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Aberdeen

Asian Smaller Companies

Investment Trust PLC

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Annual Report & Accounts

2000

Contents

1 Corporate Summary

Annual Report

2 Corporate Information
3 Board Members
4 Performance Summary
5 Chairman's Statement
6 Manager's Review
8 Investment Process
9 Investment Portfolio
12 Sector/Geographical Analysis
13 Currency/Market Performance

Report and Financial Statements

14 Directors' Report
18 Statement of Directors' Responsibilities
19 Auditors' Report
20 Statement of Total Return
21 Balance Sheet
22 Cash Flow Statement
23 Notes to the Financial Statements

Information

32 Shareholder Information
33 Five Year Record
34 Information about the Manager
36 Marketing Strategy

Annual General Meeting

37 Notice of Meeting

Financial Calendar

12 October 2000	Announcement of the results for the year ended 31 July 2000
28 November 2000	Annual General Meeting
30 November 2000	Payment of dividend for 2000
6 December 2000	Warrant subscription date for 2000
March 2001	Announcement of interim results for six months ending 31 January 2001

Aberdeen
Asian Smaller Companies
Investment Trust PLC

Corporate Summary

Investment Objective and Benchmark Index
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. There is presently no meaningful smaller companies index against which to compare the performance of the Company. The managers utilise a general regional index, the MSCI AC Asia Pacific ex Japan Index for Board reporting.

Risk
Many of the stocks in which the Company invests are exposed to the risk of political change, exchange controls, tax or other regulations which may affect their value and marketability. Currency fluctuations may also affect the value of the Company's investments and the income derived therefrom. Companies in the Asia Pacific region are not always subject to the equivalent accounting, auditing and financial standards of those in the United Kingdom. There may therefore be less supervision and regulation in this respect.

Duration
The Company does not have a maximum fixed life.

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

PEP and ISA Status
The Company's shares do not qualify as an eligible security for inclusion in a general PEP, but the Company intends to manage its affairs so as to be a qualifying investment for the stocks and shares component of an ISA.

Summary Management Agreement
The Company has an agreement with Aberdeen Asset Management Asia Limited for the provision of management services. The management fee is payable monthly in arrears and is based on an annual amount of 1.2% of the average net asset value of the Company over a twenty four month period valued monthly, excluding other funds managed by the manager. The agreement is terminable on two years' notice.

Corporate Information

Directors
Nigel Cayzer, Chairman
Eric Elstob
Martin Gilbert
Alan Kemp
Hugh Young*
*Peter Hames (Alternate Director)

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

Secretaries
Aberdeen Asset Management PLC
One Bow Churchyard, Cheapside,
London EC4M 9HH

Registered Office
One Bow Churchyard, Cheapside,
London EC4M 9HH
Registration Number: 3106339

Registrars
Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED
Shareholder Helpline 0870 601 5366
(calls charged at National Call Rate)

Solicitors
Brough Skerrett
The City Law Partnership
99 Charterhouse Street
London EC1M 6NQ

Stockbrokers
Merrill Lynch International
20 Farringdon Road,
London EC1M 3NH

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

Bankers
Bank of Scotland
Robert Fleming & Co. Limited

Board Members

Chairman

Nigel Cayzer*, aged 46, Chairman of the Company, is chairman of Oryx Fund Limited and Oryx International Growth Fund Limited. He is a non executive director of Caledonia Investments Limited and a director of a number of other private companies.

Directors

Eric Elstob*, aged 57, 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 chairman of MW Japan Fund, deputy chairman of Foreign & Colonial Pacific Investment Trust PLC and a director of GT Japan Investment Trust PLC and other investment trusts.

Martin Gilbert, aged 45, qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management. He was one of the founding directors, and is chief executive of Aberdeen Asset Management PLC. He is a director of a number of investment trusts and of Lombard International Assurance SA and FirstGroup PLC.

Alan Kemp*, aged 56, has been involved in fund management since 1970 and with investment trusts since 1972. He was deputy manager of The Edinburgh Investment Trust from 1974 to 1985 and was subsequently deputy chief executive of Dunedin Fund Managers. He is now an independent financial consultant. He is a director of Fleming US Discovery Investment Trust PLC.

Hugh Young, aged 42, 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 currently a director of Aberdeen Asset Management PLC and managing director of Aberdeen Asset Management Asia Limited, responsible for investment in the Far East. He is also a director of Aberdeen New Dawn Investment Trust PLC, Aberdeen New Thai Investment Trust PLC, J F Philippine Fund Inc. and a number of other companies. Mr Peter Hames is an Alternate Director for Mr Young.

** Members of the Audit Committee and Management Engagement Committee.*
All Directors are non-executive and independent, with the exception of Mr M Gilbert and Mr H Young.

Manager

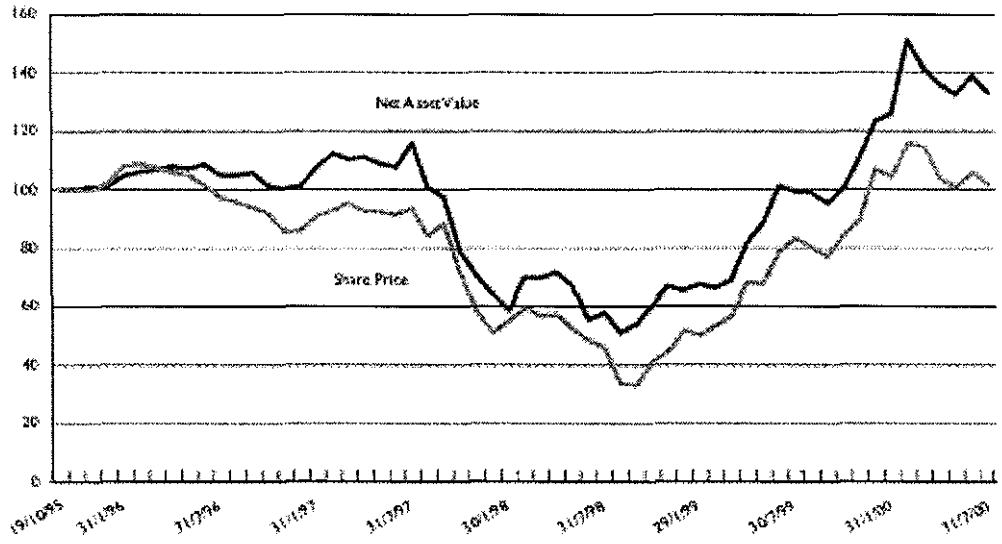
Aberdeen Asset Management Asia Limited is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC whose group companies manage a combined £22.5 billion for institutions, unit trusts, investment trusts, closed end investment funds, private clients and offshore funds.

Performance Summary

	Launch 19.10.95	31.7.99	31.7.00	Since launch %	Year on year %
Ordinary share					
Net asset value per Ordinary share (undiluted)	97.06p	96.52p	129.46p	33.4	34.1
Net asset value per Ordinary share (diluted)	97.06p	n/a*	123.85p	27.6	–
Share price (mid market)	92.00p	76.75p	102.00p	10.9	32.9
Discount (undiluted)	5.2%	20.5%	21.2%	–	–
Discount (diluted)	5.2%	n/a*	17.6%	–	–
Warrant					
Warrant price (mid market)	32.50p	25.00p	43.50p	33.9	74.0
Assets attributable to equity shareholders	£33.97m	£33.78m	£38.52m	13.4	14.0

* See note 15 on page 28.

Net asset value (undiluted) and share price (re-based to 100 at 19 October 1995)



Chairman's Statement

At the time of my Interim Report, I expressed confidence in the value offered by Asian smaller companies. That confidence has been borne out in a further appreciation of your Company's net asset value per share, which, over the year as a whole, has risen by 33.4% to 129.46p as at 31 July 2000. This rise compares most favourably with a rise of 8.7% in the MSCI AC Asia Pacific ex Japan Index over the same period.

The Board is recommending payment of a dividend of 1.22p per Ordinary share, against 0.26p last year.

During the year, the Company bought back 14.99% of its issued Ordinary share capital. This was effected at a discount to net asset value and resulted in the enhancement of the net asset value of the outstanding shares. The Board recommends the continuation of such a shareholder value enhancing programme and has tabled proposals to renew the authority for the Company to buy back up to another 14.99% of its issued share capital. Details are contained in the Directors' Report and in the accompanying circular to warrantholders. Your Directors recommend all shareholders and warrantholders to vote in favour of the respective resolutions.

Looking back on the year under review, the Company has benefited from a sharp pick-up in Asian economies and in corporate earnings. The pattern of stock market movements during the period was, however, volatile with Asia being sucked into the global technology bubble. As mentioned in my Interim Report, we used this bubble as an opportunity to exit various holdings. The stock markets have since become more rational and focused on fundamentals – both at the country and company level. This has rewarded our managers' investment style, which concentrates on close and regular contact with company management and favours investment in those companies with quality of earnings or assets and strong balance sheets.

Looking ahead, the outlook for the current year is promising. Asian earnings and economies are set to improve, albeit at a slower pace than the previous year, which was more a sharp bounce from prior depressed levels. Fundamentally the smaller companies in which we are investing are cheaper than their larger counterparts, whilst enjoying similar or better growth. Your Board, consequently, looks forward to the future with confidence.

Nigel Cayzer
Chairman

12 October 2000

Manager's Review

In hindsight, the past year has been one of pleasant positive surprises. Asia's economies and, as a result, corporate earnings have bounced sharply, bettering most, if not all, expectations. Stock markets have been generally buoyant, although lately they have failed to consolidate gains.

We were initially sceptical of Asia's rebound. In our view, it appeared too liquidity-charged and therefore indiscriminate. Consequently, we did not compromise our investment approach, even during the tech-fuelled rally that peaked in March. While some investors have expressed disappointment now, we remain confident – having never bought into the earlier euphoria.

Critically, we have kept our focus on earnings, balance sheets and management. Our general assertion is that quality companies are much more conscious of debt levels, margins and competitive positioning than before the 1997 crisis. While the cyclical recovery has carried along some also-rans, the stocks we have isolated stand to gain from secular growth trends. Yet their potential has not necessarily been recognised.

One reason for this is the slow pace of restructuring. The sense of urgency precipitated by the crisis has disappeared. Thailand, for example, has been chief among those that have allowed reform efforts to become snagged on the thorns of political in-fighting and vested interests. The banking sector remains weak, hampering loan growth. However, the example of foreign-owned banks that have sold off loans and written down losses provides a way forward. Also the recent success of creditors in wresting control of TPI, a petrochemicals company, and Thailand's largest debtor, should help. The landmark bankruptcy case may now force other renegade companies to the negotiating table.

Indonesia shares many of Thailand's problems. It is suffering from factional politics, a restive army and ethnic violence, some of which has increased following a change of premier a year ago. In some respects the 'old guard' is trying to retain privileges which a younger elite is resisting – but whether to replace it or modernise isn't clear. The absence of a properly functioning legal system and the attachment of scandal to many banks has been a particular weight as the restructuring agency tries to sell off assets. Despite the constant threat of the IMF witholding new loans, only a handful of sales have been effected. For all this, the economy has picked up.

In Malaysia, exchange controls have helped a boom in exports, led by electronic parts. Yet impressive headline growth figures do not tell the whole story. Consumption has benefited from artificially cheap money, a lot of which went into the stock market. While this helped to propel share values through the turn of the year, it has proved no substitute for corporate reform. The government continues to prefer connected parties. For instance, a sudden decision to force the almost immediate merger of dozens of banks and financial institutions under six nominated groups allowed favoured entities to acquire market share cheaply. Thus, while the stated benefit – to strengthen the financial system – was laudable, the methods were not.

The conflict between market-led reforms and the influence of special interest groups is a theme throughout the region. For example, the Philippines has slipped gently off the investment map because of the ineffective leadership of president Estrada. He has been too ready to appease business oligarchs, who have exploited populism to fend off threatened competition through deregulation. But there is scope for companies to thrive in spite of government inertia or misdirection.

For example, in Malaysia we hold Malaysian Oxygen, a supplier of industrial gases to the manufacturing sector, which is enjoying booming export demand as a consequence of the cheap Malaysian currency. Meanwhile in Indonesia, our largest and most successful investment has been Unilever, which has benefited from a pick-up in consumer demand as well as a higher market share as its less well managed competitors have stumbled.

Manager's Review

In Thailand our largest holding is Hana Microelectronics, a well-run components manufacturer serving world markets and enjoying Asia's lower production costs. It has thrived on the back of the sustained upturn in the semiconductor cycle and the accompanying outsourcing trend. Indeed, it is conspicuous within the portfolio for its tech labelling.

Generally, Asian technology stocks have merited caution. The global 'dot-com' craze had its own twist in Asia, with companies being launched with no track record whatsoever and immediately soaring to fantastic premia. This only encouraged gullible (or greedy) retail punters. Hong Kong was notably flexible in its listing rules, which permitted various well-connected parties to profit. Many of these situations are still unwinding, with businesses already downsizing, just months after their IPOs.

We took advantage of the tech bubble in one way, realising substantial profits on a few of our long held positions. Acme Landis, a distributor of American Standard sanitaryware in China and Hong Kong, soared on news that it was becoming Hambrecht and Quist's Asian technology vehicle. In a matter of days, it soared from HK$0.60 to HK$7.00, at which price we sold – only to see the price treble from there to HK$21.00! At the time of writing it is back at HK$0.70 – an object lesson in stock market psychology.

In a similar vein, although not so volatile, we also exited our holding of Indian software company, Satyam, which over the period of our holding — since your Company's inception, in fact — had seen its share price rise a hundred fold. We also sold Usha Beltron, an Indian manufacturer of telephone cables, which was swept up in the technology boom.

We reinvested the proceeds of these sales in solid holdings such as Otis Elevator and Credit Rating Information Service, the Standard and Poor's rating affiliate, in India; Rowe Evans, an asset rich company with plantation and property interests in Malaysia and Indonesia, which has a strong history of looking after shareholders; Café de Coral, a restaurant chain, and Hung Hing Printing, a printer, in Hong Kong; and Powerlan, an Australian provider of IT services and training.

Our expectations for the year ahead are generally positive. Although, at the macro level, there are concerns over external factors, such as the impact of interest rate hikes in the US, and the risks of oil price shocks, these factors are heavily discounted. We are invested in a broad spread of countries, businesses and companies, with an emphasis on quality and visibility of earnings. Overall our portfolio remains cheap and should benefit both from the companies' own efforts and from the region's still promising growth trend. An improvement in sentiment could see markets find direction quickly.

31 October 2000 **Aberdeen Asset Management Asia Limited**

Investment Process

Aberdeen Asset Management Asia's ("Aberdeen Asia") seven-strong investment team manages assets across Asia, including Japan, as well as the Indian sub-Continent and Australasia.

Its investment style is predominantly "growth at a reasonable price", meaning it aims to identify good quality companies, on reasonable or low valuations, that are likely to deliver above average growth in earnings and dividends over the long term.

Aberdeen Asia's emphasis on primary research reflects its belief that Asia's stock markets are relatively inefficient, and thus give ample scope for spotting undervalued investment opportunities. No company becomes an investment without Aberdeen Asia's managers having first met the management; typically, the investment team makes over 500 company visits a year, with a high degree of cross-coverage.

Weightings in individual securities, sectors and countries may vary substantially against the index weight. This is because indices and index weights are viewed as representative of market consensus rather than as key drivers in the stock selection process. Many index stocks will anyway fail to meet stringent criteria of strong management, balance sheets and attention to corporate governance. Prevailing stock prices may be unacceptably expensive on a relative and/or absolute basis, too.

Generally, Aberdeen Asia prefers to limit downside risk. Portfolio holdings have lower-than-market volatility, which may in large part be due to their defensive business nature and relatively conservative capital structure. Overly cyclical stocks and theme plays are thus rarely included. Finally, there is little attempt to time the market or to trade on momentum; rather, the investment focus is long term. Average portfolio turnover since the inception of the Trust is around 25-30% p.a. The Trust has usually held between 35-50 securities at any one time, providing what Aberdeen Asia considers an optimum trade-off between risk diversification and return for a trust of this type.

Investment Team

Hugh Young

Peter Hames

Chong Yoon Chou

Shahreza Yusof

Flavia Cheong

Robert Penaloza

Investment Portfolio

As at 31 July 2000

Company	Valuation £'000	Total net assets %
ERG Australia	2,921	7.5
Sector: Technology — Country: Australia		
Manufactures, installs and sells electronic ticketing equipment around the world for use in rail and bus services. Also makes telecommunication equipment and sells GSM base stations, pagers, and rural telephony in alliance with Motorola.		
Giordano International	2,452	6.3
Sector: Consumer — Country: Hong Kong		
Hong Kong-listed retailer and manufacturer of fashion clothing targeting young adults, with outlets across the region and with an interest in mainland China. It is regarded by its peers as one of the region's best retailers.		
Govett Asian Smaller Co's. Trust	1,985	5.2
Sector: Miscellanous — Country: Other Asia		
UK-listed investment trust with a specialist focus on Asian markets.		
La Tondena Distilleries	1,426	3.7
Sector: Consumer — Country: Philippines		
One of the largest distilleries in the Philippines. Produces Filipino gin and is also involved in mineral water, distilled water and fruit juice. Majority-owned by brewing giant San Miguel, which enjoys a duopoly in the local market.		
Unilever Indonesia	1,376	3.6
Sector: Consumer — Country: Indonesia		
Local subsidiary of MNC consumer goods company, has leading market share in ice cream, personal care and packaged foods business, and also runs state of the art plants sourcing goods for exports to sister operations worldwide.		
Hana Microelectronics	1,176	3.1
Sector: Electronics — Country: Thailand		
An electronics company engaged in IC packaging, printed circuit board assembly, and microdisplays, and in effect the only quoted high-tech manufacturer in Thailand.		
ICICI	1,133	2.9
Sector: Banks — Country: India		
Set up in 1955, India's oldest and largest development finance institution. Now becoming a universal bank and rapidly expanding branch numbers to compete more effectively.		
Informatics Holdings	1,129	2.9
Sector: Technology — Country: Singapore		
Acquisitive international training company, operating in 27 countries through direct ownership and franchises. Trained 400,000 people last year, primarily in IT functions.		
BRL Hardy	1,096	2.8
Sector: Consumer — Country: Australia		
Wine maker and distributor that owns and operates vineyards and wineries in South Australia, Victoria, Western Australia and Benziers, France. One of the top ten wine companies in the world and Australia's largest wine exporter.		
Courts	1,079	2.8
Sector: Consumer — Country: Singapore		
Largest retailer of furniture and electrical appliances in Singapore, primarily catering for low to mid-end purchasers, and majority owned by the UK's Courts. It also runs a hire purchase company.		
Top ten investments	**15,773**	**40.8**

Investment Portfolio

As at 31 July 2000

Company	Valuation £'000	Total net assets %
Star Publications	1,002	2.6
Sector: Publishing — Country: Malaysia		
One of two English-language newspaper publishers listed on the KLSE. Its flagship paper, The Star, is the leading English daily tabloid. Also publishes the Sunday Star and five magazines in different languages.		
Robinson & Co.	945	2.5
Sector: Consumer — Country: Singapore		
Family-controlled but professional owner/operator of department stores in Singapore and Malaysia, and also holds the Marks & Spencer franchise for Singapore and Malaysia. *Its cash and investment per share is slightly below its share price.*		
Café De Coral	850	2.2
Sector: Consumer — Country: Hong Kong		
Hong Kong fast-food chain with over 100 outlets, focusing on local consumers through a variety of branded concepts, and also with a growing business supplying meals to schools and hospitals.		
Sime UEP Properties	846	2.2
Sector: Property — Country: Malaysia		
Part of the Malaysian conglomerate Sime Darby. Sime UEP is a property developer, which owns low cost land bank in the Klang Valley that should see it through another 15 years.		
Amway	829	2.2
Sector: Consumer — Country: Malaysia		
Country arm of the US direct selling company, which has a good geographical reach distributing mainly household goods, health products and white goods, a growing proportion of which is sourced locally.		
SHL Consolidated	824	2.1
Sector: Construction & builging materials — Country: Malaysia		
Property developer with own construction arm and building material businesses, including manufacturing and quarrying. Has fifty year history, and is now under second generation management.		
Avimo Singapore	772	2.0
Sector: Manufacturing — Country: Singapore		
Maker of precision optics for weapon systems and commercial use whose major shareholders are Alvis (UK) and Thomson (France).		
Dynaplast	744	1.9
Sector: Manufacturing — Country: Indonesia		
Dominant local manufacturer of plastic components, including everything from tupperware, bottles, electronics and cars. Also holds minority stake in plant making plastic computer components for export.		
Industrial & Commercial Bank	744	1.9
Sector: Banks — Country: Singapore		
A majority-owned subsidiary of United Overseas Bank, one of Singapore's 'big four' commercial banks. It holds a full bank licence and caters for small and medium-sized companies.		
Bukit Sembawang Estates	722	1.9
Sector: Property — Country: Singapore		
Property developer for Seletar, in Malaysia, substantially owned by the family controlling OCBC bank in Singapore. Developed originally from rubber estates, then via tobacco, and now has substantial land bank, conservatively managed.		
Top twenty investments	**24,051**	**62.3**

Investment Portfolio

As at 31 July 2000

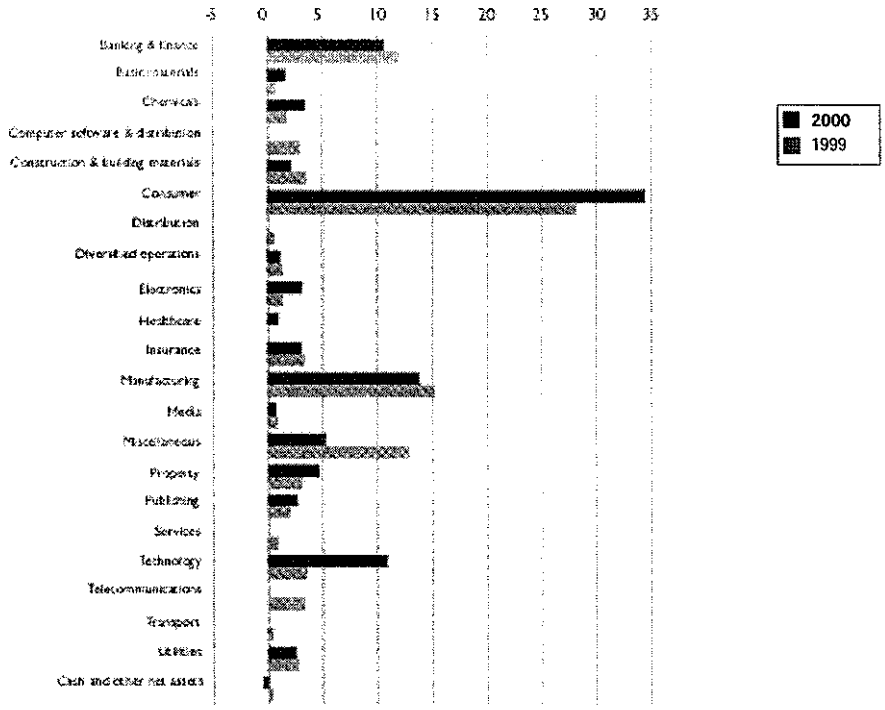
Company	Sector	Country	Valuation £'000	Total net assets %
Malaysian Oxygen	Chemicals	Malaysia	713	1.9
LPI Capital	Insurance	Malaysia	701	1.8
China Hong Kong Photo Products	Consumer	Hong Kong	660	1.7
Pacifica Group	Manufacturing	Australia	626	1.6
Lanka Lubricants	Basic Material	Sri Lanks	618	1.6
Clipsal Industries	Manufacturing	Singapore	613	1.6
Bank Nisp	Banks	Indonesia	585	1.5
ICI India	Chemicals	India	578	1.5
CarnaudMetalbox Asia	Manufacturing	Singapore	566	1.5
Credit Rating Info. Service	Finance	India	565	1.5
Otis Elevator	Manufacturing	India	549	1.4
Hung Hing Printing	Manufacturing	Hong Kong	549	1.4
BAT Indonesia	Consumer	Indonesia	532	1.4
Goodyear	Manufacturing	Thailand	512	1.3
Standard Foods	Consumer	Taiwan	505	1.3
Seoul City Gas	Utilities	South Korea	495	1.3
Mustika Ratu	Consumer	Indonesia	492	1.3
Eastern Water Resources	Utilities	Thailand	467	1.2
Lotte Confect	Consumer	South Korea	463	1.2
Keells (J.)	Diversified operations	Sri Lanka	407	1.1
Orix Leasing	Finance	Pakistan	394	1.0
American Standard Sanitaryware	Manufacturing	Thailand	365	0.9
Asian Terminals	Infrastructure	Philippines	344	0.9
Post Publishing	Media	Thailand	286	0.7
Commercial Bank of Ceylon	Banks	Sri Lanka	270	0.7
Haad Thip	Consumer	Thailand	227	0.6
Thai Reinsurance	Insurance	Thailand	227	0.6
DFCC Bank	Banks	Sri Lanka	220	0.6
Distilleries	Consumer	Sri Lanka	216	0.6
Phatra Insurance	Insurance	Thailand	212	0.6
Cebu Holdings	Property	Philippines	192	0.5
Multi Bintang Indonesia	Consumer	Indonesia	154	0.4
National Development Bank	Banks	Sri Lanka	152	0.4
Powerlan	Technology	Australia	136	0.4
Eicher	Manufacturing	India	51	0.1
Total fixed asset investments			**38,693**	**100.4**
Net current liabilities and provision for liabilities and charges			**(173)**	**(0.4)**
Total net assets			**38,520**	**100.0**

Note: Unless otherwise stated, foreign stock is held and all investments are equity holdings.

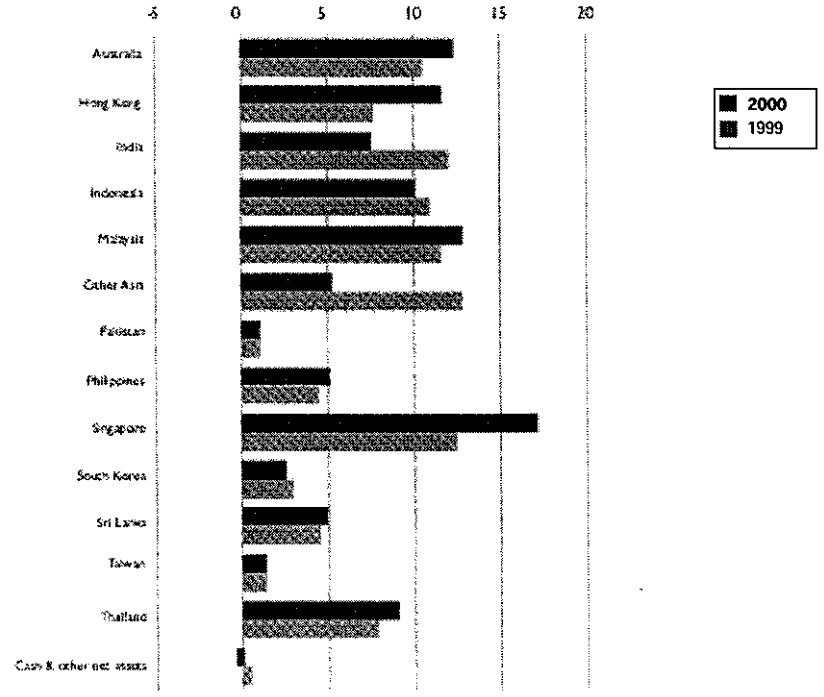
Sector/Geographic Analysis

As at 31 July 2000

Sector Breakdown



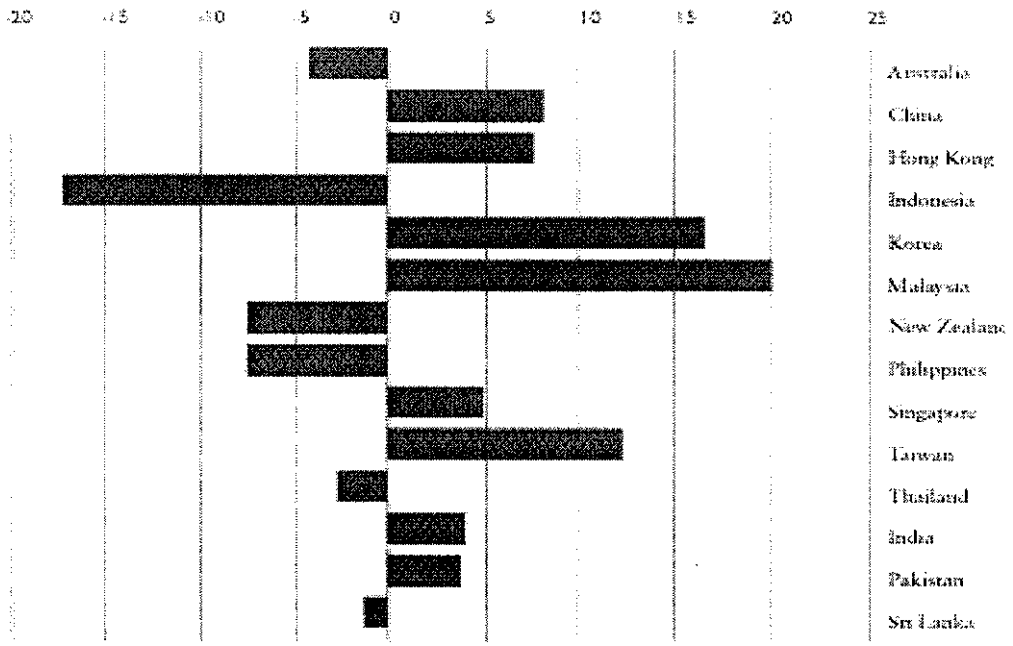
Geographical Summary



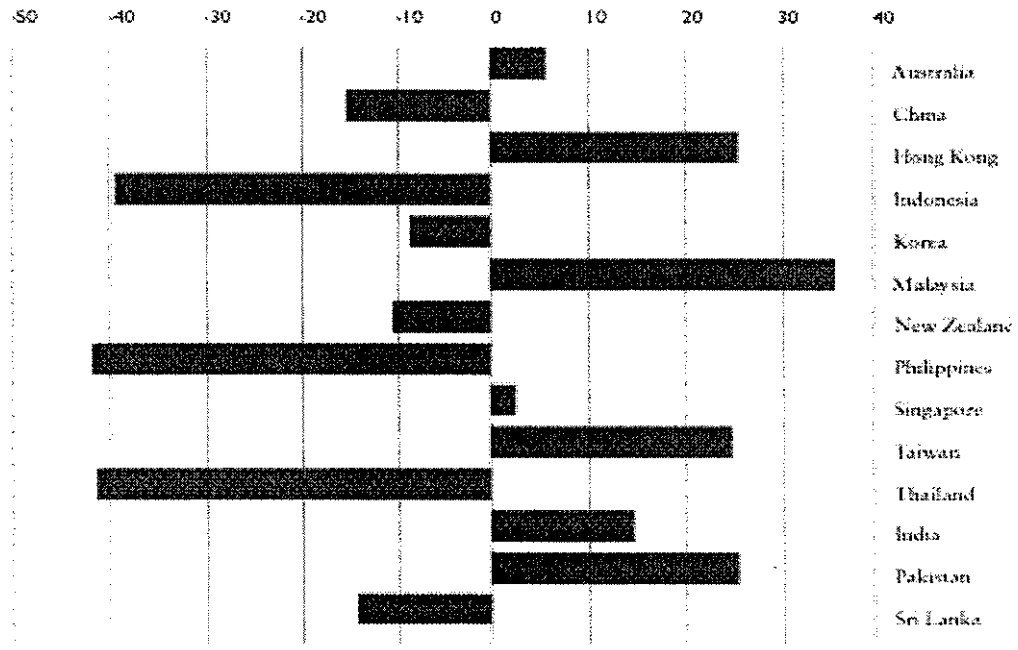
Currency/Market Performance

12 months to 31 July 2000

Currency returns (£)



MSCI Country Index Total Returns (£)



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 July 2000.

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 year to 31 July 2000 amounted to £364,000. A final dividend of 1.22p per share, which will absorb £363,000, has been proposed and, if approved, will be payable on 30 November 2000.

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 is granted retrospectively in respect of each accounting period, however, the Inland Revenue is no longer obliged to give written confirmation that approval has been granted. The Inland Revenue has approved the Company as an authorised investment trust under Section 842 Income and Corporation Taxes Act 1988 for the year ended 31 July 1999.

At the fourth Annual General Meeting of the Company held on 21 October 1999, shareholders and warrantholders authorised the Company to purchase in the market up to 5,246,500 Ordinary shares representing approximately 14.99% of its then issued share capital. On 27 January 2000 the Company purchased for cancellation 3,500,000 Ordinary shares at 95p and on 22 Februaury 2000 the Company purchased for cancellation 1,746,500 Ordinary shares at 105p.

Directors

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

	31 July 2000		1 August 1999	
	Ordinary shares	Warrants	Ordinary shares	Warrants
N K Cayzer	-	-	-	-
E C Elstob	30,000	20,000	20,000	10,000
M J Gilbert	66,233	9,773	66,007	9,773
A S Kemp	5,298	-	5,272	-
H Young	20,000	104,000	20,000	104,000

As at 31 July 2000, Mr Elstob had a non-beneficial interest in 104,000 Ordinary shares (1999 - nil).
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 notes 3 and 4.

Mr Cayzer retires by rotation and, being eligible, offers himself for re-election.

No Director has a service contract with the Company.

Directors' Report

Special Business at the Annual General Meeting

Under resolution 5 it is proposed that, in line with common practice, the Directors be authorised to allot up to £371,926 of relevant securities in the Company (equivalent to 1,487,705 Ordinary shares of 25p, representing approximately 5% of the Company's issued share capital) without further reference to the Company in general meeting for a period ending at the conclusion of the Annual General Meeting in 2001.

Under section 89(1) of the Companies Act 1985, where it is proposed to issue equity securities (which includes Ordinary shares, Warrants and convertible debt securities) for cash they must first be offered to existing shareholders in proportion to their holdings. In some circumstances it is beneficial to allot such securities for cash without first offering them in this way. The Directors will therefore propose a special resolution (resolution 6) at the Annual General Meeting which, if passed, will allow them to allot equity securities for cash up to an aggregate nominal value of £371,926 as if section 89(1) did not apply. This authority will lapse (unless renewed) at the conclusion of the Annual General Meeting in 2001. Ordinary shares would not be issued at a price less than net asset value.

Under resolution 7, which is a special resolution, it is proposed that the general authority for the Company to buy back up to 14.99% of its Ordinary shares, approved by shareholders and warrantholders on 21 October 1999 be renewed at the Annual General Meeting for an amount up to 4,460,139 of its Ordinary shares for a further 12 months unless renewed before that time. The share buy back proposal requires the approval of warrantholders. A notice convening the warrantholders' meeting to be held on 28 November 2000 immediately following the conclusion of the Annual General Meeting has been despatched to warrantholders together with a copy of the Report and Accounts.

Corporate Governance

The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the Company to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code"), prepared by the Committee on Corporate Governance, published in June 1998.

The Board considers that the Company has complied with the provisions contained within the Combined Code throughout this accounting period except where indicated below. This statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of five non-executive Directors, the majority of whom are independent of the Company's Investment Manager, with the Chairman fulfilling the role of senior independent non-executive director. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior non-executive Director. From the biographies on page 3 it will be seen that the Board has a breadth of experience relevant to the Company. The Articles of Association provide that the number of Directors nearest to, but not greater than, one third of the Board retire by rotation every year. Accordingly, Mr Cayzer shall retire and offer himself for re-election at the forthcoming Annual General Meeting.

The Board meets at least six times a year and between these formal meetings there is regular contact with the Investment Manager. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

Directors' Report

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. The Board has delegated the following areas of responsibility:

Management and Administration

The management of the investment portfolio and the administration of the Company has been delegated to Aberdeen Asset Management PLC ("Aberdeen") and its subsidiaries. Custody and settlement services are undertaken by State Street Bank & Trust Co., a subsidiary of State Street Corporation. The Board has delegated the exercise of voting rights attaching to the Company's investments to the Investment Manager.

All other matters are reserved for the approval of the Board.

Board Committees

Separate Audit and Management Engagement Committees have been established. The Board as a whole fulfils the function of a Nomination Committee which meets when necessary to select and propose suitable candidates for appointment. Given the size of the Board it is not felt appropriate to establish a separate Nomination Committee.

The Audit and Management Engagement Committees each consist of Directors independent of the Investment Manager. The Audit Committee examines the effectiveness of the Company's internal controls system and receives information from the Investment Manager's internal audit and compliance departments and the external auditors. The Management Engagement Committee keeps under review the terms of the investment management and related agreements.

Internal Controls

The Combined Code has introduced a new requirement that the Directors review the effectiveness of the Company's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including:

- financial;
- operational;
- compliance; and
- risk management.

In September 1999 guidance for directors was published in *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance). However, the Directors have taken advantage of the Financial Services Authority's transitional rules and have continued to review and report upon internal financial controls in accordance with *Internal control and financial reporting* issued by the Working Group of Internal Control in December 1994.

Nevertheless, the Board confirms that it has established procedures necessary to implement the Turnbull guidance such that it can fully comply with it for the accounting period ending on 31 July 2001.

The internal financial control systems are designed to meet the Company's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable and not absolute assurance against misstatement or loss.

Directors' Report

The key components designed to provide effective internal financial control within the Company are outlined below.

The Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Investment Manager's evaluation procedure and financial analysis of the companies concerned includes detailed appraisal and due diligence.

As a matter of course the compliance department of Aberdeen continually reviews the Investment Manager's operations.

Financial Statements

The Directors' responsibilities regarding the financial statements are set out on page 18. The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

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.

Relations with Shareholders

The Investment Manager maintains a regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members and representatives of the Investment Manager are available to answer shareholders' questions at the Annual General Meeting of the Company.

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 the date of this Report.

Shareholder	Number of Ordinary shares held	% held
Clients of Aberdeen Asset Management PLC	7,564,733	25.42
M & G Investment Management Limited	4,750,000	15.96
AGF Management Limited	1,620,000	5.44
Devon County Council	1,500,000	5.04
Rio Tinto Pensions	1,400,000	4.71
Bank of Bermuda, Hong Kong	1,255,638	4.22
Aberdeen Investment Trust Share Plan/ISA (Non Beneficial)	1,042,262	3.50
Reliance Mutual	1,000,000	3.36
Bank of England Pension Fund	1,000,000	3.36
Aberdeen New Dawn Investment Trust PLC*	900,000	3.02

**Also included within the interest of Clients of Aberdeen Asset Management PLC*

Directors' Report

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. At the end of the financial year there were 4 days of outstanding purchases. There were no outstanding creditors at 31 July 2000 in relation to the purchase of investments.

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 re-appoint Ernst & Young as auditors for the ensuing year.

One Bow Churchyard, Cheapside,
London EC4M 9HH
31 October 2000

By order of the Board
pp **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 total 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;
- 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 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 Aberdeen Asian Smaller Companies Investment Trust PLC

We have audited the financial statements on pages 20 to 31 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 23 and 24.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 18, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 15 to 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit 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 at 31 July 2000 and of its total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

31 October 2000

Statement of Total Return
(Incorporating the Revenue Account of the Company*)

For the year ended 31 July 2000

		2000			1999 (restated**)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	–	10,188	10,188	–	14,254	14,254
Income	2	1,334	–	1,334	869	–	869
Investment management fee	3	(340)	–	(340)	(321)	–	(321)
Other expenses	4	(296)	–	(296)	(268)	–	(268)
Exchange losses		–	(103)	(103)	–	(93)	(93)
Net return before finance costs and taxation		698	10,085	10,783	280	14,161	14,441
Interest payable and similar charges	5	(145)	–	(145)	(47)	–	(47)
Return on ordinary activities before tax		553	10,085	10,638	233	14,161	14,394
Tax on ordinary activities	6	(189)	–	(189)	(141)	–	(141)
Return on ordinary activities after taxation		364	10,085	10,449	92	14,161	14,253
Dividends in respect of equity shares	7	(363)	–	(363)	(91)	–	(91)
Transfer to reserves	14	**1**	**10,085**	**10,086**	**1**	**14,161**	**14,162**
Return per Ordinary share (pence):							
Basic	8	**1.12**	**31.08**	**32.20**	**0.26**	**40.46**	**40.72**

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

** See note 2.

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

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

Balance Sheet

As at 31 July 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments	9	38,693	33,646
Current assets			
Debtors	10	160	482
Cash at bank and in hand		1,010	1,643
		1,170	2,125
Creditors: amounts falling due within one year	11	(1,321)	(1,966)
Net current (liabilities)/assets		(151)	159
Total assets less current liabilities		38,542	33,805
Provisions for liabilities and charges	12	(22)	(23)
Total net assets		**38,520**	**33,782**
Capital and reserves			
Called-up share capital	13	7,439	8,750
Capital redemption reserve	14	1,312	–
Share premium account	14	–	22,941
Special reserve	14	17,746	–
Other reserves:			
Warrant reserve	14	2,275	2,275
Capital reserve - realised	14	4,837	(3,513)
Capital reserve - unrealised	14	4,671	3,090
Revenue reserve	14	240	239
Total equity shareholders' funds		**38,520**	**33,782**
Net asset value per Ordinary share (pence):	15		
Basic		**129.46**	**96.52**
Fully-diluted		**123.85**	**n/a**

The financial statements were approved by the Board of Directors on 31 October 2000 and were 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 2000

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Net cash inflow from operating activities	17		590		22
Servicing of finance					
Interest paid		(149)		(42)	
Net cash outflow from servicing of finance			(149)		(42)
Taxation					
Net tax recovered			344		168
Financial investment					
Purchase of investments		(10,519)		(8,459)	
Sale of investments		15,660		7,187	
Net inflow/(outflow) from financial investment			5,141		(1,272)
Equity dividends paid			(93)		(38)
Net cash inflow/(outflow) before financing			5,833		(1,162)
Financing					
Repurchase of Ordinary shares		(5,195)		–	
Expenses paid in respect of share buybacks		(153)		–	
(Repayment)/drawdown of loans		(1,000)		1,750	
Net cash (outflow)/inflow from financing			(6,348)		1,750
(Decrease)/increase in cash	18		**(515)**		**588**
Reconciliation of net cash flow to movements in net funds/(debt)					
(Decrease)/increase in cash as above			(515)		588
Cash inflow/(outflow) from decrease/(increase) in loans			1,000		(1,750)
Exchange movements			(118)		(77)
Movement in net funds in the year			367		(1,239)
Net (debt)/funds at 1 August			(107)		1,132
Net funds/(debt) at 31 July	18		**260**		**(107)**

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

Notes to the Financial Statements

For the year ended 31 July 2000

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of investments, and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies'.

(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 its net realisable value. 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, if material, to reflect the effective yield on each such 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

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.

(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.

Notes to the Financial Statements

(g) Foreign currency

Overseas monetary 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.

		2000	1999 (restated)
2.	**Income**	**£'000**	**£'000**
	Income from investments		
	UK dividends	–	22
	Overseas dividends	1,230	797
		1,230	819
	Other income		
	Deposit interest	104	50
	Total income	**1,334**	**869**

With effect from 1 August 1999 franked investment income is presented excluding attributable tax credits. Previously, franked investment income was presented including attributable tax credits which were then also included within the charge for taxation. The change, which has no effect on the net income after taxation for the period, has been made to comply with FRS 16 "Current Tax"; comparative figures have been restated. The effect of this change in presentation is to decrease franked investment income and the tax charge by equal amounts of £2,000 for 1999 resulting in no net change in the net income after taxation for 1999. No franked investment income was received in the year to 31 July 2000.

		2000			1999		
		Revenue	Capital	Total	Revenue	Capital	Total
3.	**Investment management fee**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Investment management fee	**340**	**–**	**340**	**321**	**–**	**321**

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 was based on an annual amount of 1.2%, calculated on the average net asset value of the Company over a twenty four month period, valued monthly. The agreement is terminable on two years' notice. The balance due to AAM Asia at the year end was £65,000 (1999 – £50,000).

Notes to the Financial Statements

4. Administration expenses	2000 £'000	1999 £'000
Administration fees	64	50
Directors' fees	44	48
Share Plan marketing contribution	17	19
Auditors' remuneration		
– audit	12	11
– for other services	1	7
Custodian charges	84	49
Other expenses	74	84
	296	**268**

The Company has an agreement with Aberdeen Asset Managers Limited ('Aberdeen') 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 £64,000. The agreement is terminable on six months' notice. There was no balance due to/from Aberdeen at the year end (1999 – £nil).

The Company also has an agreement with Aberdeen for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fees paid and payable under the agreement was £17,000 (1999 – £19,000) and the net amount prepaid to Aberdeen at the year end was £1,000 (1999 – prepayment of £2,000).

The emoluments of the highest paid Director, being the Chairman, amounted to £10,000 (1999 – £10,000). No pension contributions were made in respect of any of the Directors.

The Company does not have any employees.

	2000			1999		
5. Interest payable and similar charges	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On bank loans and overdrafts	**145**	**–**	**145**	**47**	**–**	**47**

	2000			1999 (restated)		
6. Tax on ordinary activities	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax	140	–	140	14	–	14
Deferred taxation	(1)	–	(1)	14	–	14
Irrecoverable ACT	–	–	–	18	–	18
Overseas taxation	118	–	118	109	–	109
Relief for overseas taxation	(68)	–	(68)	(14)	–	(14)
	189	**–**	**189**	**141**	**–**	**141**

Comparative figures for the year ended 31 July 1999 have been restated in line with FRS 16 'Current Tax' (see note 2).

Notes to the Financial Statements

		2000			1999		
		Revenue	Capital	Total	Revenue	Capital	Total
7.	**Dividends and other appropriations**	£'000	£'000	£'000	£'000	£'000	£'000
	Dividends on equity shares:						
	- final 1.22p per share (1999 - 0.26p)	**363**	**-**	**363**	**91**	**-**	**91**

		2000			1999		
		Revenue	Capital	Total	Revenue	Capital	Total
8.	**Return per Ordinary share**	p	p	p	p	p	p
	Basic	**1.12**	**31.08**	**32.20**	**0.26**	**40.46**	**40.72**

The basic revenue return per Ordinary share is based on net revenue on ordinary activities after taxation of £364,000 (1999 – £92,000) and on 32,453,641 (1999 – 35,000,367) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The basic capital return per Ordinary share is based on net capital gains for the financial year of £10,085,000 (1999 – £14,161,000) and on 32,453,641 (1999 – 35,000,367) Ordinary shares, being the weighted average number of Ordinary share in issue during the year.

The fully-diluted return per Ordinary share has not been shown as it is in excess of basic earnings per share.

		2000	1999
9.	**Investments**	£'000	£'000
	Investments listed on a recognised investment exchange	**38,693**	**33,646**

	Listed in UK £'000	Listed overseas £'000	Total £'000
Opening book cost	2,568	27,988	30,556
Opening unrealised appreciation	1,770	1,320	3,090
Opening valuation	4,338	29,308	33,646
Movements in the year:			
Purchases at cost	–	10,520	10,520
Sales – proceeds	(2,217)	(13,444)	(15,661)
– realised gains	891	7,716	8,607
Amounts recognised as unrealised in previous years	914	(1,393)	(479)
(Decrease)/increase in unrealised appreciation	(1,941)	4,001	2,060
Closing valuation	**1,985**	**36,708**	**38,693**

Notes to the Financial Statements

	Listed in UK £'000	Listed overseas £'000	Total £'000
Closing book cost	1,242	32,780	34,022
Closing unrealised appreciation	743	3,928	4,671
	1,985	**36,708**	**38,693**
Realised gains on sales	891	7,716	8,607
Amounts recognised as unrealised in previous years	914	(1,393)	(479)
(Decrease)/increase in unrealised appreciation	(1,941)	4,001	2,060
	(136)	**10,324**	**10,188**

		2000 £'000	1999 £'000
10.	**Debtors: amounts falling due within one year**		
	Other debtors	12	5
	Tax recoverable	64	351
	Prepayments and accrued income	84	126
		160	**482**

		2000 £'000	1999 £'000
11.	**Creditors: amounts falling due within one year**		
	Other creditors	137	110
	Bank loan	750	1,750
	Corporation tax payable	71	–
	Unrealised loss on forward hedge	–	15
	Proposed dividend	363	91
		1,321	**1,966**

		Deferred taxation on accrued income £'000	Surplus Advance Corporation Tax £'000	Total £'000
12.	**Provision for liabilities and charges**			
	At 1 August 1999	(23)	–	(23)
	Movement in year	1	–	1
	Balance at 31 July 2000	**(22)**	**–**	**(22)**

Notes to the Financial Statements

13. Called up share capital	2000 Authorised £'000	2000 Issued and fully paid £'000	1999 Authorised £'000	1999 Issued and fully paid £'000
Ordinary shares of 25p each	**10,500**	**7,439**	**10,500**	**8,750**

During the financial year 5,246,500 Ordinary shares were bought back for cancellation at a cost of £5,195,000.

At 31 July 2000 there were 6,999,400 Warrants in issue (1999 - 6,999,400). Each Warrant entitles a holder to subscribe for one Ordinary share of 25p at a price of 100p. Details of exercise are highlighted on the inside back cover of this Report.

14. Reserves	Redemption reserve £'000	Share premium account £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
At 1 August 1999	–	22,941	–	2,275	(3,513)	3,090	239
Transfer to Special reserve	–	(22,941)	22,941	–	–	–	–
Repurchase of Ordinary shares	1,312	–	(5,195)	–	–	–	–
Exchange losses	–	–	–	–	(103)	–	–
Transfer on disposal of assets	–	–	–	–	479	(479)	–
Net gain on realisation of investments	–	–	–	–	8,127	–	–
Increase in unrealised appreciation	–	–	–	–	–	2,060	–
Share buyback expenses	–	–	–	–	(153)	–	–
Retained net revenue for the year	–	–	–	–	–	–	1
At 31 July 2000	**1,312**	**–**	**17,746**	**2,275**	**4,837**	**4,671**	**240**

15. Net asset value per share

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

	Net asset value per share attributable 2000 p	Net asset value per share attributable 1999 p	Net asset values attributable 2000 £'000	Net asset values attributable 1999 £'000
Basic	**129.46**	**96.52**	**38,520**	**33,782**
Fully-diluted	**123.85**	**n/a**		

Notes to the Financial Statements

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

	2000 £'000	1999 £'000
Total net assets attributable at beginning of year	33,782	19,620
Total recognised gains for the year	10,449	14,253
Share buyback expenses	(153)	–
Repurchase of Ordinary shares	(5,195)	–
Dividends appropriated in the year	(363)	(91)
Total net assets attributable at end of year	**38,520**	**33,782**

The basic net asset value per Ordinary share is based on net assets, and on 29,754,100 (1999 – 35,000,600) Ordinary shares, being the number of Ordinary shares in issue at the year end.

The fully-diluted net asset value per Ordinary share is 123.85p. This has been calculated on the assumption that the 6,999,400 Warrants in issue (1999 - 6,999,400) were exercised on the first day of the financial period at 100p per share giving a total of 36,753,500 Ordinary shares. The fully diluted net asset value per Ordinary share for 1999 has not been shown as it was in excess of the basic net asset value per share.

16. Contingent liabilities

There were no contingent liabilities at 31 July 2000 or 31 July 1999.

17. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2000 £'000	1999 (restated) £'000
Net revenue before finance costs and taxation	698	280
Decrease/(increase) in accrued income	46	(71)
(Increase)/decrease in other debtors	(11)	4
Increase/(decrease) in creditors	33	(15)
UK Income tax deducted at source	(57)	(67)
Overseas withholding tax suffered	(119)	(109)
Net cash inflow from operating activities	**590**	**22**

18. Analysis of changes in net funds

	1 August 1999 £'000	Cash flow £'000	Exchange movements £'000	31 July 2000 £'000
Net cash:				
Cash at bank and overdrafts	1,643	(515)	(118)	1,010
Debt:				
Debts falling due within one year	(1,750)	1,000	–	(750)
Net (debt)/funds	**(107)**	**485**	**(118)**	**260**

Notes to the Financial Statements

19. Related party transactions

Mr M J Gilbert and Mr H Young are directors of Aberdeen Asset Management PLC and its subsidiary Aberdeen Asset Management Asia Limited ('AAM Asia'). Mr Gilbert is also a director of Aberdeen Asset Managers Limited ('Aberdeen').

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

20. Financial instruments

The Company's financial instruments comprise:

- Equity and non-equity shares that are held in accordance with the Company's investment objectives, which are set out on page 1 of this Report and Accounts;
- Term loans and bank overdrafts, the main purpose of which are to raise finance for the Company's operations; and
- Cash and liquid resources that arise directly from the Company's operations.

The main risks arising from the Company's financial instruments are market price risk, foreign currency risk and liquidity risk. The Company also has a minimal interest rate risk due to the term loan held. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the inception of the Company.

The Company has taken advantage of the exemption allowed under FRS 13, 'Derivatives and other Financial Instruments', and excluded short-term debtors and creditors from disclosures under financial instruments.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments are held in the portfolio in order to reduce both the statistical risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

A list of the investments held by the Company as at 31 July 2000 is shown in the 'Investment Portfolio' tables on pages 9 to 11. All investments are stated at market value.

Interest rate risk

Financial assets

The Company has financial assets in the form of bank balances held. These balances are mainly held at floating rates of interest, the average at the year-end being 3.49%.

Financial liabilities

The Company finances its operations through its term loans. The Company has borrowed in Sterling at a fixed rate of interest. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Notes to the Financial Statements

At the year-end the Company had a bank loan of £0.75m which, at present, is being rolled over on a monthly basis. Subsequent to the year end the loan was increased to £2.75m and it is currently fixed at a rate of 6.7125% until 27 November 2000, at which time a decision will be made as to whether the loan will be rolled over or repaid in part or in full.

Foreign currency risk

The Company's total return and net assets can be significantly affected by currency translation movements as the majority of the Company's assets and revenue are denominated in currencies other than Sterling, which is the Company's functional currency. The Investment Manager mitigates the individual currency risks through the international spread of investments. A breakdown of the investments denominated in the currency of the country classification can be seen in the 'Geographic Analysis' graph on page 12.

Liquidity risk

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 use of overdraft facilities. At the year end, with the exception of the term loan the Company had no net bank borrowings.

Shareholder Information

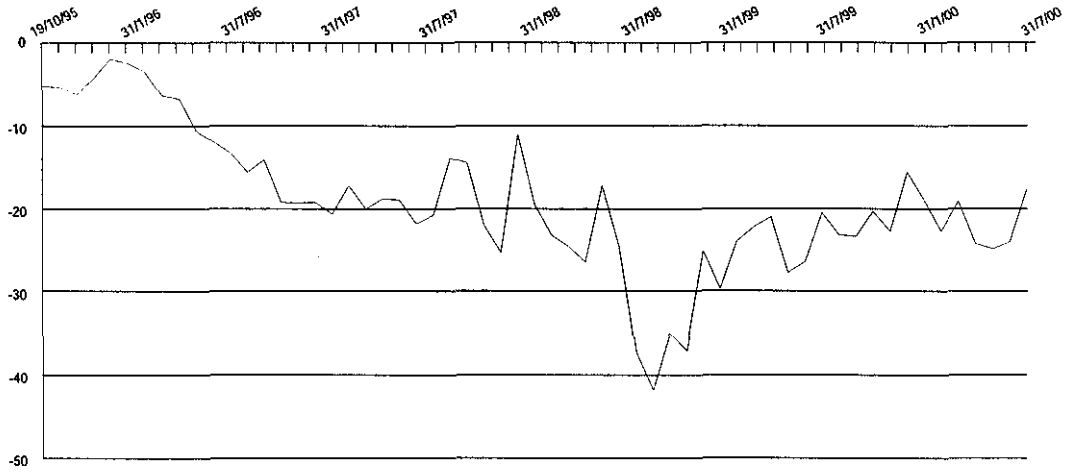
Shareholder Distribution

As at 31 July 2000 there were 29,754,100 Ordinary shares in issue. The distribution of these was as follows:

Range	Number of Shareholders	%
1 – 1,000	37	0.07
1,001 – 5,000	89	0.93
5,001 – 10,000	40	1.10
10,001 – 100,000	78	7.98
100,001 and over	29	89.92
	273	**100.00**

In addition to the above the Company has 339 participants through the Aberdeen Investment Trust Share Plan and ISA.

Discount to fully diluted net asset value per share



Net Asset Value/Share Prices

The net asset value of the Company's Ordinary shares can be obtained daily by contacting Aberdeen Asset Managers Limited on 0500 00 00 40, or by e-mail at inv.trusts@aberdeen-asset.com. The prices of the Company's Ordinary shares are published daily in the *Financial Times, Times, Daily Telegraph, The Scotsman, Herald* and the *Evening Standard.* The prices of the Company's Warrants are published daily in the *Financial Times.*

The share price is also available by accessing the internet at www.asian-smaller.com.

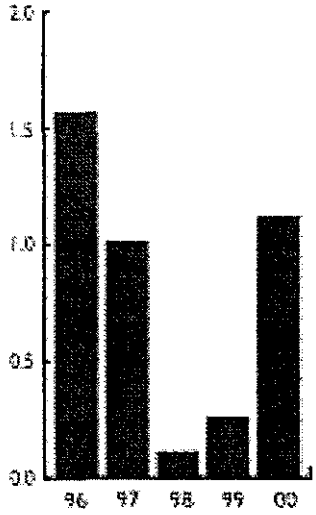
Five Year Financial Record

Year to 31 July

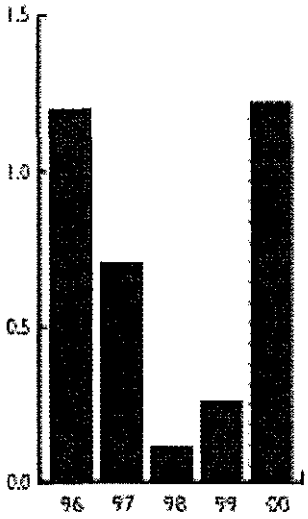
	1996	1997	1998	1999	2000
Total revenue (£'000)*	1,361	1,194	801	869	1,334
Per Ordinary share					
Net earnings (pence)	1.57	1.01	0.11	0.26	1.12
Net dividends paid (pence)	1.20	0.70	0.11	0.26	1.22
Net asset value:					
Undiluted (pence)	101.96	112.34	56.06	96.52	129.46
Diluted (pence)	101.64	110.28	n/a	n/a	123.85
Equity shareholders' funds (£'000)	35,687	39,319	19,620	33,782	38,520

*The total revenue figure for 1999 has been restated in line with the recently issued FRS 16 'Current Tax' (see note 2). No restatement is required for 1996 to 1998 as no franked investment income was received.

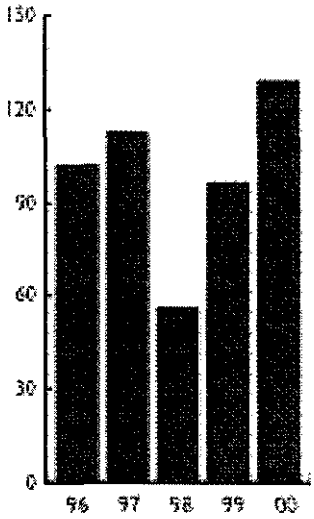
Earnings per share
pence



Net dividends per share
pence



Net asset value per share (undiluted)
pence



Five Year Performance Record

Indexed performance for year to 31 July
(figures rebased to 100 at 31 October 1995)

	1996	1997	1998	1999	2000
Net asset value (undiluted)	105.01	115.70	57.73	99.38	133.33
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	104.54	111.41	55.96	86.88	94.43

The Company's total expense ratio was for the year ended 31 July 2000 was 1.65% (1999 – 2.40%).

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 £22.5 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

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 to set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in London, Edinburgh, Inverness, Glasgow, Singapore, Dublin, Fort Lauderdale, Luxembourg, Hong Kong, Jersey and Chicago.

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. Between them, the Group now has 24 investment trusts and other closed-end funds 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

The Group manages investment trusts and closed-end funds which have combined total assets of around £3 billion. The funds cover a wide range of markets and sectors, including the UK, Europe, the Far East, emerging markets and the technology sector. As well as portfolio management, company secretarial, administrative and marketing services to the individual funds are also provided.

Aberdeen Investment Trust Share Plan

Aberdeen Asset Managers Limited runs a Share Plan which covers the investment trusts and closed-end funds under its management. All investments are free of dealing charges on the initial purchase of shares. Lump sum investment starts 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 Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and all other rights of share ownership.

Aberdeen Investment Trust Individual Savings Account

The Aberdeen Investment Trust ISA (the ISA) is now available. It aims to generate income and/or capital growth within a tax efficient environment. The ISA allows investors to hold a wider range of investments than is possible with a PEP. We have therefore made available Aberdeen's full range of investment trusts and closed-end funds in the ISA. You can also hold up to three components within an ISA: stocks and shares (including investment trusts and closed-end funds), cash and life insurance. Aberdeen offers both a Mini and Maxi stocks and shares ISA.

Maxi ISA

The Maxi ISA offers the full range of Aberdeen managed investment trusts and closed-end funds including emerging markets and specialist trusts. The ISA does not have a cash or life insurance component. An investment of up to £7,000 can be made in tax year 2000/2001.

Mini ISA

Aberdeen offers a Mini ISA which will enable you to invest up to £3,000 in Aberdeen investment trusts and closed-end funds. In addition, you will be able to invest up to £1,000 in the cash and life insurance elements with another provider (increased to £3,000 for cash in the tax year 2000/2001).

There are no brokerage or initial charges for the Aberdeen Investment Trust ISA. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is 0.5%, calculated monthly and deducted from income half yearly. Under current legislation, trusts can grow free of income or capital gains tax. In the case of dividends paid by investment trusts held within an ISA, a 10% tax credit will be reclaimed until April 2004, when the tax credit will be abolished.

Information about the Manager

Trust Information

If you would like details of any of the following trusts managed by Aberdeen, or copies of Share Plan or ISA brochures please telephone our Brochureline on 0500 00 40 00 or write to Aberdeen Asset Managers Limited, One Albyn Place, Aberdeen AB10 1YG, or e-mail on inv.trusts@aberdeen-asset.com. Details are also available by accessing the internet on www.asian-smaller.com

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

Aberdeen Convertible Income Trust PLC
High income from convertibles.

Aberdeen Development Capital PLC
Development capital.

Aberdeen Emerging Economies Investment Trust PLC
Long term capital growth from global emerging markets.

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

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

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

Aberdeen New Thai Investment Trust PLC
Single-country trust.

Aberdeen Preferred Income Trust PLC
High income with exposure to the UK equity market.

Aberdeen Preferred Securities PLC
Capital growth from Zero dividend preference shares.

Broadgate Investment Trust PLC
Income and capital growth from a portfolio of blue chip and high yielding securities.

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

Jersey Phoenix Trust Limited
Capital and income growth split-capital trust from a portfolio of mainly equity investments.

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

Leveraged Income Fund Limited
Income and capital growth split-capital trust.

St. David's Investment Trust PLC
Income and capital growth principally through investment in UK blue-chip and high yielding UK investment trust shares.

The Enhanced Zero Trust PLC
Capital growth primarily from zero dividend preference shares.

The European Monthly Income Trust Limited
Income and capital growth from European equities and high yielding securities.

The European Technology and Income Company Limited
Income and Capital growth from a portfolio of high yielding and European technology stocks.

The Media and Income Trust PLC
Income and capital growth from the international media industry.

Media Zeros PLC
Capital growth from zero dividend preference shares.

The Smaller Companies Investment Trust PLC
Capital and income growth from a portfolio of UK-quoted smaller companies.

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

The Technology and Income Trust Limited
Income and capital growth from a portfolio of high yielding and technology securities.

All trusts are available within the Aberdeen Share Plan and within the Aberdeen ISA and all are fully ISA qualifying. All trusts are fully PEP qualifying except where indicated.

The information on pages 34 and 35 is issued and has been approved for the purposes of the Financial Services Act 1986 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is regulated by IMRO.

Marketing Strategy

Aberdeen Asian Smaller Companies Investment Trust PLC has agreed to contribute to the Marketing Programme run by Aberdeen Asset Managers Limited ('Aberdeen'), on behalf of a number of investment trusts under its management. This agreement will cost the Company £17,212 a year, reviewed on an annual basis. The Company's contribution is matched by an equivalent sum from Aberdeen.

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. Our recent experience has also shown that well-targeted marketing of the Company's investment merits through packaged products, whether singly, or in conjunction with other trusts managed by Aberdeen, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

Investor relations programme Aberdeen 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.

Group schemes The Manager runs both a group Share Plan and ISA. These schemes allow investment free of dealing costs and with only nominal exit charges, and have proved popular with private investors.

Direct response advertising The Manager advertises the packaged product availability of the Trust over the past few years in selected surveys in national broadsheets as well as the specialist financial press.

Direct mail Periodic mail shots of information packs inviting named addressees to respond is a low-cost method of building awareness and investor databases. Target groups include existing holders of other Aberdeen investment trusts as well as known buyers of investment trusts.

Newsletter The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen is distributed free of charge twice a year, and shortly, quarterly.

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

Shareholder services Aberdeen runs an investment help desk for retail enquirers and investors with a staff of more than 80. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Investment Trust Marketing Director, who has fifteen years experience in the marketing and communications of investment products. He is supported by a team of three marketing professionals.

Internet The Aberdeen Investment Trusts web site contains a link to TrustNet, which allows web users to access real time information on the Company's share price performance, yield, as well as historic data. The site is continuously being evaluated for improvement. The site is www.asian-smaller.com.

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 Marketing Programme. The Marketing Director reports to the Board twice a year, and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone our Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs). Alternatively, internet users may e-mail us on inv.trusts@aberdeen-asset.com or write to us at One Albyn Place, Aberdeen AB10 1YG.

Notice of Meeting

Notice is hereby given that the fifth Annual General Meeting of Aberdeen Asian Smaller Companies Investment Trust PLC will be held at One Bow Churchyard, Cheapside, London EC4M 9HH, at 12 noon on Tuesday 28 November 2000 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 5 will be proposed as Ordinary Resolutions and Resolutions 6 and 7 will be proposed as Special Resolutions:

Ordinary Business

1. To receive the Directors' report and financial statements for the year ended 31 July 2000, together with the auditors' report thereon.
2. To approve the payment of a final dividend.
3. To re-elect Mr Cayzer as a Director.
4. To reappoint Ernst & Young as auditors and to authorise the Directors to agree their remuneration.

Special Business

5. THAT with effect from the time of the passing of this resolution the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate amount of £371,926 representing approximately 5 per cent. of the present issued share capital during the period expiring at the conclusion of the next Annual General Meeting of the Company in 2001, but so that this authority shall allow the Company and its Directors to make offers or agreements before such expiry and the Directors may do so as if such expiry had not occurred.

6. THAT subject to the passing of resolution number 5 set out above, the Directors be and are hereby empowered, pursuant to Section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of Section 94(2) of the said Act) for cash pursuant to the authority conferred by resolution number 5 as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

   (a) (otherwise than pursuant to sub-paragraph (b) below) which are, or are to be wholly paid up in cash, at the price of not less than the net asset value per share at allotment, as determined by the Directors, up to an aggregate nominal value of £371,926; and

   (b) in connection with issues by way of rights in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary shares held by them on the record date of such allotment or otherwise allotted in accordance with the right conferred on such equity securities (but subject in either case to such exclusions or other arrangements or legal problems under the laws of or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price of not less than the net asset value per share at allotment, as determined by the Directors;

   and shall expire at the conclusion of the Annual General Meeting of the Company in 2001, 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 alloted after such expiry and the Directors may do so as if such expiry had not occurred.

Notice of Meeting

7. THAT the Company is, pursuant to Section 166 of the Companies Act 1985, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") provided that:
   1) the maximum number of Ordinary shares hereby authorised to be purchased is 4,460,139 Ordinary shares being 14.99 per cent. of the issued share capital at the date of the passing of the resolution;
   2) the minimum price which may be paid for Ordinary shares is 25p per Ordinary share;
   3) the maximum price which may be paid for an Ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased;
   4) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase would or might require to be executed wholly or partly after the expiry of such authority, and may make the purchase of Ordinary shares in pursuance of any such contract; and
   5) the authority hereby conferred shall expire on the day of the Annual General Meeting to be held in 2001.

One Bow Churchyard, Cheapside,
London EC4M 9HH
6 November 2000

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Aberdeen Asset Managers Limited
One Bow Churchyard, Cheapside, London

Notice of Meeting

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 The Registrars, Aberdeen Asian Smaller Companies Investment Trust PLC, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting referred to above and voting should he or she so wish.
4. To have the right to attend and vote at the meeting referred to above (and also for the purposes of calculating how many votes a member may cast), a member must first have his or her name entered in the register of members by not later than 12 noon on 26 November 2000. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
5. 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.

Capital Structure

Issued share capital

29,754,100	Ordinary shares of 25p
6,999,400	Warrants to subscribe at 100p

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.

Warrants

The Company has 6,999,400 Warrants in issue. The Warrants confer the right to subscribe for one Ordinary share of 25p at 100p on 30 November in any of the years 2000 to 2010 inclusive or, if later, the date in any such year thirty 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.