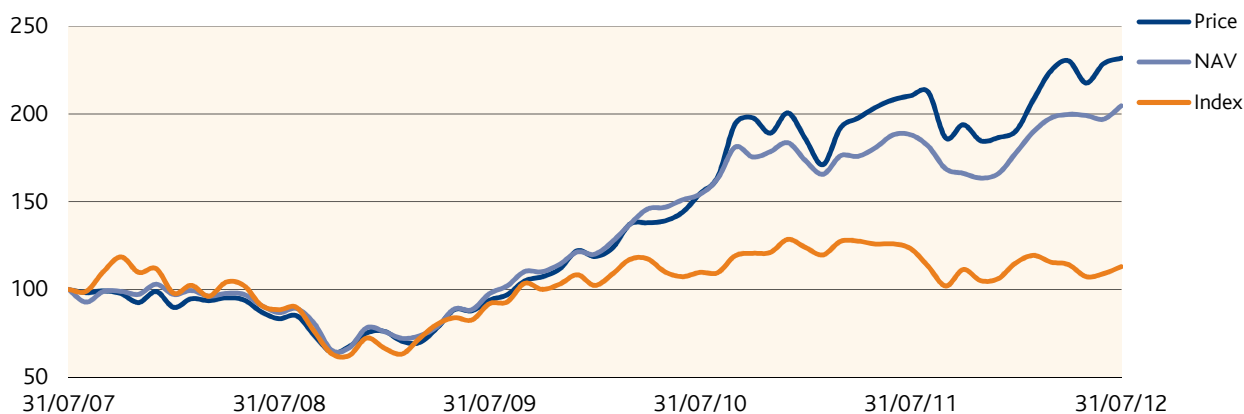
## Share Price Premium/(Discount) to NAV

Five years to 31 July 2012



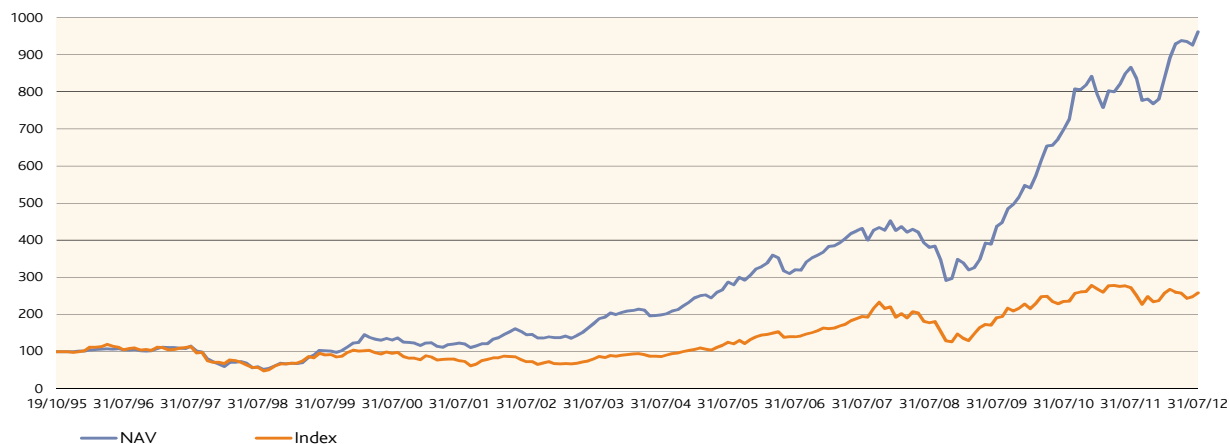
## Capital Return of Diluted NAV and Share Price vs MSCI AC Asia Pacific ex Japan Index (sterling adjusted)

Five years to 31 July 2012 (rebased to 100 as at 31/07/07)



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

19 October 1995 to 31 July 2012 (rebased to 100 as at 19/10/95)



## Ten Year Financial Record

Year to 31 July	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total revenue (£'000)	2,338	3,077	3,473	5,080	5,485	5,021	4,954	6,103	8,380	9,168
<b>Per share (p)</b>										
Net revenue return	3.12	4.01	4.54	7.25	6.98	5.88	6.75	12.85	15.42	13.18
Total return	34.52	25.48	95.93	31.48	108.38	(50.80)	48.21	236.82	137.91	68.56
Net ordinary dividends paid/proposed	3.10	3.10	3.45	3.45	3.45	4.00	5.00	8.20	9.50	9.50
Net special dividends paid/proposed	–	–	–	2.70	2.70	1.00	–	1.90	2.80	3.00
<b>Net asset value per share (p)</b>										
Basic	173.22	195.60	287.94	306.56	404.18	347.24	390.96	619.37	686.39	746.55
Diluted	158.04	175.78	251.25	276.45	364.77	316.46	355.95	562.57	n/a	n/a
<b>Shareholders' funds (£'000)</b>	46,345	52,332	83,082	98,669	131,679	109,829	121,963	192,851	239,965	260,994

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

# Investment Portfolio – Ten Largest Investments

As at 31 July 2012

Company	Sector	Country	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
<b>Multi Bintang Indonesia</b> A subsidiary of Asia Pacific Breweries and an affiliate of Heineken in Indonesia.	Beverages	Indonesia	13,237	4.5	11,362
<b>AEON Co (M)</b> Operator of general merchandise stores, supermarkets and convenience stores.	Multiline Retail	Malaysia	11,494	3.9	8,366
<b>Siam Makro</b> A subsidiary of SHV Netherlands, a cash and carry wholesaler with a network of outlets in Thailand.	Food & Staples Retailing	Thailand	10,643	3.6	10,090
<b>Bukit Sembawang Estates</b> Singapore-based residential property developer with a large land bank.	Real Estate Management & Development	Singapore	9,362	3.2	8,389
<b>LPI Capital</b> Malaysia-based insurance company involved in underwriting fire, motor, marine, aviation, transit and miscellaneous insurance.	Insurance	Malaysia	8,693	3.0	8,946
<b>Godrej Consumer Products</b> A leading FMCG company in India with strong market-leading brands in soaps and hair colour.	Personal Products	India	8,615	2.9	7,253
<b>Bank OCBC NISP</b> Majority owned by Singapore's OCBC, it specialises in lending to the small and medium-sized business segment.	Commercial Banks	Indonesia	8,166	2.8	8,440
<b>United Plantations</b> With plantations in Malaysia and Indonesia, the company is in the cultivation and processing of palm oil business.	Food Products	Malaysia	7,968	2.7	6,360
<b>Giordano International</b> A Hong Kong based fashion and clothing retailer with a presence across Asia.	Specialty Retail	Hong Kong	7,682	2.6	8,008
<b>WBL Corporation</b> Investment holding company with listed technology subsidiaries, property development, automotive sales, and engineering & distribution in Singapore, Malaysia, Australia and China.	Electronic Equipment, Instruments & Components	Singapore	7,400	2.5	4,986
<b>Top ten investments</b>			<b>93,260</b>	<b>31.7</b>	

# Investment Portfolio – Other Investments

As at 31 July 2012

Company	Sector	Country	Valuation	Total	Valuation
			2012 £'000	assets %	2011 £'000
M.P. Evans Group	Food Products	Other Asia	7,190	2.5	4,732
Asian Terminals	Transportation Infrastructure	Philippines	6,956	2.4	6,081
Cebu Holdings	Real Estate Management & Development	Philippines	6,753	2.3	3,213
Guinness Anchor	Beverages	Malaysia	6,379	2.2	4,849
Tisco Financial Group	Commercial Banks	Thailand	6,209	2.1	4,755
AEON Stores Hong Kong	Multiline Retail	Hong Kong	6,067	2.1	4,865
Hana Microelectronics	Electronic Equipment, Instruments & Components	Thailand	6,006	2.0	5,775
Shangri-La Hotels Malaysia	Hotels, Restaurants & Leisure	Malaysia	5,972	2.0	4,018
Eastern Water Resources Development and Management	Water Utilities	Thailand	5,733	1.9	3,656
Castrol India	Chemicals	India	5,087	1.8	5,983
Top twenty investments			<b>155,612</b>	<b>53.0</b>	
CMC	IT Services	India	5,003	1.8	2,546
Holcim Indonesia	Construction Materials	Indonesia	4,734	1.6	3,966
Wheelock Properties (S)	Real Estate Management & Development	Singapore	4,655	1.6	4,707
ARB Corporation	Specialty Retail	Australia	4,646	1.6	3,581
United Malacca	Food Products	Malaysia	4,601	1.6	3,896
Dah Sing Financial Holdings	Commercial Banks	Hong Kong	4,482	1.5	–
Hong Kong Economic Times Holdings	Media	Hong Kong	4,449	1.5	4,693
Convenience Retail Asia	Food & Staples Retailing	Hong Kong	4,413	1.5	3,243
Unilever Pakistan	Food Products	Pakistan	4,370	1.5	3,415
Asia Satellite Telecommunications Holding	Diversified Telecommunication Services	Hong Kong	4,218	1.4	3,280
Top thirty investments			<b>201,183</b>	<b>68.6</b>	
Public Financial Holdings	Diversified Financial Services	Hong Kong	4,195	1.4	3,007
AEON Credit Service (Asia)	Consumer Finance	Hong Kong	4,132	1.4	1,964
AEON Thana Sinsap (Thailand) <sup>A</sup>	Consumer Finance	Thailand	4,086	1.4	2,134
Jollibee Foods Corporation	Hotels, Restaurants & Leisure	Philippines	4,035	1.4	3,771
AEON Credit Service (M)	Consumer Finance	Malaysia	3,912	1.3	–
Gujarat Gas Co	Gas Utilities	India	3,788	1.3	6,141
Jammu & Kashmir Bank	Commercial Banks	India	3,551	1.2	4,054
Tasek Corporation	Construction Materials	Malaysia	3,512	1.2	1,642
Kansai Nerolac Paints	Chemicals	India	3,274	1.1	3,938
Pos Malaysia	Air Freight & Logistics	Malaysia	3,253	1.1	3,590
Top forty investments			<b>238,921</b>	<b>81.4</b>	

## Investment Portfolio – Other Investments continued

Company	Sector	Country	Valuation	Total	Valuation
			2012	assets	2011
			£'000	%	£'000
Eu Yan Sang International	Pharmaceuticals	Singapore	3,230	1.1	–
Commercial Bank of Ceylon	Commercial Banks	Sri Lanka	3,085	1.0	4,110
Sanofi India	Pharmaceuticals	India	3,059	1.0	3,536
Chevron Lubricants Lanka	Oil, Gas & Consumable Fuels	Sri Lanka	3,000	1.0	3,109
The HongKong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	2,931	1.0	3,436
YHN Property	Real Estate Management & Development	Malaysia	2,861	1.0	1,739
Millennium & Copthorne Hotels New Zealand	Hotels, Restaurants & Leisure	New Zealand	2,786	0.9	2,436
John Keells Holdings	Industrial Conglomerates	Sri Lanka	2,695	0.9	3,151
CDL Hospitality Trusts	Real Estate Investment Trusts	Singapore	2,576	0.9	2,579
Cafe de Coral Holdings	Hotels, Restaurants & Leisure	Hong Kong	2,386	0.8	1,993
Top fifty investments			<b>267,530</b>	<b>91.0</b>	
Other investments (15)			<b>20,107</b>	<b>6.8</b>	
<b>Total investments</b>			<b>287,637</b>	<b>97.8</b>	
<b>Net current assets</b>			<b>6,520</b>	<b>2.2</b>	
<b>Total assets<sup>B</sup></b>			<b>294,157</b>	<b>100.0</b>	

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

<sup>B</sup> see definition on page 55.

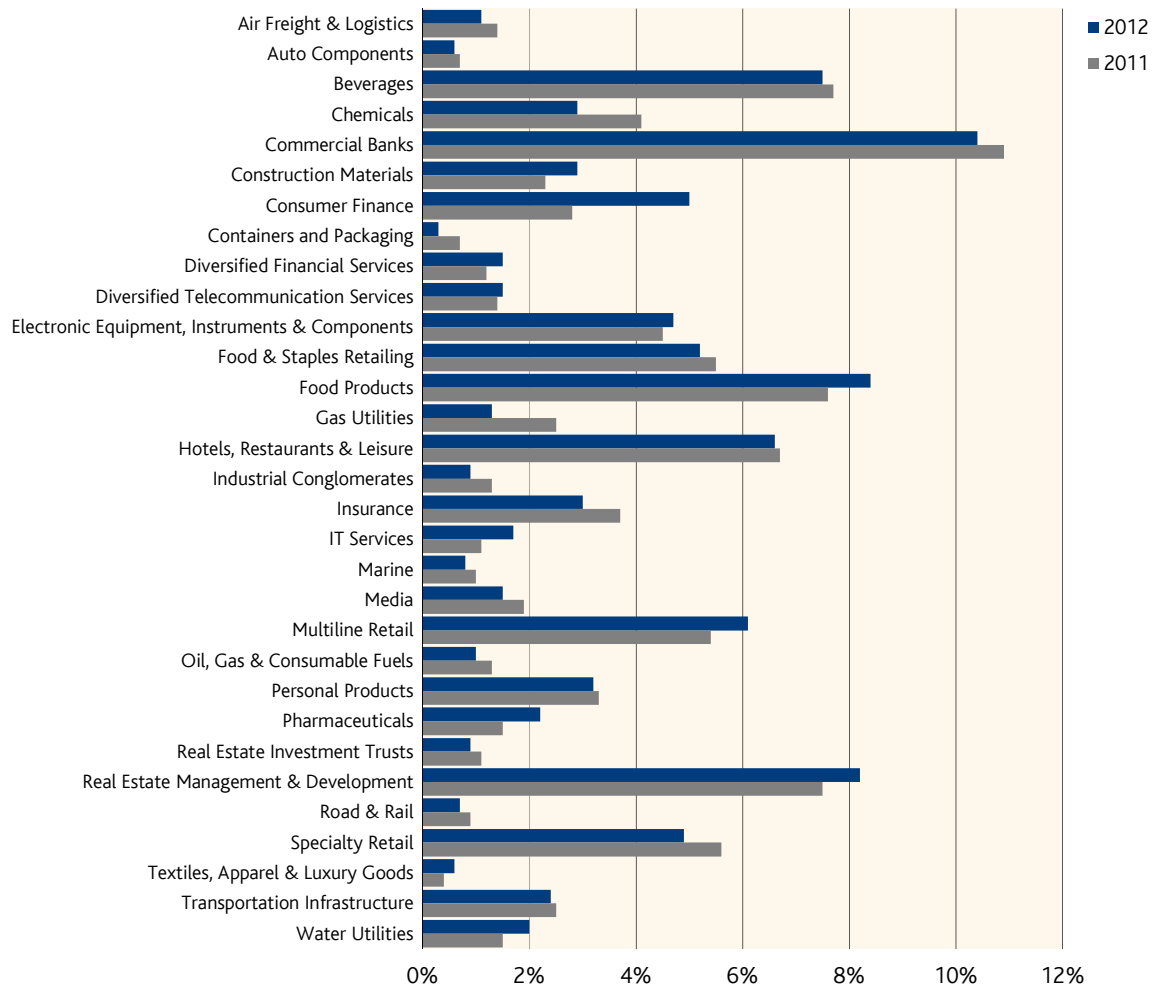
All investments are in equities. For a full portfolio listing for Aberdeen Asian Smaller Companies Investment Trust PLC, please go to [www.asian-smaller.co.uk](http://www.asian-smaller.co.uk).



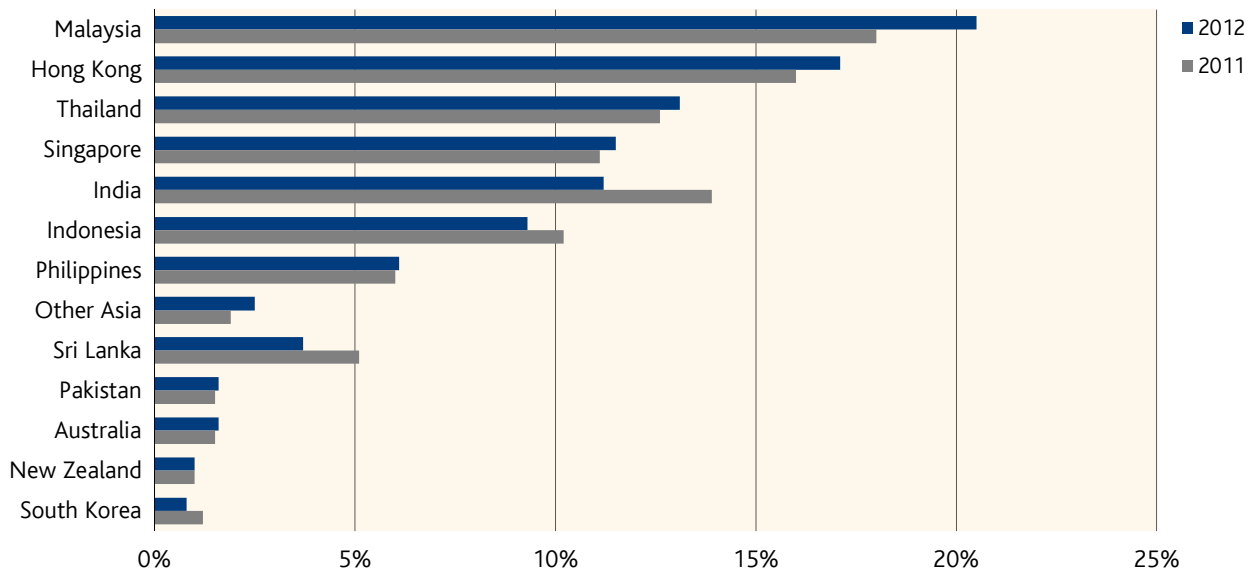
# Sector/Geographical Analysis

As at 31 July 2012

## Sector Breakdown



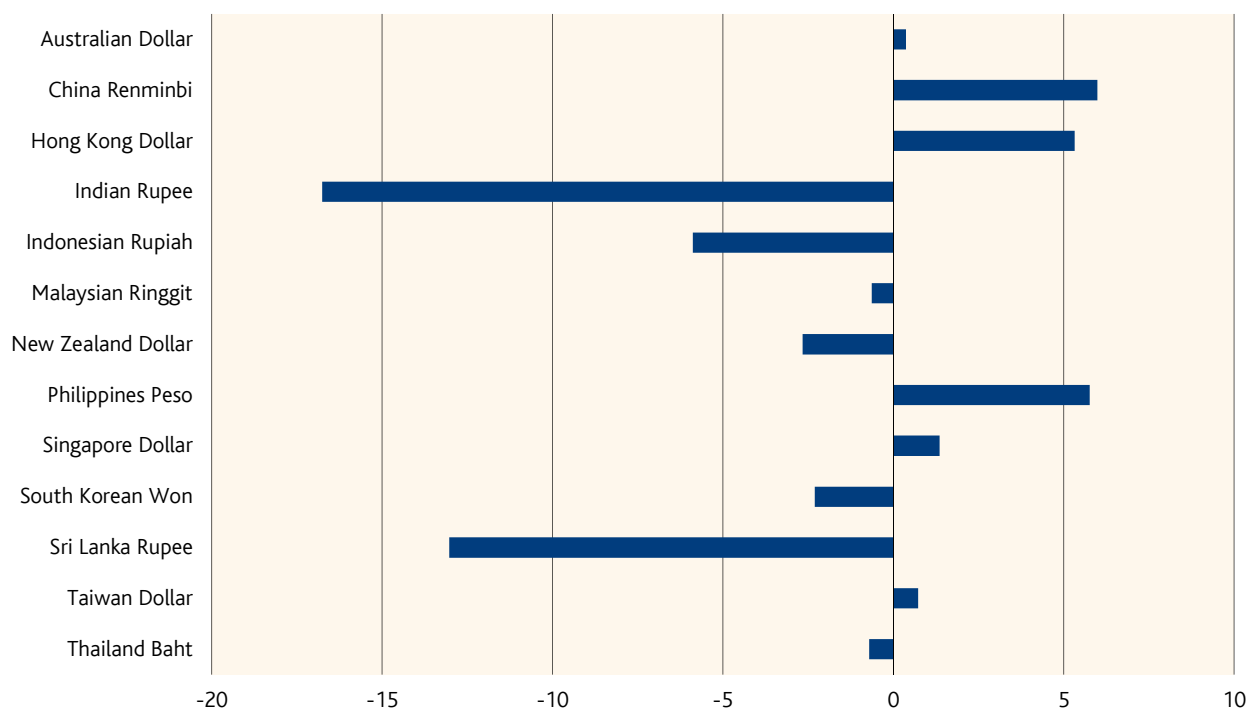
## Geographic Breakdown



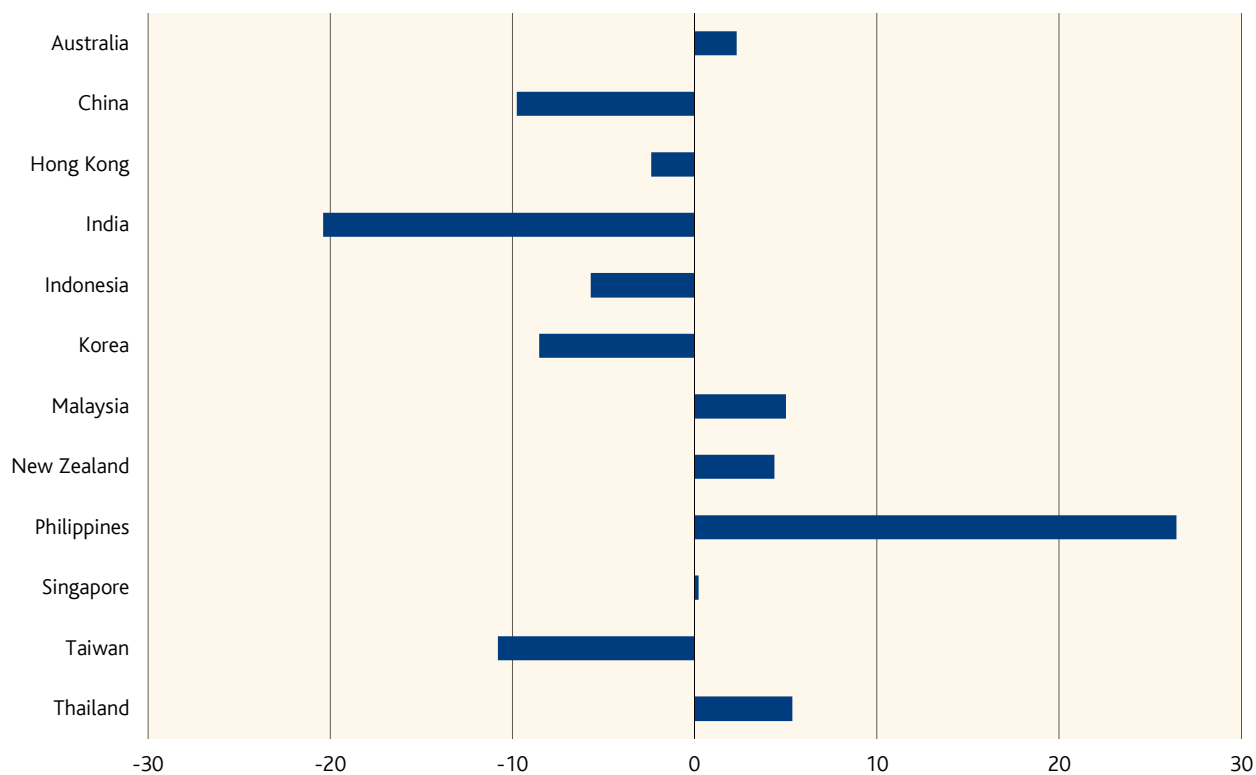
# Currency/Market Performance

Year to 31 July 2012

## Currency Returns (£)



## MSCI Country Index Total Returns (£)



# Information about the Manager

## Aberdeen Asset Management Asia Limited

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

Worldwide, Aberdeen Asset Management manages a combined £186.9 billion (as at 31 July 2012) 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 over 390 staff across the region at 31 July 2012.

Total funds in the region are over £64.9 billion as at 31 July 2012.

Aberdeen Asset Management has its headquarters in Aberdeen with over 20 offices globally including Bangkok, Edinburgh, Frankfurt, Glasgow, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

The Aberdeen Group manages over 39 investment companies and other closed-ended funds representing approximately £9.25 billion of assets under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

## The Investment Team Senior Managers



**Hugh Young**

**Managing Director**

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



**Chou Chong**

**Investment Director**

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



**Flavia Cheong**

**Investment Director**

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



**Chris Wong**

**Senior Investment Manager**

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



**Adrian Lim**

**Senior Investment Manager**

Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined AAM Asia in 2000. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.



**Andrew Gillan**

**Senior Investment Manager**

MA Joint Honours in French and European History from University of Edinburgh. Joined AAM Asia in September 2000.

# The Investment Process

## Philosophy and Style

AAM Asia’s investment philosophy is that markets are not always efficient. At AAM Asia we 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.

AAM Asia, is based in Singapore. Founded in 1992, the office is run by Hugh Young the founding managing director. Hugh Young oversees a team of portfolio managers who act as generalists, cross-covering the region. In addition, AAM Asia has offices in Hong Kong, Kuala Lumpur, Melbourne, Shanghai, Sydney, Taipei, Tokyo and Bangkok.

## Risk Controls

We seek to minimise risk by our 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 index relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

Aberdeen’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.

## Regional Teams



# Your Board of Directors

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



## Nigel Cayzer

**Status:** Independent Non-Executive Chairman

**Age:** 58

**Length of service:** 17 years, appointed Chairman on 28 September 1995

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

**Last re-elected to the Board:** 29 November 2011

**Committee membership:** Nomination Committee (Chairman)

**Remuneration:** £30,000 per annum

**All other public company**

**directorships:** Oryx International Growth Fund Limited and Cayzer Continuation 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



## Haruko Fukuda OBE

**Status:** Independent Non-Executive Director

**Age:** 66

**Length of service:** 9 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:** 25 November 2009

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:** £23,000 per annum

**All other public company**

**directorships:** Investec PLC and Investec S.A.

**Employment by the Manager:** None

**Other connections with Trust or**

**Manager:** None

**Shared Directorships with any other**

**Trust Directors:** None

**Shareholding in Company:** 3,289 Ordinary shares



## Martin Gilbert

**Status:** Non-Executive Director

**Age:** 57

**Length of service:** 17 years, appointed a Director on 20 September 1995

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

**Last re-elected to the Board:** 29 November 2011

**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., FirstGroup PLC, 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:** 86,006

Ordinary shares and £138,708 of CULS

**Alternate Director:** Hugh Young



## Your Board of Directors continued

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### Alan Kemp

**Status:** Independent Non-Executive Director

**Age:** 68

**Length of service:** 16 years, appointed a Director on 16 May 1996

**Experience:** Has been involved in fund management since 1970 and with investment trusts since 1972. He was deputy manager of The Edinburgh Investment Trust plc from 1974 to 1985 and was subsequently deputy chief executive of Dunedin Fund Managers.

**Last re-elected to the Board:** 29 November 2011

**Committee membership:** Audit Committee (Chairman), Management Engagement Committee (Chairman) and Nomination Committee

**Remuneration:** £26,000 per annum

**All other public company**

**directorships:** JPMorgan US Smaller Companies 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:** 26,000

Ordinary shares



### Chris Maude

**Status:** Independent Non-Executive Director

**Age:** 61

**Length of service:** 5 years, appointed a Director on 16 May 2007

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

**Last re-elected to the Board:** 30 November 2010

**Committee membership:** Audit Committee, Management Engagement Committee and Nomination Committee

**Remuneration:** £23,000 per annum

**All other public company**

**directorships:** Cubit Long/Short Commodity Fund

**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



### Hugh Young

**Status:** Alternate Non-Executive Director for Martin Gilbert

**Age:** 54

**Experience:** Was 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 2012.

## Business Review

The business of the Company is that of an investment trust investing in the economies of Asia and Australasia excluding Japan. The objective of the Company is set out on page 2 of this Annual Report. A review of the Company's activities is given in the Corporate Summary on pages 2 to 6 the Chairman's Statement on pages 7 and 8 and the Manager's Review on pages 9 and 10. This includes a review of the business of the Company and its principal activities, likely future developments of the business, recommended dividends and details of the issue of new shares during the year by the Company. The major risks associated with the Company are detailed in the Corporate Summary on pages 3 to 6 and in note 19 to the financial statements. Further details of the risk management objectives and policies are provided in the Statement of Corporate Governance on pages 27 to 30. The Key Performance Indicators for the Company are NAV performance and share price performance and are detailed on page 11.

The Company does not make political donations and has not made any donations for charitable purposes during the year and in common with most investment trusts, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

## Results and Dividends

Details of the Company's results and dividends proposed are shown on page 11 of this Report.

## Principal Activity

The business of the Company is that of an investment trust. The objective of the Company is set out on page 2 of this Report. The Directors do not envisage any change in this activity in the foreseeable future.

## Status

The Company is registered as a public limited company in England & Wales with registered number 03106339 and is an investment company as defined by Section 833 of the Companies Act 2006. The Company is also a member of the Association of Investment Companies.

The Company has been approved by HM Revenue & Customs as an investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010 (formerly Section 842 ICTA) for the year ended 31 July 2011. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2012 so as to be able to continue to obtain approval as an investment trust under Section 1158 of

the Corporation Tax Act 2010 for that year, although approval for that year would be subject to review were there to be an enquiry under the Corporate Tax Self Assessment regime.

The Company intends to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account ("ISA") and it is the Directors' intention that the Company should continue to be a qualifying trust.

## Capital Structure and Borrowings

At 31 July 2012, there were 34,960,210 fully paid Ordinary shares of 25p each (2011 – 34,960,210 Ordinary shares) in issue with a further 2,186,290 Ordinary shares of 25p held in treasury (2011 – 2,186,290 treasury shares). There were no buybacks of Ordinary shares during the year. Subsequent to the year end a total of 310,000 shares were sold from treasury at a premium to the net asset value per share to satisfy demand from the market. Following the sale of treasury shares there are 35,270,210 Ordinary shares in issue and 1,876,290 shares remaining in treasury.

On 18 May 2012 the Company issued £35 million of CULS. The interest rate on the CULS is 3.5% per annum, payable semi-annually in arrears on 30 November and 31 May in each year. CULS holders are entitled to convert their CULS into Ordinary shares every six months from 30 November 2012 until 31 May 2019. 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, which represented a 15% premium to the published (unaudited) NAV per Ordinary share (including income) of 725.0 pence at close of business on 14 May 2012. Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 31 May 2019 at its nominal amount. CULS holders have the power by Extraordinary Resolution to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. CULS holders have the right to receive notice of, but not to attend, Annual General Meetings of the Company.

On 22 May 2012 the Company repaid in full its borrowings with The Royal Bank of Scotland plc and reduced the size of its RBS committed loan facility to £2.0m. There were no drawings under the facility between 22 May 2012 and up to the date of this report.

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

## Directors' Report continued

### Disclosure & Transparency Rules (DTRs)

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

- The Company's capital structure and voting rights are summarised on pages 2 and 3;
- Details of the substantial shareholders in the Company are listed on page 24;
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are summarised on page 29;
- Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders;
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid; and,
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

### Corporate Governance

The Statement of Corporate Governance forms part of this Directors' Report and covers the Company's compliance with the Combined Code and is shown on pages 27 to 31.

### Directors

The current Directors, Messrs N K Cayzer, A S Kemp, M J Gilbert (alternate H Young), C S Maude and Ms H Fukuda were the only Directors who served during the year. Messrs Gilbert, Kemp and Cayzer and Ms Fukuda have each served on the Board for more than nine years and in accordance with corporate governance best practice will retire at the Annual General Meeting ("AGM") on 21 November 2012 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.

The Directors at 31 July 2012 and at 1 August 2011 had no interest other than those interests, all of which are beneficial unless otherwise stated, shown below in the share capital of the Company:

	31 July 2012		1 August 2011	
	Ordinary shares	CULS	Ordinary shares	CULS
N K Cayzer	-	-	-	-
H Fukuda	3,289	-	3,224	-
M J Gilbert	86,006	138,708	76,006	-
A S Kemp	26,000	-	33,500	-
C S Maude	37,300	-	37,300	-
H Young (alternate)	124,000	211,948	124,000	-

The above interests are unchanged at 28 September 2012, being the nearest practicable date prior to the signing of this Report. 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.

### 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 2012, being the nearest practicable date prior to the signing of this Report.

Shareholder	No. of Ord. shares held	% held
Funds managed by Aberdeen Asset Management PLC	4,649,920	13.3
Aberdeen Asset Managers Savings Scheme (non-beneficial)	3,279,345	9.4
Hargreaves Lansdown	1,800,331	5.2
Alliance Trust Savings	1,521,647	4.4
Funds managed by M&G Investment Management Limited	1,440,855	4.1
Charles Stanley, stockbrokers	1,319,100	3.8
Brewin Dolphin Stockbrokers	1,312,011	3.8
Legal & General Investment Management	1,213,495	3.5
Barclays Stockbrokers	1,123,614	3.2

Subsequent to the period end, the Company has been informed that Prudential Group plc group of companies are interested in 1,249,992 Ordinary shares (3.6%) and Investec Wealth Management Limited is interested in 1,331,382 Ordinary shares (3.8%).

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## Special Business at the Annual General Meeting

### Directors' Authority to Allot Relevant Securities

Among the Resolutions being put to the Annual General Meeting as Special Business, Resolution 10 which is an Ordinary Resolution, will, if passed, renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares pursuant to fully pre-emptive rights issues. Resolution 10 authorises the Directors to generally allot shares up to an aggregate nominal amount of £5,878,368 representing approximately 2/3 of the existing issued capital of the Company, of which a maximum nominal amount of £2,939,184 (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues. Such authority will expire upon the conclusion of the next Annual General Meeting in 2013. The Board has no present intention to utilise this authority.

Resolution 11 which is a Special Resolution, will, if passed, renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to 10% of the issued share capital other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders. This authority includes shares that the Company sells or transfers that have been held in treasury (if any) pursuant to the authority conferred by Resolution 12 below. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them. The Board has established guidelines for treasury shares and will only consider buying in shares for treasury at a discount to their prevailing NAV and selling them from treasury at or above the then prevailing NAV. New shares issued in accordance with this authority will always be issued at a premium to the net asset value per Ordinary share at the time of issue, as determined by the Directors. The Board intends to actively continue to sell Ordinary shares from treasury when it is appropriate to do so, in accordance with its current. 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 12, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Services Authority. The minimum price to be

paid per Ordinary share shall be not less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5 per cent. above the average of the middle market quotations for the shares for the preceding five business days; and, (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out. The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in net asset value per share and would be in the interests of shareholders generally. The authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

If Resolutions 11 and 12 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 shall expire at the conclusion of the Annual General Meeting in 2013 unless such authority is renewed prior to such time. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or, pursuant to the power granted in Resolution 12 above, may be held in treasury.

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

### Notice of Meeting

Resolution 13, which is a Special Resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings), on 14 days' notice as permitted by the Companies Act 2006 and as amended by the Companies (Shareholders' Rights) Regulations 2009. This approval will be effective until the Company's next Annual General Meeting in 2013. 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 13 in limited and time sensitive circumstances.

### Recommendation

Your Board considers Resolutions 10, 11, 12 and 13 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 10, 11, 12 and 13 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 276,595 Ordinary shares.

## Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

## Going Concern

The Directors of the Company are aware of the current turbulence in financial markets and the potential impact this may have on the operations of the Company. However, the Directors consider that there are no immediate threats identified at the date of approving these financial statements that may suggest that the Company may not continue as a going concern for the foreseeable future.

Note 13 to the financial statements includes the Company's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern including reviewing forecasts detailing revenue and liabilities. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

## Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

## Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements are set out on pages 31 and 33.

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. Additionally there have been no important events since the year end.

## Independent Auditor

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

By order of the Board

**Aberdeen Asset Management PLC - Secretaries**

Bow Bells House  
1 Bread Street  
London EC4M 9HH  
28 September 2012



# Statement of Corporate Governance

## Introduction

The Company is committed to a high standard of corporate governance.

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in May 2010 (the "Governance Code"), which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk). The Governance Code covers the annual re-appointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies ("AIC") has also published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are available on the AIC's website: [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Governance Code) will provide better information to shareholders.

## Application of the AIC Code

The Board is accountable to the Company's shareholders for good governance and this statement describes how the principles identified in the AIC Code have been applied by the Company. Save for the exceptions noted below, the Company has complied with the provisions set out in the AIC Code and the relevant provisions of the Code throughout the year ended 31 July 2012:

- The role of the chief executive (A.1.2)
- Executive directors' remuneration (D.2.1 and D.2.2)

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

## The Board

The Board currently consists of a non-executive Chairman and four other non-executive Directors. All Directors, with the exception of Mr Gilbert, are considered by the Board to be independent of the Manager and free of any material relationship with the Manager. The Articles of Association

require the Directors to retire and submit themselves for re-election at least every three years. Mr Gilbert is Chief Executive of Aberdeen Asset Management PLC and Mr Young, his Alternate, is Managing Director of AAM Asia and as such neither Mr Gilbert nor Mr Young are considered to be independent. Mr Gilbert submits himself for annual re-election to the Board at each AGM and the Board supports Mr Gilbert's re-election as a non-independent Director.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager, under the terms of the investment management agreement. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent Director. Mr Cayzer has served on the Board as a Director and Chairman since September 1995 and Mr Kemp has served on the Board as a Director since May 1996. Ms Fukuda was appointed to the Board in 2003 and has also served more than nine years. The Board takes the view that independence is not compromised by length of tenure and that experience can add significantly to the Board's strength. The Board is satisfied that Mr Cayzer, Mr Kemp and Ms Fukuda who, having each served on the Board for more than nine years must stand for annual re-election, each continue to be independent in character and are effective Directors and it recommends that shareholders support their re-election.

During the year ended 31 July 2012 the Board met eight 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 2012 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings	Audit and Management Engagement Committee Meetings	Nomination Committee Meetings
		Committee Meetings	Committee Meetings
NK Cayzer <sup>A</sup>	8 (8)	n/a	1 (1)
H Fukuda	8 (8)	2 (2)	1 (1)
MJ Gilbert <sup>AB</sup>	8 (8)	n/a	0 (1)
AS Kemp	7 (8)	2 (2)	1 (1)
CS Maude	8 (8)	2 (2)	1 (1)

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

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

# Statement of Corporate Governance continued

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

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

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

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

## Board Committees

### Audit & Management Engagement Committee

An Audit Committee has been established with written terms of reference and comprises three independent Directors, Mr Kemp (Chairman), Mr Maude and Ms Fukuda. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are available on the Company's website and upon request.

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

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and Administrator;
- to meet with the external auditor to review their proposed audit programme of work and the findings of the auditor.

The Board shall also use this as an opportunity to assess the effectiveness of the audit process;

- to develop and implement policy on the engagement of the external auditor to supply non-audit services. During the period under review, fees amounting to £10,000 (ex VAT) (2011 - £6,000 ex VAT) were paid to the auditor in respect of non-audit services in connection with the review of the Half Yearly Report and other services – the Board will review any future fees in the light of the requirement to maintain the auditor's independence;
- to review an annual statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor; and
- to monitor and review annually the external auditor's independence, objectivity, effectiveness, resources and qualification. At its September meeting the Audit Committee confirmed its view that the auditor remained independent and objective.

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

### Nomination Committee

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

Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek

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election by shareholders at the first subsequent AGM. The Articles of Association require that one third of the Directors retire by rotation at each AGM and that Directors are required to submit themselves for re-election at least every three years. In accordance with corporate governance best practice, Directors who have served for more than nine years or who are non-independent voluntarily offer themselves for re-election on an annual basis. Lord Davies' review of gender diversity on the boards of listed companies was published in February 2011. It made a number of recommendations, and concluded that quotas were not the preferred option and might indeed be counterproductive. The Board is supportive of the principle of diversity.

### Remuneration Committee

Under the UK Listing Authority rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company.

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on page 32.

### 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.

### Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's publication of "Internal Control: Revised Guidance for Directors on the Combined Code" (the FRC guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Accounts, is regularly reviewed by the Board and accords with the FRC Guidance. The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed.

The significant risks faced by the Company are as follows:

- financial;

- operational; and
- compliance.

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

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures; and
- at its September 2012 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2012 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 July 2012. The results of the assessment were then reported to the Board at the next Board meeting.

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

### Proxy Voting and Stewardship

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

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles, which may be found on the

# Statement of Corporate Governance continued

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Manager's website, at <http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship>. These Principles set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Disclosure Response to the UK Stewardship Code, which appears on the Manager's website, at the web-address given above.

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

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

## Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service and the Company's website ([www.asian-smaller.co.uk](http://www.asian-smaller.co.uk)). The Company responds to letters from shareholders on a wide range of issues and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

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

## Socially Responsible Investment Policy

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to

conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Company's Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective, however, is to deliver superior investment return for its shareholders. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in the above areas, this must not be to the detriment of the return on the investment portfolio.

By order of the Board  
**Aberdeen Asset Management PLC - Secretaries**  
Bow Bells House, 1 Bread Street  
London EC4M 9HH  
28 September 2012

# 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

We confirm that to the best of our knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chairman's Statement, Manager's Review and Business Review contained within the Report of the Directors (together constituting the Management 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 it faces; and
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

For Aberdeen Asian Smaller Companies Investment Trust PLC

**Nigel Cayzer**

Chairman

28 September 2012

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of s421 of the Companies Act 2006. An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting. The Board as a whole fulfils the functions of the Remuneration Committee and therefore the determination of the Directors' fees is a matter dealt with by the whole Board. This Report has been divided into separate sections for unaudited and audited information.

## Unaudited Information

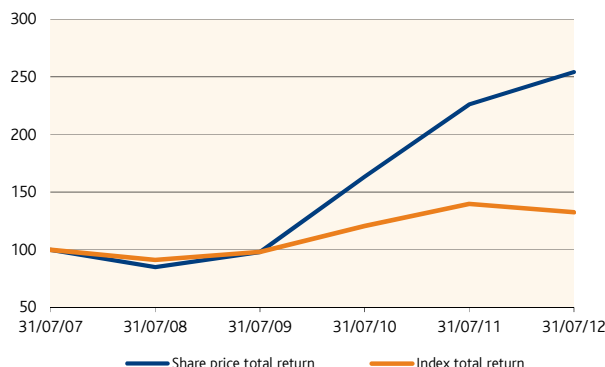
The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. Following a periodic review, the Directors' fees were increased on 1 August 2011 as follows: Chairman £30,000; Audit Committee Chairman £26,000; and other Directors £23,000. This policy will continue for the year to 31 July 2013. No element of the Directors' remuneration is performance related.

None of the Directors has a service contract with the Company although upon appointment Directors are issued with letters of appointment. There is no compensation payable to the Directors for loss of office. The Company's Articles of Association provide that Directors shall not remain in office for longer than three years without submitting themselves for re-election. 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. No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

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

The following chart illustrates the total shareholder return (including reinvested dividends) for a holding in the Company's shares as compared to the MSCI AC Asia Pacific ex Japan Index (in Sterling terms) for the five year period to 31 July 2012 (rebased to 100 at 31 July 2006). 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.



## Audited Information

### Directors' Emoluments

The Directors who served in the year received the following fees:

Director	2012 £	2011 £
N K Cayzer (Chairman and highest paid Director)	30,000	26,000
H Fukuda	23,000	20,000
M J Gilbert	23,000	20,000
A S Kemp (Audit Committee Chairman)	26,000	22,000
C S Maude	23,000	20,000
<b>Total</b>	<b>125,000</b>	<b>108,000</b>

### Sums Paid to Third Parties

Of the fees disclosed above, £23,000 (2011 – £20,000) 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.

## Approval

The Directors' Remuneration Report on page 32 was approved by the Board on 28 September 2012 and signed on its behalf by:

By order of the Board

**Aberdeen Asset Management PLC**

**Secretaries**

28 September 2012



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

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We have audited the financial statements of Aberdeen Asian Smaller Companies Investment Trust PLC for the year ended 31 July 2012 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

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

## Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 July 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following:

Under the 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 26, in relation to going concern;
- the part of the Statement of Corporate Governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and,
- certain elements of the report to the shareholders by the Board on Directors' remuneration

## Susan Dawe

(Senior Statutory Auditor)

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

28 September 2012



# Income Statement

	Notes	Year ended 31 July 2012			Year ended 31 July 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	–	19,559	19,559	–	41,022	41,022
Income	2	9,168	–	9,168	8,380	–	8,380
Exchange (losses)/gains		–	(211)	(211)	–	260	260
Investment management fees	3	(2,665)	–	(2,665)	(2,065)	–	(2,065)
Administrative expenses	4	(867)	–	(867)	(790)	–	(790)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>5,636</b>	<b>19,348</b>	<b>24,984</b>	<b>5,525</b>	<b>41,282</b>	<b>46,807</b>
Finance costs	5	(518)	–	(518)	(71)	–	(71)
<b>Return on ordinary activities before taxation</b>		<b>5,118</b>	<b>19,348</b>	<b>24,466</b>	<b>5,454</b>	<b>41,282</b>	<b>46,736</b>
Taxation	6	(511)	13	(498)	(262)	(39)	(301)
<b>Return on ordinary activities after taxation</b>		<b>4,607</b>	<b>19,361</b>	<b>23,968</b>	<b>5,192</b>	<b>41,243</b>	<b>46,435</b>
<b>Return per share (pence):</b>	<b>8</b>	<b>13.18</b>	<b>55.38</b>	<b>68.56</b>	<b>15.42</b>	<b>122.49</b>	<b>137.91</b>

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 2012 £'000	As at 31 July 2011 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9	287,637	241,502
<b>Current assets</b>			
Debtors and prepayments	10	627	641
Cash and short term deposits		7,042	3,580
		7,669	4,221
<b>Creditors: amounts falling due within one year</b>	11		
Bank loan		–	(5,361)
Other creditors		(1,149)	(397)
		(1,149)	(5,758)
<b>Net current assets/(liabilities)</b>		6,520	(1,537)
<b>Total assets less current liabilities</b>		294,157	239,965
<b>Non-current liabilities</b>			
3.5% Convertible Unsecured Loan Stock 2019	12	(33,163)	–
<b>Net assets</b>		<b>260,994</b>	<b>239,965</b>
<b>Capital and reserves</b>			
Called-up share capital	13	9,287	9,287
Capital redemption reserve		2,062	2,062
Share premium account		14,512	14,512
Special reserve		8,372	8,372
Equity component of 3.5% Convertible Unsecured Loan Stock 2019	12	1,361	–
Capital reserve	14	216,887	197,526
Revenue reserve	14	8,513	8,206
<b>Equity shareholders' funds</b>		<b>260,994</b>	<b>239,965</b>
<b>Net asset value per share (pence):</b>	15	<b>746.55</b>	<b>686.39</b>

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2012 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 2012

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Equity Component CULS 2019 £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 August 2011		9,287	2,062	14,512	8,372	–	197,526	8,206	239,965
Issue of 3.5% Convertible Unsecured Loan Stock 2019	12	–	–	–	–	1,361	–	–	1,361
Return on ordinary activities after taxation		–	–	–	–	–	19,361	4,607	23,968
Dividends paid	7	–	–	–	–	–	–	(4,300)	(4,300)
<b>Balance at 31 July 2012</b>		<b>9,287</b>	<b>2,062</b>	<b>14,512</b>	<b>8,372</b>	<b>1,361</b>	<b>216,887</b>	<b>8,513</b>	<b>260,994</b>

## For the year ended 31 July 2011

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 August 2010		8,331	2,062	11,644	8,372	1,243	155,040	6,159	192,851
Exercise of warrants		956	–	2,868	–	(1,243)	1,243	–	3,824
Return on ordinary activities after taxation		–	–	–	–	–	41,243	5,192	46,435
Dividends paid	7	–	–	–	–	–	–	(3,145)	(3,145)
<b>Balance at 31 July 2011</b>		<b>9,287</b>	<b>2,062</b>	<b>14,512</b>	<b>8,372</b>	<b>–</b>	<b>197,526</b>	<b>8,206</b>	<b>239,965</b>

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

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

# Cash Flow Statement

		Year ended 31 July 2012 £'000		Year ended 31 July 2011 £'000	
	Notes		£'000		£'000
<b>Net cash inflow from operating activities</b>	16		5,176		5,016
<b>Servicing of finance</b>					
Bank and loan interest paid			(208)		(76)
<b>Taxation</b>					
Net taxation paid			–		–
<b>Financial investment</b>					
Purchases of investments		(37,619)		(13,935)	
Sales of investments		11,533		6,527	
<b>Net cash outflow from financial investment</b>			(26,086)		(7,408)
<b>Equity dividends paid</b>	7		(4,300)		(3,145)
<b>Net cash outflow before financing</b>			(25,418)		(5,613)
<b>Financing</b>					
Issue of 3.5% Convertible Unsecured Loan Stock 2019	12	34,452		–	
Exercise of warrants		–		3,824	
Drawdown of loan		14,062		–	
Repayment of loan		(19,634)		–	
<b>Net cash inflow from financing activities</b>			<b>28,880</b>		<b>3,824</b>
<b>Increase/(decrease) in cash</b>			<b>3,462</b>		<b>(1,789)</b>
<b>Reconciliation of net cash flow to movements in net debt</b>					
Increase/(decrease) in cash as above			3,462		(1,789)
Drawdown of loan			(14,062)		–
Repayment of loan			19,634		–
Exchange movements			(211)		260
<b>Movement in net debt in the year</b>			<b>8,823</b>		<b>(1,529)</b>
Net debt at 1 August			(1,781)		(252)
<b>Net funds/(debt) at 31 July</b>	17		<b>7,042</b>		<b>(1,781)</b>

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

## 1. Accounting policies

### (a) Basis of preparation and going concern

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

The financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 26.

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 (other than special 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 the 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 revenue. 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.

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#### *Deferred tax*

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

#### **(g) Capital reserve**

The capital reserve reflects the following:

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

#### **(h) Foreign currency**

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

#### **(i) 3.5% Convertible Unsecured Loan Stock 2019**

Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.37%. 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 accounting treatment of the CULS resulted in an uplift in the NAV of just under 1%. 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 4.37% at initial recognition 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.

## Notes to the Financial Statements continued

	2012 £'000	2011 £'000
<b>2. Income</b>		
<b>Income from investments</b>		
UK dividend income	106	83
Overseas dividends	9,021	8,272
Stock dividends	30	22
Fixed interest	–	(3)
	9,157	8,374
<b>Other income</b>		
Deposit interest	11	6
<b>Total income</b>	<b>9,168</b>	<b>8,380</b>

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
<b>3. Investment management fees</b>						
Investment management fees	2,665	–	2,665	2,065	–	2,065

The Company has an agreement with Aberdeen Asset Management Asia Limited ('AAM Asia') for the provision of management services.

During the period 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 agreement is terminable on one year's notice. The balance due to AAM Asia at the year end was £239,000 (2011 – £200,000).

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
<b>4. Administrative expenses</b>						
Administration fees	80	–	80	75	–	75
Directors' fees	125	–	125	108	–	108
Share Plan marketing contribution	172	–	172	149	–	149
Auditor's remuneration:						
– fees payable to the auditor for the audit of the annual accounts	23	–	23	23	–	23
– fees payable to the auditor and its associates for other services:						
– interim review	6	–	6	6	–	6
– other services	4	–	4	–	–	–
Custodian charges	212	–	212	201	–	201
Other expenses	245	–	245	228	–	228
	<b>867</b>	<b>–</b>	<b>867</b>	<b>790</b>	<b>–</b>	<b>790</b>

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of administration services. The administration fee is payable quarterly in advance and based on an index-linked annual amount of £80,000 (2011 – £75,000) and there was an accrual of £20,000 (2011 – £19,000 prepayment) at the year end. The agreement is terminable on six months' notice.



The Company also has an agreement with AAM for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fee paid and payable under the agreement was £172,000 (2011 – £149,000) and there was a £58,000 (2011 – £55,000) balance due to AAM the year end.

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

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
<b>5. Finance costs</b>						
Loans repayable in less than 1 year	198	–	198	71	–	71
Interest on 3.5% Convertible Unsecured Loan Stock 2019	248	–	248	–	–	–
Notional interest on 3.5% Convertible Unsecured Loan Stock 2019	36	–	36	–	–	–
Amortisation of 3.5% Convertible Unsecured Loan Stock 2019 issue expenses	15	–	15	–	–	–
Issue expenses on 3.5% Convertible Unsecured Loan Stock 2019	21	–	21	–	–	–
	<b>518</b>	<b>–</b>	<b>518</b>	<b>71</b>	<b>–</b>	<b>71</b>

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
<b>6. Taxation</b>						
<b>(a) Analysis of charge for the year</b>						
Overseas taxation	498	–	498	509	–	509
Tax relief to revenue	–	–	–	–	–	–
Current taxation	498	–	498	509	–	509
Movement on deferred taxation	13	(13)	–	237	(445)	(208)
Deferred taxation	–	–	–	(484)	484	–
<b>Total tax</b>	<b>511</b>	<b>(13)</b>	<b>498</b>	<b>262</b>	<b>39</b>	<b>301</b>

No provision for deferred taxation has been made in respect of the holding in CDL Hospitality Trust. This is due to the Company having sufficient excess management expenses available to cover the potential liability and the Company is not expected to generate taxable income in the future in excess of deductible expenses. CDL is a Singapore based real estate investment trust without distributor or reporting fund status and therefore the realised gains on disposal of its units are subject to corporation tax in the hands of this Company.

## Notes to the Financial Statements continued

### (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 25.33% (2011 – 27.33%). The differences are explained below:

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	5,118	19,348	24,466	5,454	41,282	46,736
Return on ordinary activities multiplied by the effective UK standard tax rate of corporation tax of 25.33% (2011 – 27.33%)	1,296	4,901	6,197	1,491	11,282	12,773
Effects of:						
Gains on investments not taxable	–	(4,954)	(4,954)	–	(11,211)	(11,211)
Exchange losses/(gains)	–	53	53	–	(71)	(71)
Franked dividend receipts not chargeable to corporation tax	(27)	–	(27)	(23)	–	(23)
Overseas tax	498	–	498	509	–	509
Movement on taxable accrued income	–	–	–	13	–	13
Non-taxable dividend income	(2,260)	–	(2,260)	(2,248)	–	(2,248)
Movement in unutilised management expenses	863	–	863	748	–	748
Movement in unutilised loan relationship deficits	128	–	128	19	–	19
Current tax charge for the year	<b>498</b>	<b>–</b>	<b>498</b>	<b>509</b>	<b>–</b>	<b>509</b>

	2012 £'000	2011 £'000
<b>7. Dividends</b>		
Final dividend for 2011 – 9.50p (2010 – 8.20p)	3,321	2,553
Special dividend for 2011 – 2.80p (2010 – 1.90p)	979	592
	<b>4,300</b>	<b>3,145</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 £4,607,000 (2011 – £5,192,000).

	2012 £'000	2011 £'000
Proposed final dividend for 2012 – 9.50p (2011 – 9.50p)	3,351	3,321
Proposed special dividend for 2012 – 3.00p (2011 – 2.80p)	1,058	979
<b>Total</b>	<b>4,409</b>	<b>4,300</b>

8. Return per Ordinary share	Revenue	2012 Capital	Total	Revenue	2011 Capital	Total
Return on ordinary activities after taxation (£'000)	4,607	19,361	23,968	5,192	41,243	46,435
Weighted average number of shares in issue (excluding shares held in treasury)			34,960,210			33,671,711
Return per Ordinary share (p)	13.18	55.38	68.56	15.42	122.49	137.91

The impact of the 3.5% Convertible Unsecured Loan Stock 2019 issued in May 2012 on both the revenue return per Ordinary share and total return per Ordinary share was anti-dilutive for the year ended 31 July 2012.

9. Investments	Listed in UK £'000	Listed overseas £'000	Total £'000
<b>Fair value through profit or loss:</b>			
Opening book cost	2,289	102,405	104,694
Opening fair value gains on investments held	2,443	134,365	136,808
Opening fair value	4,732	236,770	241,502
Movements in year:			
Purchases at cost	1,086	37,023	38,109
Sales – proceeds	–	(11,533)	(11,533)
Sales – gains on sales	–	8,497	8,497
Movement in fair value gains on investments held	1,372	9,690	11,062
Closing fair value	7,190	280,447	287,637
	Listed in UK £'000	Listed overseas £'000	Total £'000
Closing book cost	3,375	136,392	139,767
Closing fair value gains on investments held	3,815	144,055	147,870
	7,190	280,447	287,637
	Listed in UK £'000	Listed overseas £'000	Total £'000
<b>Gains on investments</b>			
Gains on sales	–	8,497	8,497
Movement in fair value gains on investments held	1,372	9,690	11,062
	1,372	18,187	19,559

#### Transaction costs

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

	2012 £'000	2011 £'000
Purchases	102	28
Sales	49	18
	151	46

## Notes to the Financial Statements continued

	2012	2011
	£'000	£'000
<b>10. Debtors: amounts falling due within one year</b>		
Other debtors	15	12
Prepayments and accrued income	612	629
	<b>627</b>	<b>641</b>

	2012	2011
	£'000	£'000
<b>11. Creditors: amounts falling due within one year</b>		
Bank loans	–	5,361
Amounts due to brokers	460	–
Other creditors	689	397
	<b>1,149</b>	<b>5,758</b>

On 27 May 2011 the Company had entered into a £20 million 3 year multi currency revolving advance loan facility with Royal Bank of Scotland. The amount available under this facility was reduced to £2 million from 1 June 2012. The agreement contains covenants requiring that the on-going gearing ratio (Gross Borrowings divided by Adjusted Assets) shall not exceed 25%. Adjusted Assets are calculated by deducting from the Company's assets (Portfolio Value plus cash) (1) the value of any unquoted investments; (2) the value of any bonds rated below investment grade or which are unrated; (3) the extent to which the value of any single security or asset exceeds 5% of Investment Portfolio Value; (4) the extent to which the aggregate value of the 20 largest securities or assets exceeds 65% of Investment Portfolio Value; (5) the extent to which the aggregate value of securities or assets in any one country exceeds 25% of Investment Portfolio Value; (6) the extent to which the aggregate value of securities or assets in countries with a S&P foreign sovereign debt rating lower than BBB- exceeds 30% of Investment Portfolio Value. The Company met these covenants throughout the year and up to the date that this report was signed.

On 22 May 2012 the Company repaid in full the loan with Royal Bank of Scotland plc.

### 12. Non-current liabilities

	Number of units £'000	Liability component £'000	Equity component £'000
<b>3.5% Convertible Loan Stock 2019</b>			
Balance at beginning of year	–	–	–
Issue of 3.5% Convertible Unsecured Loan Stock 2019	35,000	33,639	1,361
Expenses of the issue	–	(527)	(21)
Amortisation of discount and issue expenses	–	51	–
Issue costs expensed through revenue	–	–	21
Balance at end of year	<b>35,000</b>	<b>33,163</b>	<b>1,361</b>

On 18 May 2012, the Company issued a total of £35,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2019. The loan stock 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 3.5% Convertible Unsecured Loan Stock 2019. Interest is paid on the 3.5% Convertible Unsecured Loan Stock 2019 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.

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.

As at 31 July 2012, there was £35,000,000 nominal amount of 3.5% Convertible Unsecured Loan Stock 2019 in issue.

	2012 £'000	2011 £'000
<b>13. Called up share capital</b>		
<b>Authorised</b>		
42,000,000 (2011 – 42,000,000) Ordinary shares of 25p	10,500	10,500
<b>Called-up, allotted and fully paid</b>		
37,146,500 (2011 – 37,146,500) Ordinary shares of 25p	9,287	9,287

During the year no Ordinary shares were repurchased by the Company (2011 – nil). At the year end 2,186,290 (2011 – 2,186,290) shares were held in treasury, which represents 5.89% (2011 – 5.89%) of the Company's total issued share capital at 31 July 2012. Following the year end a total of 310,000 Ordinary shares were sold from treasury at a total consideration excluding transaction costs of £2,467,000. Following these sales, there were 35,270,210 Ordinary shares and 1,876,290 Treasury shares in issue.

The investment objective of the Company is to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$1bn at the time of investment) in the economies of Asia and Australasia, excluding Japan.

#### Capital management

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 and equity balance.

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.

	2012 £'000	2011 £'000
<b>14. Retained earnings</b>		
<b>Capital reserve</b>		
At 31 July	197,526	155,040
Movement in investment holdings fair value	11,062	37,426
Gains on realisation of investments at fair value	8,497	3,596
Foreign exchange movement	(211)	260
Capital tax charge	13	(39)
Transfer from warrant reserve	–	1,243
<b>At 31 July</b>	<b>216,887</b>	<b>197,526</b>
<b>Revenue reserve</b>		
At 31 July	8,206	6,159
Revenue	4,607	5,192
Dividends paid	(4,300)	(3,145)
<b>At 31 July</b>	<b>8,513</b>	<b>8,206</b>

## Notes to the Financial Statements continued

15. Net asset value per equity share	2012	2011
Net assets attributable	£260,994,000	£239,965,000
Number of Ordinary shares in issue (excluding shares held in treasury)	34,960,210	34,960,210
Net asset value per Ordinary share	<b>746.55p</b>	<b>686.39p</b>

The impact of the 3.5% Convertible Unsecured Loan Stock 2019 issued in May 2012 on both the revenue return per Ordinary share and total return per Ordinary share was anti-dilutive for the year ended 31 July 2012.

16. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	2012 £'000	2011 £'000
Net returns before finance costs and taxation	24,984	46,807
Adjustments for:		
Gains on investments	(19,559)	(41,022)
Effect of foreign exchange rate losses/(gains)	211	(260)
Decrease in prepayments and accrued income	15	12
(Increase)/decrease in other debtors	(3)	2
Increase in other creditors	56	8
Overseas withholding tax suffered	(498)	(509)
Stock dividends included in investment income	(30)	(22)
Net cash inflow from operating activities	<b>5,176</b>	<b>5,016</b>

17. Analysis of changes in net funds/(debt)	1 August 2011 £'000	Cash flow £'000	Exchange movements £'000	31 July 2012 £'000
Net cash:				
Cash at bank and overdrafts	3,580	3,462	–	7,042
Debt:				
Debt falling due within one year	(5,361)	5,572	(211)	–
	<b>(1,781)</b>	<b>9,034</b>	<b>(211)</b>	<b>7,042</b>

### 18. Related party transactions

Mr M J Gilbert and his alternate Director, Mr H Young are both directors of AAM Asia, a subsidiary of Aberdeen Asset Management PLC. Mr Gilbert is also a director of AAM.

AAM Asia has an agreement to provide management services to the Company, the terms of which are outlined in note 3. AAM has an agreement to provide both administration and marketing services to the Company, the terms of which are outlined in note 4.

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on page 32. The Directors' shareholdings are detailed on page 24.

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## 19. Financial instruments

### Risk management

The Company's financial instruments comprise equities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The Manager has a dedicated investment management process, which ensures that the investment policy explained on page 2 is followed. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a senior investment manager and also by the Manager's investment committee.

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

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

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

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

### Market price 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.

The 3.5% Convertible Unsecured Loan Stock 2019 was issued by the Company at a fixed cost until its conversion. It is carried in the Company's balance sheet at amortised cost rather than at fair value.

### Interest rate risk

Interest rate movements may affect:

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

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

### Interest rate risk profile

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



## Notes to the Financial Statements continued

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 July 2012</b>				
<b>Assets</b>				
Sterling	–	–	–	7,042
<b>Liabilities</b>				
Bank loan – US Dollar	–	–	–	–

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 July 2011</b>				
<b>Assets</b>				
Sterling	–	–	–	3,580
<b>Liabilities</b>				
Bank loan – US Dollar	0.25	1.60	(5,361)	–

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. The maturity date of the Company's loan is shown in note 11 to the financial statements.

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

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

### Maturity profile

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

	Within 1 year 2012 £'000	Within 1 year 2011 £'000
<b>Assets</b>		
<b>Floating rate</b>		
Cash	7,042	3,580
<b>Liabilities</b>		
<b>Fixed rate</b>		
Bank loans – US Dollar	–	5,361

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 £43,575,000 (2011 – £nil).

### Interest rate sensitivity

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

### Foreign currency risk

All of the Company's investment portfolio is invested in overseas securities and the Balance Sheet, therefore, can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings.

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

### Foreign currency risk exposure by currency of denomination:

	31 July 2012			31 July 2011		
	Overseas investments £'000	Net monetary assets/(liabilities) £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets/(liabilities) £'000	Total currency exposure £'000
Australian Dollar	4,646	—	4,646	3,580	—	3,580
Hong Kong Dollar	49,067	—	49,067	38,552	—	38,552
Indian Rupee	32,378	—	32,378	33,451	—	33,451
Indonesian Rupiah	26,856	—	26,856	24,560	—	24,560
Korean Won	2,193	—	2,193	2,878	—	2,878
Malaysian Ringgit	58,644	—	58,644	43,406	—	43,406
New Zealand Dollar	2,786	—	2,786	2,436	—	2,436
Pakistan Rupee	4,685	—	4,685	3,584	—	3,584
Philippine Peso	17,744	—	17,744	14,532	—	14,532
Singapore Dollar	33,001	—	33,001	26,896	—	26,896
Sri Lankan Rupee	10,921	—	10,921	12,345	—	12,345
Thailand Baht	37,526	—	37,526	30,550	—	30,550
US Dollar	—	—	—	—	(5,361)	(5,361)
	280,447	—	280,447	236,770	(5,361)	231,409
Sterling	7,190	7,042	14,232	4,732	3,580	8,312
<b>Total</b>	<b>287,637</b>	<b>7,042</b>	<b>294,679</b>	<b>241,502</b>	<b>(1,781)</b>	<b>239,721</b>

### Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in sterling against the foreign currencies in which the Company has exposure via foreign currency denominated monetary items. The sensitivity analysis adjusts their translation at the period end for a 10% change in foreign currency rates.

	2012 £'000	2011 £'000
US Dollar	—	536

There is no sensitivity analysis included for the foreign currency equity investments, which have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

### 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 20, 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% (2011 – 10%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2012 would have increased/(decreased) by £28,763,700 (2011 – increased/(decreased) by £24,150,000) 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 its financial liabilities.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. 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 31 July 2012 are shown in note 11.

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 2.

### Liquidity risk exposure

At 31 July 2012 the Company's bank loan had been repaid (2011 – £5,361,000 due for repayment or roll-over within 2 months). The maximum exposure during the year was £19,640,000 (2011 – £5,725,000) and the minimum exposure during the year was £Nil (2011 – £5,346,000).

At 31 July 2012 the Company had borrowings in the form of the £35,000,000 nominal of 3.5% Convertible Unsecured Loan Stock 2019 (2011 – £Nil).

### Credit risk

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

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

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

- cash is held only with reputable banks with high quality external credit enhancements.

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

### Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 July was as follows:

	2012		2011	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Current assets</b>				
Debtors	595	595	588	588
Cash and short term deposits	7,042	7,042	3,580	3,580
	<b>7,637</b>	<b>7,637</b>	<b>4,168</b>	<b>4,168</b>

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

	2012 £'000	2011 £'000
In less than one year	–	5,361
In more than one year	33,163 <sup>A</sup>	–
	<b>33,163</b>	<b>5,361</b>

<sup>A</sup> The full contractual liability is disclosed on page 48.

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

### Fair values of financial assets and financial liabilities

For the US Dollar loan, the fair value of borrowings is £nil as at 31 July 2012 (2011 – £5,363,000) compared to an accounts value in the financial statements of £nil (2011 – £5,361,000) (note 11). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. All other assets and liabilities of the Company are included in the Balance Sheet at fair value.

## 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 2012 as follows:

## Notes to the Financial Statements continued

<b>As at 31 July 2012</b>	<b>Note</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Financial assets and liabilities at fair value through profit or loss					
Quoted equities	a)	287,637	–	–	287,637
CULS	b)	(36,925)	–	–	(36,925)
<b>Net fair value</b>		<b>250,712</b>	<b>–</b>	<b>–</b>	<b>250,712</b>

<b>As at 31 July 2011</b>	<b>Note</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Financial assets and liabilities at fair value through profit or loss					
Quoted equities	a)	241,502	–	–	241,502
CULS	b)	–	–	–	–
<b>Net fair value</b>		<b>241,502</b>	<b>–</b>	<b>–</b>	<b>241,502</b>

### **a) Quoted equities**

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

### **b) Convertible Unsecured Loan Stock ("CULS")**

The Company's CULS are actively traded on a recognised stock exchange and have therefore been included in Fair Value Level 1.

# Marketing Strategy

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Aberdeen Asian Smaller Companies Investment Trust PLC contributes to the marketing programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution, which is reviewed annually, will amount to £205,000 (ex VAT) for the 12 months to 30 April 2013.

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

These aims can be met in several ways:

## Investor Relations Programme

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

## Newsletter

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

## Public Relations

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

## Shareholder Services

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

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

## Internet

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

Aberdeen Asian Smaller Companies Investment Trust PLC also has its own dedicated website: [www.asian-smaller.co.uk](http://www.asian-smaller.co.uk). This allows web users to access information on the Company's share price performance, capital structure, stock

exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

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

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

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may email AAM at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

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

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## Direct

Investors can buy and sell shares in Aberdeen Asian Smaller Companies Investment Trust PLC 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 Asset Managers Limited (AAM) runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Asian Smaller Companies Investment Trust PLC. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. 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.

## Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Aberdeen Asian Smaller Companies Investment Trust PLC 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 £11,280 can be made in the tax year 2012/2013.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. 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 Murray International Trust PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

## Note

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

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

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

## Keeping You Informed

For internet users, detailed data on Aberdeen Asian Smaller Companies Investment Trust PLC, including price, performance information and a monthly fact sheet is available from the Trust's website ([www.asian-smaller.co.uk](http://www.asian-smaller.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively you can call 0500 00 00 40 for trust information.

## Literature Request Service

For literature and application forms for the Manager's investment trust products details are available on [www.invtrusts.co.uk](http://www.invtrusts.co.uk), alternatively 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

*The information on pages 53 and 54 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.*



# Glossary of Terms and Definitions

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## Actual Gearing

Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.

## Asset Cover

The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

## CULS

The £35 million nominal of 3.5 per cent. Convertible Unsecured Loan Stock 2019

## CULS Conversion Date

The CULS is convertible at any time during the periods of 28 days ending on 30 November and 31 May in each year commencing November 2012 and ending May 2019 (each such period and any other period during which Conversion Rights may be exercised being a "Conversion Period") conversions requests are to be received by 5.00 p.m. on the last day of the relevant Conversion Period (each such last day being a "Conversion Date" and the Conversion Date falling on 31 May 2019 or Final Repayment Date being the "Final Conversion Date").

## CULS Conversion Price

The CULS is convertible semi-annually on the Conversion Date on the basis of 830p nominal of CULS for one Ordinary Share. This equals a 15 per cent. premium to the unaudited NAV per Ordinary Share (including income) of 725p at 14 May 2012, rounded down to the nearest 5 pence.

## Discount

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

## Dividend Cover

Earnings per share divided by dividends per share expressed as a ratio.

## Dividend Yield

The annual dividend expressed as a percentage of the share price.

## Net Asset Value

The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

## Ongoing Charges (Total Expense Ratio)

Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard.

## Potential Gearing

Total assets including all debt being used for investment purposes divided by shareholders' funds.

## Premium

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

## Price/Earnings Ratio

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

## Prior Charges

The name given to all borrowings including debentures, long and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

## Total Assets

Total assets less current liabilities (before deducting prior charges as defined above).

## Total Return

Total return involves reinvesting the net dividend in the month that the share price goes 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.

# Notice of Annual General Meeting

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Notice is hereby given that the seventeenth 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 21 November 2012 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 10 will be proposed as Ordinary Resolutions and Resolutions 11, 12 and 13 as Special Resolutions:

## Ordinary Business

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2012, together with the auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report.
3. To approve the payment of a final dividend of 9.5 pence per Ordinary share.
4. To approve the payment of a special dividend of 3.0 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 Mr A.S. Kemp as a Director.
8. To re-elect Ms H. Fukuda as a Director.
9. To re-appoint Ernst & Young LLP as auditor and to authorise the Directors to determine their remuneration.

## Special Business

10. THAT in substitution for all existing powers the Directors of the Company be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act"), to allot shares in the Company, and to grant rights ("Relevant Rights") to subscribe for, or to convert any security into, shares in the Company:
  - (a) up to an aggregate nominal amount of £2,939,184; and
  - (b) up to a further aggregate nominal amount of £2,939,184 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 (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); andsuch authorisation to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2013 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.
11. THAT subject to the passing of Resolution numbered 10 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 10 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 £881,755 which are, or are to be, wholly paid up in cash, at a price representing a premium to the net asset value per share at allotment, as determined by the Directors, and do not exceed up to 10 per cent. of the issued share capital (as at the date of the Annual General Meeting convened by this notice); and
  - (b) the allotment of equity securities in connection with an offer to (a) all holders of Ordinary shares of 25p each in the capital of the Company in proportion (as nearly as may be) to the respective numbers of Ordinary shares held by them and (b) to holders of other equity securities as required by the rights of those securities (but subject in either case to such

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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 2013, 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.

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

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 14.99 per cent. of the Ordinary shares in issue as at the date of the passing of this Resolution 12;
- (b) the minimum price which may be paid for an Ordinary share is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the higher of (i) an amount equal to 5 per cent. above the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 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.

13. 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  
10 October 2012

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

**Notes:**

- 1. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.asian-smaller.co.uk](http://www.asian-smaller.co.uk).
- 2. As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A form of proxy is enclosed.
- 3. To be valid, any proxy form 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 proxy form 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 19 November 2012 or, if this meeting is adjourned, at 6.00 p.m. on the day two business days prior to the adjourned meeting. Changes to the entries on that Register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
- 5. As a member you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
- 6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored

# Notice of Annual General Meeting continued

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members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual which can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). 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 28 September 2012 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 35,270,210 Ordinary shares of 25 pence each. 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 28 September 2012 is 35,270,210.
13. No Director has a service contract with the Company, however, copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.
14. Under Section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this Notice of Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may be properly included in the business.
15. Members should note that it is possible that, pursuant to requests made by the members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid out before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on the website.
16. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
17. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
18. There are special arrangements for holders of shares through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust Individual Savings Account ('Plan Participants'). These are explained in the separate 'Letter of Direction' which Plan Participants will have received with this Annual Report.

# Corporate Information

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## Directors

Nigel Cayzer, Chairman  
Haruko Fukuda, OBE  
Martin Gilbert  
Alan Kemp  
Chris Maude

## Alternate Director

Hugh Young (alternate for Martin Gilbert)

## 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

## Registrars

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

Tel. 0871 384 2416

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

## Stockbrokers

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

## Auditor

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

## Bankers

The Royal Bank of Scotland plc  
24 – 25 St Andrew Square  
Edinburgh  
EH2 1AF

## Solicitors

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

## CULS Trustee

The Law Debenture Corporation plc  
Fifth Floor  
100 Wood Street  
London EC2V 7EX

## Website

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

# Your Company's History

## Issued Share Capital at 31 July 2012

34,960,210	Ordinary shares of 25p (excluding treasury shares)
2,186,290	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 issued at 100p per unit

