Above average returns through capital growth
from investment in companies in Asia.

Abtrust
Asian Smaller Companies
Investment Trust PLC

3106339

Annual Report & Accounts

1997

Abtrust
Asian Smaller Companies
Investment Trust PLC

Corporate Policy

Investment Objective

The investment objective of the Company is to maximise total return to shareholders over the long-term from a portfolio of smaller quoted companies (market capitalisation of under US$250 million at time of investment) in the emerging economies of Asia.

Benchmark Index

There is presently no satisfactory index against which to compare the performance of the Company. MSCI are developing a suitable benchmark.

Structure

The Company has a capital structure comprising Ordinary shares and Warrants. The Warrants confer the right to subscribe for new Ordinary shares and further details are included inside the back cover.

Corporate Information

Directors

Nigel Cayzer, Chairman

Eric Elstob

Martin Gilbert

Alan Kemp

Wee Sin Tho (Singapore)

Hugh Young

Manager

Aberdeen Asset Management Asia Limited
88A Circular Road
Singapore 049439

Secretaries

Aberdeen Asset Management PLC
10 Queen's Terrace
Aberdeen AB10 1QG

Registered Office

99 Charterhouse Street
London EC1M 6AB

Registration Number: 3106339

Registrars

Bank of Scotland
Registrar Department
Apex House,
9 Haddington Place
Edinburgh EH7 4AL

Solicitors

Brough Skerrett
The City Law Partnership
One Dyers Buildings
London EC1N 2SX

Stockbrokers

Panmure Gordon & Co. Limited
New Broad Street House
35 New Broad Street
London EC2M 1NH

Auditors

Ernst & Young
Chartered Accountants
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Bankers

Bank of Scotland
53 Castle Street
Aberdeen AB11 5AG

Board Members

Chairman

Nigel Cayzer*, Chairman of the Company, is chairman of Oriel Group PLC. He is also chairman of Oryx Fund Limited, deputy chairman of Oryx India Fund Limited and a director of Caledonia Investments Limited.

Directors

Eric Elstob* was joint manager and a director of The Foreign & Colonial Investment Trust PLC from 1972 to 1995 and was a vice-chairman of Foreign & Colonial Management Limited in charge of the Far Eastern and European desks. He is deputy chairman of Foreign & Colonial Pacific Investment Trust PLC, a director of The Bangkok Fund, G. T. Japan Investment Trust PLC and other investment trusts.

Martin Gilbert qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management. He was one of the founding directors, and is now chief executive of Aberdeen Asset Management PLC. He is a director of a number of investment trusts and of Lombard International Assurance SA and FirstBus PLC.

Alan Kemp* qualified as a chartered accountant in 1968. He entered into investment management over 25 years ago and is a former director of Dunedin Fund Managers Limited. He is a director of The Fleming Fledgling Investment Trust PLC.

Wee Sin Tho is chairman of SouthQuay Capital Pte Ltd, a private investment holding company in Singapore. He is a director of Auric Pacific Group Limited, Anglo-Eastern Plantations PLC and Foreign & Colonial Pacific Investment Trust PLC. He is a member of the supervisory boards of Tiedemann/McCabe Global Telecom Ltd and T/A Pacific Select Investments Ltd and of the advisory council of the Nusantara Investment Fund.

Hugh Young was an investment manager with Fidelity International and MGM Assurance prior to joining what is now Aberdeen Asset Management Limited in December 1985. He is currently a director of Aberdeen Asset Management PLC and is managing director of Aberdeen Asset Management Asia Limited, responsible for all of the Group's investment in the Far East. He is also a director of Aberdeen New Dawn Investment Trust PLC, Aberdeen New Thai Investment Trust PLC, Abtrust Emerging Asia Investment Trust Limited, J F Philippine Fund Inc. and a number of other companies.

* Members of the Audit and Management Engagement Committee.
All Directors are non-executive.

Performance Summary

	Launch 19.10.95	31.7.97	31.7.96	Since launch %	Year on year %
Ordinary share					
Net asset value per share (undiluted)	97.06p	112.34p	101.96p	15.7	10.2
Net asset value per share (diluted)	97.06p	110.28p	101.64p	13.6	8.5
Share price (mid market)	92.00p	86.00p	89.50p	(6.5)	(3.9)
Discount (undiluted)	5.2%	23.4%	12.2%	–	–
Discount (diluted)	–	22.0%	11.9%	–	–
Warrant					
Warrant price (mid market)	32.50p	36.00p	39.00p	10.8	(7.7)
Assets attributable to equity shareholders	£33.97m	£39.32m	£35.69m	15.7	10.2

Performance Review

The following table shows the movement of the stock markets indices of the principal emerging economies in which the Company is invested expressed in local currency

	Launch 19.10.95	31.7.97	31.7.96	Since Launch %	Year on Year %
Australia All Ords	2111.90	2735.10	2180.30	29.5	25.4
Hong Kong Hang Seng	9981.61	16365.71	10681.42	64.0	53.2
India BSE	3540.37	4305.76	3536.94	21.6	21.7
Indonesia JSE	499.08	721.27	536.03	44.5	34.6
Korea KCSPI	1000.22	726.12	821.71	(27.4)	(11.6)
Malaysia KLSE	944.81	1012.84	1068.23	7.2	(5.2)
Pakistan KSE	1555.73	2023.85	1455.25	30.1	39.1
Philippines PCI	2613.50	2616.40	3018.34	0.1	(13.3)
Singapore STI	2088.74	1967.14	2111.76	(5.8)	(6.8)
Sri Lanka CSE	637.51	869.72	555.15	36.4	56.7
Taiwan TSE	4941.42	10066.30	6106.97	103.7	64.8
Thailand SET	1297.81	665.62	1064.04	(48.7)	(37.4)

Chairman's Statement

This is the second year of the Company's life and, as you will be aware from numerous recent news headlines, it has been a far from trouble free one for Asian economies. These face pressures on the currency front and are having to adjust to slower levels of growth. The year ended 31 July 1997 was a good year for your trust with the undiluted net asset value rising 10% to 112.3p in the period. This positive movement in net asset value was as a result of careful stock selection by our fund managers during a difficult period.

The Board recommends the payment of a final dividend for the year ended 31 July 1997 of 0.7p, a rise of 40% compared with the final dividend of 0.5p paid in the preceding period.

Since the year end, Asia has experienced further turbulence both on the currency and stock market fronts and as at 24 October the unaudited net asset value had fallen to 83.5p. This presents the longer term investor with the opportunity to add to positions in some of Asia's best managed companies at extremely attractive prices. Our managers' approach is to be selective, investing in companies which possess strong management, have good products and control their finances sensibly.

Our largest exposure to the region is through investments in companies in Indonesia, Australia, India and Thailand. Our managers in Singapore carry out strict due diligence in identifying investment opportunities and have a golden rule of never investing in a company without having first interviewed the management.

Looking ahead, smaller companies in Asia still stand at a valuation discount to their larger counterparts, at approximately 13 times prospective 1997 earnings and your Board believes that prospects for smaller companies within the region remain attractive.

Nigel Cayzer
Chairman

29 October 1997

Manager's Review

The long term economic outlook for the Asian region continues to be one of dynamic growth and in such an environment opportunities for smaller companies are immense. At the time of writing, however, Asia is being buffeted by both volatile stock markets and currencies - moves of 5% in each during the day have been common. It is important to cut through the mire of statistics and focus on the heart of the problem.

Essentially, the phenomenal growth of Asia over the last decade and more has encouraged excesses. Major projects have been undertaken without due regard to their economic viability or if involved with property (an on-going love affair for many Asian business people) in the unshakeable belief that prices can but rise. An exacerbating factor has been the nature of project financing. In most Asian countries there are no long term local currency debt instruments. Companies, the good along with the bad, have therefore been obliged to borrow offshore and have resorted in the main to US$ loans given the region's general historic policy of benchmarking its currencies against the US$.

Thailand, having been the fastest growing economy in the world, was the first victim. A slowing economy exposed the fragility of the property and financial sectors and was left floundering by a weak government, led by politicians preoccupied with retaining power. We regard the intervention of the IMF as extremely positive, our major caveat being a nagging doubt whether vested interests will permit the IMF to exercise its firm monetary hand. The shock to the system is a welcome jolt back to reality, but the pain will (and should) last for some time. Bankruptcies will rise, the economy will slow dramatically - we now forecast a flat economy in 1997 with minimal, growth in 1998 - and corporate earnings will drop sharply.

Strange though it may seem, this is actually positive for future investment, but great care needs to be taken. Emphasis has to be laid firmly on quality - of business, management and financials. We continue to hold most of the companies in Thailand which we held last year. We sold KCE and Hana during the period, both at a profit, and are monitoring Nawarat Patanakarn closely due to the slowdown in the construction sector. Post Publishing, the publisher of the Bangkok Post, although affected by a downturn in advertising, has a strong balance sheet and is taking measures further to improve its efficiencies - measures which could only be applied during these tough times. The Thai Farmers Bank insurance affiliate, Phatra, is faring well - its first half profits in 1997 actually rose 7% - and Sammakorn, the quoted arm of His Majesty's Private Property Bureau, also reported good results and, almost more importantly, enjoys a comfortable level of interest cover.

Malaysia and the Philippines have also wobbled in line with Thailand. As we mentioned last year we still have not found much of value to invest in either and have just added one new holding in the Philippines, Cebu Holdings, a regional arm of the blue chip property company, Ayala Land.

In Indonesia, another country badly affected by the turmoil, we have maintained most of our positions, selling our holding of Metrodata at a handsome profit and topslicing BAT following a sharp run-up in its share price. We have only added one new stock, Wicaksana, a leading distributor of goods, mainly for well known multinationals.

Our Indian holdings have performed extremely well doing the period. Satyam Computers, a Hyderabad based provider of software services, has enjoyed healthy profits growth and SCICI, a leading long term lending institution, was taken over by its big brother, ICICI, whose shares we now hold.

Elsewhere on the subcontinent our companies have also been faring well. John Keells, one of Sri Lanka's leading conglomerates, has produced good results against a still troubled political background, as has Adamjee Insurance in Pakistan.

Manager's Review

We continue to hold the three companies we owned in Australia at the time of the last report and have simply topsliced BRL Hardy after the rise in its share price. We have added one Perth based insurance company, SGIO, and a contractor, United Construction, together with one of the world's leading developers of smartcards, ERG.

As we mentioned last year our investment in Pacific Basin Bulk Carriers, a regional shipping company based in Hong Kong, was bid for (fortunately just as the shipping cycle was turning down). We have added two new investments in Hong Kong. Citybus is a very professionally managed private bus company with potential to venture into China and Pico specialises in designing and constructing exhibitions all over the world. We have sold both our holdings in China itself: one, Shanghai Shangling, the producer of Mitsubishi fridges due to its deteriorating business outlook; the other, Chiwan Petroleum Supply Base, following the doubling of its price. We continue to monitor for investments in China but are wary of the level of speculation in the stock market and have found it hard to identify companies of a quality with which we are happy.

As can be told from the above, quality is key to our investment process and stock selection, with share price the secondary screen. We have found impressive companies spread across Asia, under managements with both the vision and the focus to deal with the rapid changes occurring. The valuation of smaller companies is still well below that of their larger peers which offers leeway for price appreciation.

29 October 1997

Aberdeen Asset Management Asia Limited

Investment Portfolio

As at 31 July 1997

Company	Sector	Country of activity	Valuation £'000	Total net assets %
Satyam Computer	Computer software & distribution	Indonesia	1,684	4.3
Pacific BBA	Manufacturing	Australia	1,549	3.9
Dynaplast	Manufacturing	Indonesia	1,265	3.2
BRL Hardy	Consumer goods	Australia	1,258	3.2
ICICI	Banking & finance	India	1,186	3.0
Taiwan Secom	Consumer goods	Taiwan	1,126	2.9
Clipsal Industries	Electrical products	Singapore	1,115	2.8
Duta Anggada	Property	Indonesia	1,095	2.8
Bank Bira	Banking & finance	Indonesia	1,055	2.7
Robinson & Co	Consumer goods	Singapore	1,007	2.6
Top ten investments			**12,339**	**31.4**
Keells (John) Holdings	Consumer goods	Sri Lanka	918	2.3
Muhibbah Engineering	Construction & building materials	Malaysia	886	2.3
Adamjee Insurance	Insurance	Pakistan	877	2.2
Pryce Properties	Property	Philippines	865	2.2
Bank Nisp	Banking & finance	Indonesia	858	2.2
BAT Indonesia	Consumer goods	Indonesia	841	2.1
Medco Energi	Oil & gas	Indonesia	838	2.1
Innovative International	Manufacturing	Hong Kong	831	2.1
Industrial Oxygen	Manufacturing	Malaysia	824	2.1
Citatah	Construction & building materials	Indonesia	801	2.1
Top twenty investments			**20,878**	**53.1**
Standard Foods	Consumer goods	Taiwan	757	1.9
Cebu Holdings	Property	Philippines	698	1.8
Ottogi Corp.	Consumer goods	South Korea	665	1.7
Goodyear (Thailand)	Transport	Thailand	657	1.7
Chemical Industries (Far East)	Pharmaceuticals	Singapore	656	1.7
Citybus Group	Transport	Hong Kong	643	1.6
ERG Australia	Electrical products	Australia	632	1.6
ABC Communications	Security services	Hong Kong	618	1.6
SGIO Insurance	Insurance	Australia	599	1.5
Development Finance Corp of Ceylon	Banking & finance	Sri Lanka	598	1.5
Top thirty investments			27,401	69.7
Other investments (28)			9,603	24.4
Total fixed asset investments			**37,003**	**94.1**
Net current assets			2,316	5.9
Total assets			**39,319**	**100.0**

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 July 1997.

Review of the Business

A review of the Company's activities is given in the Chairman's Statement on page 5 and the Manager's Review on pages 6 and 7.

Results and Dividends

The net revenue after taxation for the period to 31 July 1997 amounted to £354,000. A final dividend of 0.7p per share which will absorb £245,000 has been proposed and if approved will be payable on 5 December 1997.

Principal Activity

The business of the Company is that of an investment trust investing in Asia.

Status

The Company has conducted, and intends to continue to conduct, its affairs so as to be able to seek Inland Revenue approval as an investment trust, approval for which is granted retrospectively in respect of each accounting period. The Inland Revenue has approved the Company as an authorised investment trust under Section 842 Income and Corporation Taxes Act 1988 for the period ended 31 July 1996.

Directors

The Directors at the year end and their interests in the share capital of the Company at 31 July 1997 were as follows:

	31 July 1996		31 July 1997	
	Ordinary shares	Warrants	Ordinary shares	Warrants
N. K. Cayzer	–	–	–	–
E. C. Elstob	10,000	10,000	10,000	10,000
M. J. Gilbert	48,865	9,773	48,865	9,773
A. S. Kemp	–	–	5,206	–
Wee Sin Tho	–	–	–	–
H. Young	20,000	4,000	20,000	104,000

None of the Directors had a non-beneficial interest in the share capital of the Company at 31 July 1997.

Mr M. J. Gilbert and Mr H. Young are directors of Aberdeen Asset Management PLC and its subsidiary Aberdeen Asset Management Asia Limited. Mr M. J. Gilbert is a director of Aberdeen Asset Managers Limited. Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited are entitled to receive fees under the Agreements described in note 2.

Mr N.K. Cayzer and Mr H Young retire by rotation and, being eligible, offer themselves for re-election.

Directors' Report

No Director has a service contract with the Company.

A Directors' and Officers' liability insurance policy has been in effect throughout the period.

Corporate Governance

The Directors consider that the Company fully complies with the Code of Best Practice established by the Cadbury Committee on the Financial Aspects of Corporate Governance.

Internal Financial Control

The Directors acknowledge their responsibility for the Company's system of internal financial control. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss. The key elements of the system are that the Board meets regularly and reviews reports from the manager and that there are clearly defined responsibilities between the Board, the manager and the custodian. The manager has its own detailed operating procedures and maintains its own system of internal financial control. The Board receives regular reports from the manager on that system. The Directors have reviewed the effectiveness of the Company's system of internal financial controls that has been in operation during the year.

Going Concern

After making enquiries and given the nature of the Company and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Auditors' Review of Compliance

The Company's auditors, Ernst & Young, have confirmed that in their opinion; with respect to the Directors' statements on internal financial control and going concern above, the Directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are consistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' other statements above appropriately reflect the Company's compliance with the other paragraphs of the Cadbury Code of Best Practice specified for their review by the Listing Rule 12.43(j). They were not required to perform any additional work necessary to, and did not, express a separate opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures, nor on the ability of the Company to continue in operational existence.

Directors' Report

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued share capital of the Company at the date of this report:–

Shareholder	Number of Shares Held	% Held
Funds managed by Aberdeen Asset Managers Limited	8,870,000	25.34
Funds managed by Prudential Managers Ltd	4,750,000	13.57
Teachers Assurance Society	3,157,544	9.02
Legal & General Assurance Society	3,100,000	8.86

Creditor payment policy

The Company policy is to pay Stock Exchange trade creditors on dates of settlement and all other creditors are paid within 30 days of receipt of invoice.

Special business at Annual General Meeting

To reflect a recent change in the name of the Company's investment manager from Abtrust Fund Managers (Singapore) Limited to Aberdeen Asset Management Asia Limited, it is proposed that the name of the Company be changed from Abtrust Asian Smaller Companies Investment Trust PLC to "Aberdeen Asian Smaller Companies Investment Trust PLC." The resolution dealing with this change of name will be proposed at the Annual General Meeting.

Auditors

Our auditors, Ernst & Young, have indicated their willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young as auditors for the ensuing year.

10 Queen's Terrace
Aberdeen AB10 1QG
24 October 1997

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report to the Members of Abtrust Asian Smaller Companies Investment Trust PLC

We have audited the financial statements on pages 13 to 22 which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on pages 16 and 17.

Respective responsibilities of Directors and Auditors
As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 July 1997 and of its net return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Ernst & Young
Chartered Accountants
Registered Auditor
London

24 October 1997

Statement of Total Return

(incorporating the revenue account*) of the Group

For the year ended 31 July 1997

		1997			1996* (restated)		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	9	–	3,626	3,626	–	1,783	1,783
Income	2	1,194	–	1,194	1,361	–	1,361
Investment management fee	3	(428)	–	(428)	(335)	–	(335)
Other expenses	4	(278)	–	(278)	(219)	–	(219)
Exchange losses		–	(103)	(103)	–	(196)	(196)
Net return before finance costs and taxation		488	3,523	4,011	807	1,587	2,394
Interest payable and similar charges	5	(9)	–	(9)	(3)	–	(3)
Return on ordinary activities before tax		479	3,523	4,002	804	1,587	2,391
Tax on ordinary activities	6	(125)	–	(125)	(255)	–	(255)
Return on ordinary activities after tax for the financial year attributable to equity shareholders		354	3,523	3,877	549	1,587	2,136
Dividends in respect of equity shares	7	(245)	–	(245)	(420)	–	(420)
Transfer to reserves after aggregate dividends paid and proposed of final 0.7p (1996 – final 0.5p and special – 0.7p)	14	109	3,523	3,632	129	1,587	1,716
Return per Ordinary share (pence):							
Basic	8	1.01	10.07	11.08	1.57	4.53	6.10
Fully diluted	8	–	–	–	2.04	4.18	6.22

** Comparative figures are shown for the period from 19 October 1995 (launch of the Company) to 31 July 1996.*

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

The revenue column of this statement is the revenue account of the Company.

Net revenue for the year arose wholly from continuing operations.

Balance Sheet

As at 31 July 1997

	Notes	1997 £'000	1996 (restated) £'000
Fixed assets			
Investments	9	37,003	33,355
Current assets			
Debtors	10	927	1,045
Cash at bank and in hand		1,816	2,607
		2,743	3,652
Creditors: amounts falling due within one year	11	(427)	(1,289)
Net current assets		2,316	2,363
Total assets less current liabilities		39,319	35,718
Provisions for liabilities and charges	12	–	(31)
Net assets		39,319	35,687
Capital and reserves			
Called-up share capital	13	8,750	8,750
Share premium account	14	22,946	22,946
Other reserves			
Warrant reserve	14	2,275	2,275
Capital reserve – realised	14	2,913	743
Capital reserve – unrealised	14	2,197	844
Revenue reserve	14	238	129
Total shareholders' funds attributable to equity shareholders		39,319	35,687
Net asset value per Ordinary share (pence)	16		
– Basic		112.34	101.96
– Fully diluted		110.28	101.64

The financial statements were approved by the Board of Directors on 24 October 1997 and signed on its behalf by:

Nigel Cayzer
Chairman

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

Cash Flow Statement

For the year ended 31 July 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Operating activities					
Cash received from investments		835		706	
Interest received		50		193	
Other income		11		–	
Investment management fees paid		(430)		(260)	
Administration fees paid		(50)		(39)	
Cash paid to and on behalf of Directors		(52)		(26)	
Other cash payments		(177)		(125)	
Net cash inflow from operating activities	18		187		449
Returns on investments and servicing of finance					
Interest paid			(9)		(3)
Taxation					
Taxation paid			(105)		-
Capital expenditure and financial investment					
Purchase of investments		(13,577)		(51,099)	
Sale of investments		13,236	(341)	19,447	(31,652)
Equity dividends paid			(420)		-
Net cash (outflow) before financing			(688)		(31,206)
Financing					
Issue of shares		-		35,000	
Expenses of issue		–		(991)	
			-		34,009
(Decrease)/increase in cash	19		(688)		2,803

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

Notes to the Financial Statements

For the year ended 31 July 1997

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, is set out below.

(a) Basis of accounting

In accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies", a Statement of Total Return is presented which amalgamates the information previously included in the revenue account and statement of total recognised gains and losses. The 1996 comparatives have been restated accordingly. The financial statements have been prepared under the historical cost convention as modified to include the revaluation of fixed asset investments, and in accordance with applicable Accounting Standards.

(b) Valuation of investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended the investment is valued at the Board's estimate of it's net realisable value. Unlisted investments are included at valuations determined by the Directors.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve-realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve-unrealised as explained in note 1(f) below.

(c) Income

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought in to account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to the return is established. The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective yield on the debt security. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(e) Taxation

Advance corporation tax ('ACT') payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain and foreseeable. Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability will crystallise.

Notes to the Financial Statements

(f) Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end
- unrealised exchange differences of a capital nature
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

(g) Foreign currency

Overseas assets and liabilities are converted into sterling at the rate of exchange ruling at the balance sheet date. Transactions during the period involving foreign currencies are converted at the rate of exchange ruling at the transaction date.

2. Income	**1997 £'000**	**1996 £'000**
Overseas dividends	1,045	693
Overseas interest	81	473
Deposit interest	57	195
Underwriting commission	11	–
	1,194	1,361

	1997			**1996**		
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
3. Investment management fee	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	428	–	428	335	–	335

The Company has an agreement with Aberdeen Asset Management Asia Limited for the provision of management services. During the period the management fee was payable monthly in arrears and was based on an annual amount of 1.2% of the net asset value of the Company valued monthly. The agreement is terminable on two years' notice. The balance due to Aberdeen Asset Management Asia Limited at the year end was £72,000 (1996 – £75,000).

Notes to the Financial Statements

4. Administration expenses	1997 £'000	1996 £'000
Administration fees	50	39
Directors' fees	48	33
Share Plan marketing contribution	18	14
Auditors' remuneration – for audit	9	7
– for other services	4	2
Custodian charges	83	94
Other expenses	66	30
	278	219

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of administration services. During the period the administration fee was payable quarterly in advance and was based on an annual amount of £50,000. The agreement is terminable on six months' notice. The balance due to Aberdeen Asset Managers Limited at the year end was £nil (1996 – £8,000). The Company also has an agreement with Aberdeen Asset Managers Limited for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan. The total fees paid and payable under the agreement was £18,000 (1996 – £14,000) and the net amount prepaid to Aberdeen Asset Managers Limited at the year end was £3,000 (1996 – £1,000).

The emoluments of the highest paid Director, being the Chairman, amounted to £10,000 (1996 – £7,850). No pension contributions were made in respect of any of the Directors.

The Company does not have any employees.

	1997			1996		
	Revenue	Capital	Total	Revenue	Capital	Total
5. Interest payable and similar charges	£'000	£'000	£'000	£'000	£'000	£'000
On bank overdrafts	9	–	9	3	–	3

	1997			1996		
	Revenue	Capital	Total	Revenue	Capital	Total
6. Tax on ordinary activities	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax	93	–	93	224	–	224
Deferred taxation	–	–	–	31	–	31
Overseas taxation	107	–	107	101	–	101
Relief for overseas taxation	(75)	–	(75)	(101)	–	(101)
	125	–	125	255	–	255

Notes to the Financial Statements

7. Dividends and other appropriations	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
Dividends on equity shares:						
– final 0.7p per share (1996 – 0.5p)	245	–	245	175	–	175
– special 0.7p per share	–	–	–	245	–	245
	245	–	245	420	–	420

8. Return per Ordinary share	1997 Revenue	1997 Capital	1997 Total	1996 Revenue	1996 Capital	1996 Total
Basic	1.01p	10.07p	11.08p	1.57p	4.53p	6.10p
Fully diluted	–	–	–	2.04p	4.18p	6.22p

The basic revenue return per Ordinary share is based on net revenue on ordinary activities after taxation of £354,000 (1996 – £549,000) and on 35,000,000 (1996 – 35,000,000) Ordinary shares of 25p each in issue for the period.

The basic capital return per Ordinary share is based on net capital gains for the financial year of £3,523,000 (1996 – £1,587,000) and on 35,000,000 (1996 – 35,000,000) Ordinary shares of 25p.

The fully diluted revenue and capital return per Ordinary share have been calculated on the assumption that the 7,000,000 Warrants (1996 – 7,000,000) in issue were exercised on the first day of the financial period giving an average of 42,000,000 (1996 – 42,000,000) shares. The fully diluted revenue return and the total return per Ordinary share for the period ended 31 July 1996 are included for information only as they are in excess of the respective basic returns. The fully diluted capital return per Ordinary share for the period ended 31 July 1996 is calculated on the assumed capital return inclusive of the assumed capital return from the deemed proceeds of the exercise of the Warrants invested in $2^1/_2$% Consolidated Stock.

There was no dilution to the revenue or capital return per Ordinary share for the year ended 31 July 1997.

9. Investments	1997 £'000	1996 £'000
Investments listed on a recognised investment exchange	37,003	33,355

	Listed Overseas £'000
Opening book cost	32,511
Opening unrealised appreciation	844
Opening valuation	33,355
Movements in the year:	
Purchases at cost	12,971
Sales – proceeds	(12,949)
– realised gains	2,273
Increase in unrealised appreciation	1,353
Closing valuation of investments	37,003
Closing book cost	34,806
Closing unrealised appreciation	2,197
	37,003

Notes to the Financial Statements

10. Debtors: amounts falling due within one year	1997 £'000	1996 £'000
Amounts due from brokers	408	694
Other debtors	2	2
Tax recoverable	357	170
Prepayments and accrued income	160	179
	927	1,045

11. Creditors: amounts falling due within one year	1997 £'000	1996 £'000
Amounts due to broker	–	614
Other creditors	121	150
Advance corporation tax payable	61	105
Dividend payable	245	420
	427	1,289

12. Provision for liabilities and charges	Deferred taxation on accrued income £'000	Surplus Advance Corporation Tax £'000	Total £'000
At 1 August 1996	(31)	–	(31)
Movement in year	–	31	31
	(31)	31	–

13. Called up share capital	1997 Authorised £'000	1997 Issued and fully paid £'000	1996 Authorised £'000	1996 Issued and fully paid £'000
Ordinary shares of 25p each	10,500	8,750	10,500	8,750

Notes to the Financial Statements

		Share premium account	Warrant reserve	Capital reserve – realised	Capital reserve – unrealised	Revenue reserve
14.	**Reserves**	£'000	£'000	£'000	£'000	£'000
	At 1 August 1996	22,946	2,275	743	844	129
	Exchange losses	–	–	(103)	–	–
	Net gain on realisation of investments	–	–	2,273	–	–
	Increase in unrealised appreciation	–	–	–	1,353	–
	Transfer from revenue reserve for the year	–	–	–	–	109
	At 31 July 1997	22,946	2,275	2,913	2,197	238

The Warrant reserve was established as a result of Financial Reporting Standard 4 and recognises that a proportion of the proceeds from the issue of Ordinary shares with Warrants attached can be attributed to the Warrants. There are 7,000,000 Warrants (1996 - 7,000,000) in issue, each entitling the warrantholder to subscribe for one Ordinary share at 100p on 30 November in any of the years 1996 to 2010 both inclusive (or, if later, on the date being 30 days after the date on which copies of the audited accounts of the Company for its then immediately preceding financial year are dispatched to shareholders).

		1997	1996
15.	**Total shareholders' funds**	£'000	£'000
	The shareholders' funds are attributable as follows :		
	Equity shares	39,319	35,687

16. **Net asset value per share**

The net asset value per share and the net asset values attributable at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share attributable		Net asset values attributable	
	1997	1996	1997	1996
	p	p	£'000	£'000
Ordinary shares (basic)	112.34	101.96	39,319	35,687

The movements during the year of the assets attributable were as follows:-

	1997	1996
	£'000	£'000
Total net assets attributable at beginning of year	35,687	-
Total recognised gains for the year	3,877	2,136
Issue of shares and warrants	-	33,971
Dividends appropriated in the year	(245)	(420)
Total net assets attributable at end of year	39,319	35,687

Basic net asset value per Ordinary share is based on net assets, and on 35,000,000 (1996 – 35,000,000) Ordinary shares, being the number of Ordinary shares in issue at the year end.

The fully diluted net asset value per Ordinary share is 110.28p (1996 – 101.64p). This has been calculated on the assumption that 7,000,000 Warrants in issue (1996 – 7,000,000) were exercised on the first day of the financial period at 100p per share giving an average of 42,000,000 (1996 – 42,000,000) shares.

Notes to the Financial Statements

17. Contingent liabilities

There were no contingent liabilities at 31 July 1997 or 31 July 1996.

18. Reconciliation of net revenue on ordinary activities before tax to net cash inflow from operating activities	**1997 £'000**	**1996 £'000**
Net revenue before finance costs and taxation	488	807
Decrease/(increase) in debtors	20	(181)
Increase in creditors	10	112
Stock dividends included in investment income	(8)	–
Tax deducted at source	(323)	(289)
Net cash inflow from operating activities	187	449

19. Analysis of changes in net funds during year	**1997 £'000**	**1996 £'000**
Balance at 1 August 1996	2,607	–
Net cash (outflow)/inflow	(688)	2,803
Exchange losses on cash	(103)	(196)
Balance at 31 July 1997	1,816	2,607

20. Related party transactions

The transactions with Aberdeen Asset Managers Limited and Aberdeen Asset Management Asia Limited and the year end balances are disclosed in notes 3 and 4 of the financial statements.

Sector Analysis

As at 31 July 1997

	1997 %	1996 %
Geographical distribution as a percentage of total net assets		
Australia	12.9	8.4
China	–	2.6
Hong Kong	9.2	6.3
India	12.3	3.8
Indonesia	21.9	19.2
Malaysia	3.7	3.6
Pakistan	2.6	1.1
Philippines	5.0	3.2
Singapore	7.1	8.9
South Korea	2.6	3.7
Sri Lanka	4.3	2.3
Taiwan	4.8	3.4
Thailand	7.7	18.0
USA	–	9.0
	94.1	93.5
Cash and other net assets	5.9	6.5
	100.0	**100.0**
Sector analysis as a percentage of total net assets		
Banking & finance	10.2	5.6
Computer software & distribution	4.3	3.2
Conglomerates	–	1.0
Construction & building materials	9.1	11.8
Consumer goods	26.8	16.8
Electrical products	4.8	–
Insurance	4.7	2.3
Manufacturing	13.7	24.2
Oil & gas	2.1	3.1
Pharmaceuticals	3.7	1.3
Property	7.3	7.2
Publishing	0.7	2.2
Security services	1.6	1.5
Transport	4.2	4.3
Utilities	0.9	–
US$ Fixed interest securities	–	9.0
	94.1	93.5
Cash and other net assets	5.9	6.5
	100.0	**100.0**
Percentage of total net assets in each class of security		
Equities	94.1	84.5
US$ Fixed interest securities	–	9.0
Total investments	94.1	93.5
Cash and other net assets	5.9	6.5
	100.0	**100.0**

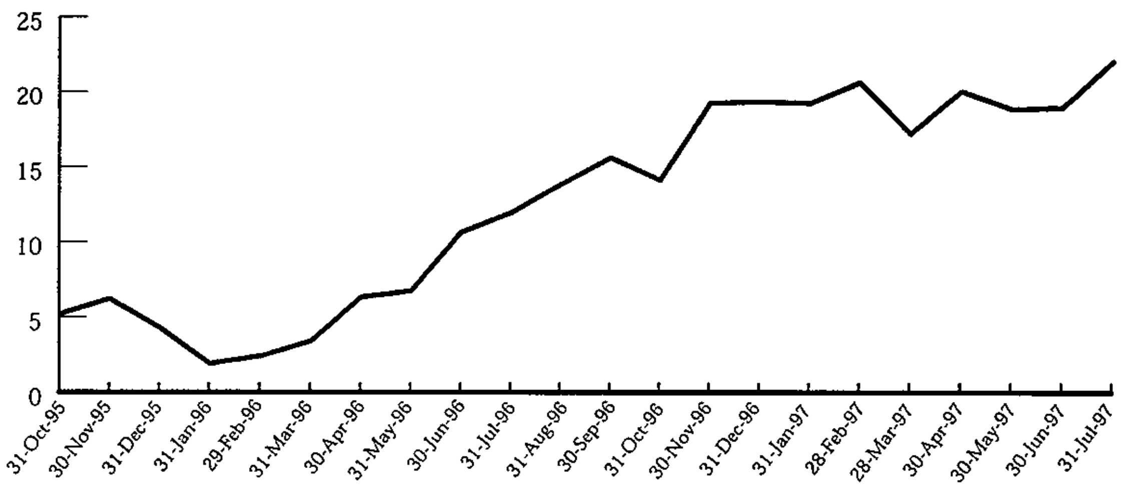
Shareholder Information

Shareholder Distribution

As at 30 September 1997 there were 35,000,000 Ordinary shares in issue. The distribution of these was as follows:

Range	Number of Shareholders	%
1 - 1,000	11	0.01
1,001 - 5,000	12	0.11
5,001 - 10,000	16	0.40
10,001 - 100,000	46	5.16
100,001 and over	35	94.32
	120	100.00

Discount to fully diluted net asset value per share



Net Asset Value

The net asset value of the Company's Ordinary shares at the end of each week can be obtained by contacting Aberdeen Asset Managers Limited on 0500 00 00 40.

Shares and Warrant Prices

The prices of the Company's Ordinary shares are published daily in the *Financial Times* and the *Evening Standard*. The prices of the Company's Warrants are published daily in the *Financial Times*.

Information about the Manager

Aberdeen Asset Management Asia Limited

The Company's manager is Aberdeen Asset Management Asia Limited (AAM Asia), a wholly-owned subsidiary of Aberdeen Asset Management PLC whose Group companies manage a combined £11 billion of funds for UK institutions, investment trusts, unit trusts, private clients and offshore funds. AAM Asia is regulated by The Monetary Authority of Singapore.

Aberdeen Asset Management PLC has been listed on the London Stock Exchange since 1991, although its origins go back to an investment company founded in 1876 to assist Scottish farmers set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in London, Singapore, Inverness and Fort Lauderdale,Florida.

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. Between them, AAM Asia and Aberdeen Asset Managers Limited (AAM) now have 18 investment trusts 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.

Aberdeen Managed Investment Trusts

AAM Asia and AAM manage investment trusts which have combined total assets of around £800 million. The trusts cover a wide range of markets and sectors, including the UK, Europe, the Far East and emerging markets. As well as portfolio management, comprehensive secretarial, administrative and marketing services to the individual trusts are also provided.

Aberdeen Investment Trust Share Plan

In order to make investment for private investors more convenient, AAM runs a Share Plan which covers the majority of trusts under its management. All investments are free of dealing charges on the initial purchase of shares. Lump sum investments start at £250 per trust, while regular savers may invest from just £50 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.

Aberdeen Investment Trust PEP

The Aberdeen Investment Trust PEP is run by AAM on behalf of participating trusts as a General PEP. Investors can put up to £6,000 per annum into a qualifying trust (which includes UK and /or EU equities' portfolios) as a General PEP. There are no brokerage or initial charges for the Aberdeen Investment Trust PEP. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 plus VAT. The annual PEP management charge is 0.5%, calculated monthly and deducted from income quarterly. Under current legislation all income or capital gains within a PEP are free of income tax and capital gains tax.

Information about the Manager

Investment Trust Information

If you would like details of any of the following trusts managed by AAM, or information on the Share Plan or PEP (both of which contain trust details), please telephone 0500 00 00 40 or write to Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen AB10 1QG.

Aberdeen European Investment Trust PLC
Long-term capital growth from continental European equities.

Aberdeen Latin American Investment Trust PLC†
Long-term capital growth from Latin America.

Aberdeen Lloyd's Insurance Trust PLC
Lloyd's corporate investment.

Aberdeen New Dawn Investment Trust PLC†
Above-average capital growth from Asia's emerging markets.

Aberdeen New Thai Investment Trust PLC†
Single-country trust.

Abtrust Asian Smaller Companies Investment Trust PLC†
Invests in Asian companies with a market capitalisation less than US$250m at launch.

Abtrust Convertible Income Trust PLC
High income from convertibles.

Abtrust Emerging Asia Investment Trust Ltd†
Long-term capital growth from the emerging countries of Asia.

Abtrust Emerging Economies Investment Trust PLC†
Long-term capital growth from global emerging markets.

Abtrust High Income Trust PLC
High income from UK split capital investment trusts.

Abtrust New Preferred Income Investment Trust PLC
High income with exposure to the UK equity market.

Abtrust Scotland Investment Company PLC
Development capital.

Danae Investment Trust PLC
Capital and income growth split-capital trust from portfolio of high yielding securities.

Jove Investment Trust PLC
Capital and income growth split-capital trust from portfolio of high yielding securities.

The Smaller Companies Investment Trust PLC
UK-quoted smaller companies.

The Taverners Trust PLC
Capital growth from the brewing and licensed retailing industry.

The Turkey Trust PLC†
Single-country trust.

† *All funds are in the Share Plan, and are fully PEP qualifying except where indicated.*

The information on pages 25 and 26 is issued and has been approved for the purposes of the Financial Services Act 1986 by Aberdeen Asset Managers Limited, 99 Charterhouse Street, EC1M 6AB which is regulated by IMRO.

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of Abtrust Asian Smaller Companies Investment Trust PLC will be held at 99 Charterhouse Street, London EC1M 6AB, at 12.30pm on Thursday 4 December 1997 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1–5 are will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution:

Ordinary Business

1. To receive the Directors' report and financial statements for the year ended 31 July 1997, together with the auditors' report thereon.
2. To approve the payment of a final dividend.
3. To re-elect Mr N.K. Cayzer as a Director.
4. To re-elect Mr H. Young as a Director.
5. To reappoint Ernst & Young as auditors and to authorise the Directors to agree their remuneration.

Special Business

6. That the name of the Company be changed to "Aberdeen Asian Smaller Companies Investment Trust PLC."

99 Charterhouse Street
London EC1M 6AB
31 October 1997

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the 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 Bank of Scotland, Registrar Department, Apex House, 9 Haddington Place, Edinburgh EH7 4AL, so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. The Register of Directors' interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

Aberdeen

Aberdeen Asset Management Asia Limited
88A Circular Road, Singapore 049439
Tel: 00 65 5384362 Fax: 00 65 5357159

Regulated by The Monetary Authority of Singapore

Aberdeen Asset Managers Limited
10 Queen's Terrace, Aberdeen AB10 1QG. Telephone 01224 631999 Fax 01224 647010
99 Charterhouse Street, London EC1M 6AB. Telephone 0171 490 4466 Fax 0171 490 4436

Regulated by IMRO
Member of the Aberdeen Asset Management Group of Companies