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## Aberdeen Asian Smaller Companies Investment Trust PLC

Annual Report and Accounts  
31 July 2010

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

## Financial Highlights

	2010	2009
Share price total return	<b>+66.9%</b>	+15.3%
Diluted net asset value capital return	<b>+58.0%</b>	+12.5%
Diluted net asset value total return	<b>+60.0%</b>	+14.6%
Ordinary dividend per share <sup>A</sup>	<b>8.20p</b>	5.00p
Special dividend per share <sup>A</sup>	<b>1.90p</b>	–

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

## Financial Calendar

<b>6 October 2010</b>	Announcement of results for the year ended 31 July 2010
<b>30 November 2010</b>	Annual General Meeting
<b>30 November 2010</b>	Final Warrant exercise date
<b>2 December 2010</b>	Payment of final and special dividends for year ended 31 July 2010
<b>March 2011</b>	Announcement of half yearly results for the six months ending 31 January 2011
<b>September 2011</b>	Announcement of annual results for the year ending 31 July 2011

# Corporate Summary

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

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

### Manager

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

### Investment Objective

The investment objective of the Company is to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$750m at the time of investment) in the economies of Asia and Australasia, excluding Japan.

### Investment Policy

The Company's assets are invested in a diversified portfolio of securities in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan and Thailand together with such other countries in Asia as the Directors may from time to time determine, (collectively, the "Investment Region").

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

The Board is responsible for determining the gearing strategy for the Company. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. At the year end there was actual gearing of 0.1% which compares with a maximum limit of 25% although in the last 10 years gearing has been within the approximate range of 0% to 16%. Borrowings are short term and particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy.

In addition, it is the investment policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts). The Company currently does not have any investments in other investment companies.

## Achieving the Investment Policy

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

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 17. A comprehensive analysis of the Company's portfolio is disclosed on pages 12 and 13 including a description of the ten largest investments, the top 50 investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 63 holdings.

### Benchmark

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

### Capital Structure

At 31 July 2010 the Company had a capital structure comprising 33,322,905 Ordinary shares (of which 31,136,615 Ordinary shares are in issue and 2,186,290 Ordinary shares are held in treasury) and 3,823,595 Warrants to subscribe for Ordinary shares at 100p. The Company also had bank borrowings in US Dollars amounting to the equivalent of

£5 62 million which rank for repayment ahead of any capital repayment to shareholders

### Ordinary Share Rights

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

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

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

Shareholders, either alone or with other shareholders, have other rights as set out in the Company's Articles of

Association and in company law (principally the Companies Act 2006)

### Total Assets and Net Asset Value

The Company had total assets (see definition on page 50) of £198.7 million and a basic net asset value of 619.37p per share at 31 July 2010

### Websites

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

### Company Secretary

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

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

### Customer Services

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

### Duration

The Company does not have a fixed life

### Principal Risk Factors

Investment in Far East equities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk. Further details of the risks attaching to the Company's shares are provided in note 19 to the financial statements. These risks include

### Ordinary Shares

The market price and the realisable value of the Ordinary shares, as well as being affected by their underlying net asset value, also take into account supply and demand, market conditions and general investor sentiment. As such, the market value and the realisable value of the Ordinary shares may fluctuate and vary considerably from their net asset value and investors may not be able to realise the full value of their original investment.

### Dividends

The Company will only pay dividends on the Ordinary shares to the extent that it has profits available for that purpose. The ability of the Company to pay any dividends in respect of the Ordinary shares will depend primarily on the level of

## Corporate Summary continued

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income received from its investments. Accordingly, the amount of the dividends paid to shareholders may fluctuate

### Borrowings

Whilst the use of borrowings should enhance the total return on the Ordinary shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is less than the cost of borrowing, further reducing the total return on the Ordinary shares. The Company currently utilises gearing in the form of bank borrowings (see 'Capital Structure' above and note 11)

### Market Risks

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

### Foreign Exchange Risks

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

### Taxation and Exchange Controls

Any change in the Company's tax status or in taxation legislation (including the tax treatment of dividends or other investment income received by the Company) or failure to satisfy the conditions of section 1158 of the Corporation Tax Act 2010 (formerly section 842 of the Income and Corporation Tax Act 1988) could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders or alter the post-tax returns to shareholders.

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its

investments and the capital value of the affected investments.

### Share Dealing/PEP/ISA status

Shares in the Company can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes and qualify fully for inclusion within tax-efficient ISA wrappers (see page 48).

### Management Agreement

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

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

# Chairman's Statement

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**Nigel Cayzer**  
Chairman

## Results

In last year's statement, I laid out the reasons why this Company is worthy of your continued support and so it is, with great pleasure that I am able to report to you a set of exceptional results. In the year to 31 July 2010, the Company's diluted net asset value ("NAV") and share price rose by 58.0% and 64.7% respectively, compared with rises of 19.4% and 26.8% in the MSCI AC Asia Pacific ex Japan Index and the MSCI AC Asia Pacific ex Japan Small Cap Index (in sterling terms). Your Manager's strategy of investing in good quality companies with superior growth prospects, steady cash flow and solid balance sheets was handsomely rewarded in a year which saw many companies continue to struggle.

## Dividend

During the year, we saw a marked increase in dividend receipts from the companies in the portfolio. Many of them have domestically focused businesses in high-growth industries. They were less impacted by the global economic crisis and grew strongly during the period under review. Therefore, we are very pleased to recommend the payment of a final dividend of 8.2p per Ordinary share (2009 5p) representing an increase of 64% on last year's dividend. Furthermore, the Board is recommending the payment of a special dividend of 1.9p (2009 nil) this year as a result of the treatment of gains on the Company's holding in CDL Hospitality which are required to be taxable in the UK as offshore income gains. If approved by shareholders at the Annual General Meeting of the Company on 30 November 2010, the final and special dividends will both be paid on 2 December 2010 to shareholders on the register on 22 October 2010.

## Overview

Both Asia's stockmarkets and economies had a very good year, adding to a growing body of evidence that the region's economic fortunes are becoming less tightly bound to those of the West. Importantly, final private demand – particularly consumption – has been buttressing Asia's expansion as healthy household and corporate balance sheets have enabled increases in spending.

Governments have also been encouraging such expenditure. Indian authorities, for example, have made revitalising the rural sector a priority, while Chinese policymakers are increasing focus on the quality of growth. On a related note, minimum wage hikes in China (following widely publicised labour disputes) and Beijing's decision to increase the flexibility of its exchange rate (arguably still largely symbolic) could provide the boost to imports that many in the West are hoping for. To be sure, it may be some time before Asia declares itself independent from the West, but the region's shift to better balanced growth is nonetheless heartening.

A swelling middle class and accelerating urbanisation throughout the region are also providing a stronger market for Asian companies, and with GDP per capita in large populous countries like China, India and Indonesia still low, the growth potential is considerable. At the same time, Asian government reserves remain strong and domestic banking systems are generally stable. Business culture has become increasingly shareholder-friendly, while financial positions are sound. Nowhere is this more evident than in the smaller companies in which this Company invests. Their balance sheets are, in aggregate, in a net cash position and earnings growth has been impressive, as you will see from the accompanying Manager's Report.

## Share Capital and Gearing

The Board, in conjunction with the Manager, monitors the discount at which the Company's Ordinary shares trade to their net asset value and uses the buyback powers authorised by shareholders when it is deemed appropriate to do so. During the year, 502,069 Ordinary shares were purchased by the Company for treasury. The discount to NAV at which the shares trade has reduced during the year moving from 15.6% at 31 July 2009 to 12.0% at 31 July 2010 and at the time of writing is approximately 1.8%.

The Company remained geared throughout the year with average net gearing of approximately 1.7% culminating in the Company being virtually ungeared at the year end. The Board monitors the Company's gearing on a regular basis under advice from the Manager.

442,698 Warrants to subscribe for Ordinary shares were exercised during the year resulting in the issue of 442,698 new Ordinary shares in December 2009. I would like to take this opportunity to remind Warrant holders that the final exercise date of the Company's Warrants will be 30 November 2010. A final reminder including details of how to exercise will shortly be sent to all Warrant holders.

## Annual General Meeting

The Annual General Meeting is scheduled to be held on 30 November 2010 at 11.30 a.m. In addition to the usual

## Chairman's Statement continued

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ordinary business, as special business the Board is seeking to renew its existing authority to issue new shares for cash without pre-emption rules applying and to renew its authority to buy back shares and either hold them in treasury for future resale (at asset value or above) or cancel them. At the conclusion of the AGM there will be an opportunity for shareholders to meet the Board and the Manager over a buffet lunch and your Board looks forward to seeing as many shareholders as possible.

### Outlook

I cautioned at the outset that Asia's economies have not fully decoupled from the West, though they have taken some promising strides towards greater autonomy. Their stockmarkets, on the other hand, are still very dependent on Western portfolio capital flows and remain susceptible to negative developments in the US and Europe. It is not clear when Asian equity markets will start to mirror their many solid fundamentals but when they do, there is still potential for substantial upside from current levels.

Comparatively, Asia's economic outlook is brighter. There are challenges, however. Some countries are facing intensifying policy dilemmas as asset price inflation returns. Still, your Board believes that Asia's long-term prospects are extremely sound and continues to be optimistic about the performance of smaller businesses in Asia. Notwithstanding the fact that they have outperformed their larger peers, smaller companies still stand on a cheaper valuation and offer higher dividend yields.

Also, there remain scores of smaller listed companies across the region which are under-researched and potentially attractive. Identifying and investing in these companies, as well as monitoring existing holdings, are key functions of your experienced and highly regarded Manager, whose consistent and disciplined process has produced reliable long-term outperformance.

**Nigel Cayzer**  
Chairman  
6 October 2010



# Manager's Review

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## Overview

Asian equities rose strongly over the year as economies recovered sharply, aided by low interest rates and extensive fiscal stimulus. In addition to policy initiatives, large domestic populations ensured Asian demand remained robust throughout the review period. However, Asia's shift towards self-reliance is far from complete, with the region remaining vulnerable to external consumption. Fears of a faltering recovery in the developed economies thus weighed on sentiment, paring market gains. Exogenous factors, such as the escalating sovereign debt crisis in Europe, also sparked periods of panic selling across stockmarkets worldwide, including Asia's.

Against this backdrop, the portfolio did extremely well. Its fully diluted net asset value rose by 58.0%, far outpacing both the MSCI AC Asia Pacific ex Japan Index and the MSCI AC Asia Pacific ex Japan Small Cap Index, which gained 19.4% and 26.8% respectively. The outperformance reflected the quality of the portfolio's holdings as their growth potential and strong balance sheets proved beneficial in the current deleveraging environment.

On the economic front, export-dependent countries, such as Singapore, Korea and Taiwan, started expanding again, after severe contractions. Others, such as India, China and Indonesia, skirted recession and grew unabated, supported by big domestic economies in the early stages of development. The region's recovery can be attributed in part to the concerted push by policymakers to stimulate domestic consumption in the face of deteriorating Western demand. China, arguably, has been the catalyst for greater intra-regional trade. In its quest for growth, it is lifting other economies, with its seemingly insatiable appetite for raw materials, semi-finished goods and end-products.

However, the combination of stimulus and rapid recovery has given rise to concerns of overheating. During the year, Australia led other central banks, including those in India, Malaysia and Taiwan, in raising interest rates in a normalisation of monetary conditions. China and India also hiked lenders' reserve requirements. Meanwhile, the spike in property prices in Singapore, Hong Kong and China prompted the authorities to target the sector directly with cooling measures. A number of Asian economies saw a slowdown in manufacturing output and GDP growth towards the period-end, partly engineered by governments to ease expansion to sustainable levels.

## Portfolio Review

The portfolio's outperformance was driven by its investments in India, Thailand, Malaysia, Indonesia and Sri Lanka. Specifically, it was the exposure to consumer-related small caps in these markets that contributed to the

outperformance. These companies have businesses which are on the whole purely domestic and thus beneficiaries of the secular Asian growth story, rather than ones which are sensitive to more cyclical Western export demand. Conversely, the underweight position in Australia hurt relative performance because of the strong Australian dollar, but this was more than compensated for by good stock selection in other countries.

India's domestic-focused economy was relatively insulated from the global slowdown. As a result, our holdings, such as Kansai Nerolac Paints, Castrol India and Godrej Consumer Products, were among the review period's top contributors to performance, being beneficiaries of robust local demand. Godrej's performance also impressed as it embarked on a string of acquisitions that helped consolidate its leading position in the fast-moving consumer goods sector. During the year, it acquired Indonesia's Megasari, Nigeria's Tura and the 51% stake in India-based Godrej Sara Lee. It did not already own.

Despite political uncertainty, which flared into brief periods of violence, Thailand's stockmarket defied expectations by rallying strongly. Recovering domestic spending and higher sales lifted the earnings for Siam Makro, an operator of a chain of discount stores, and Hana Microelectronics benefited from resurgent demand from the technology sector. Holdings that have lagged for some time, such as Goodyear, also performed well, profits for the maker of vehicle tyres and tubes were boosted by better sales and greater production efficiency.

In Indonesia, Bank OCBC NISP's net profits grew strongly on the back of higher net interest income and lower provisions. The market was also encouraged by Singapore's Oversea-Chinese Banking Corporation raising its stake in the Indonesian lender, as this should further imbue the latter with higher standards of corporate governance and transparency, while the retention of local management will ensure the needs of the domestic market are understood and met. The same holds true for Multi Bintang Indonesia, whose parent, Asia Pacific Breweries, increased its stake. The position in Holcim Indonesia also contributed positively, its Swiss parent Holcim is planning to tap growing infrastructural needs in Indonesia by expanding capacity with a new plant.

Sri Lanka performed well as sentiment improved after the end of the 25-year-long civil war. The portfolio's holdings here all contributed positively. Your Manager views the market as still having enormous potential, providing the country remains politically stable, as there are many well-run companies with decades-long track records.

## Manager's Review continued

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Other positive contributors included Malaysia's LPI Capital and Shangri La Hotels, both of which saw earnings improve, the latter aided by its Kuala Lumpur and Sabah operations. Guinness Anchor gained from robust demand, especially during the World Cup season.

In Hong Kong, previous laggard Giordano added to relative return as its share price was boosted by good full-year results on the back of lower production costs, reduced discounts and a shift towards higher margin merchandise. Conversely, the position in Aeon Stores hurt as its share price consolidated from the previous year, while Pacific Basin Shipping detracted as it weakened in line with the Baltic Dry Index, which was weighed down by increased vessel supply rather than weak demand. Nevertheless, we are comfortable with our holdings in Hong Kong, which offer diversified, regional businesses with an exposure to China, but with better standards of accounting and corporate transparency.

In portfolio activity, your Manager introduced ARB, an Australian car accessories producer with regional operations. We first visited the company in 2002 and were impressed with its well-run operation. The company was founded by Tony Brown, whose passion for customising four-wheelers to suit Australia's tough outback terrain inspired him to set up the business. After valuations became more attractive, we initiated a position in the company in March 2010 and later increased our exposure, firmly believing in the commitment of its founder towards ensuring the growth of the business in a niche sector that is benefiting from rising disposable incomes and discretionary spending in the region.

We also added to a number of holdings following share price weakness. These included Multi Bintang Indonesia, UK-listed Indonesian plantation MP Evans, Aventis Pharma in India, Tisco Financial in Thailand, Public Financial, Asia Satellite and Giordano in Hong Kong, and the Philippines' Cebu Holdings. Against this, we pared Holcim Indonesia, CDL Hospitality Trusts in Singapore, and India's Castrol, Kansai Nerolac Paints and Godrej Consumer Products on the back of strong share price performance.

### Outlook

The outlook for the global recovery remains uncertain. Although fears of a double dip have eased somewhat, housing and jobs data in the West continue to disappoint. In the US, unemployment remains high, house prices are still depressed and mortgage defaults are rising. All this points to a feeble global recovery at best. Complicating the picture is a seeming lack of policy coordination between the developed economies. While Europe's calls for trimming burgeoning budget deficits have resulted in plans to reduce public spending and hold off tax cuts, the US Federal Reserve has decided to delay tightening, and further easing might be on the cards if the US economy continues to struggle.

Asia, however, is in much better shape. Although rising inflationary pressures in some countries could result in tighter policy in the near term, which in turn could affect companies' underlying performance, the region's solid fundamentals remain in place to foster greater growth in the long term. Strong fiscal positions give governments more options to pump prime further should the global economy relapse into recession, though that possibility appears unlikely for now. More importantly, much of the region is still in the early stages of development, with room for domestic consumption and intra-regional trade only to head higher. In this environment, the prospects for properly managed smaller companies, such as those in the portfolio, are excellent as they grow together with the region.

**Aberdeen Asset Management Asia Limited**

6 October 2010

# Results

## Financial Highlights

	31 July 2010	31 July 2009	% change
Total assets (see definition on page 50)	£198,678,000	£130,106,000	
Total equity shareholders' funds (net assets)	£192,851,000	£121,963,000	+58.1
Share price (mid market)	495.00p	300.50p	+64.7
Warrant price (mid market)	395.25p	196.50p	+101.1
Net Asset Value per share (basic)	619.37p	390.96p	+58.4
Net Asset Value per share (diluted)	562.57p	355.95p	+58.0
Discount to diluted Net Asset Value	12.0%	15.6%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	488.72	409.34	+19.4
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis)	1111.62	876.79	+26.8
Actual gearing	0.1%	4.5%	
Potential gearing	2.9%	6.7%	
<b>Dividends and earnings</b>			
Total return per share (basic) <sup>a</sup>	236.82p	48.21p	
Revenue return per share (basic)	12.85p	6.75p	+90.4
Dividends per share <sup>b</sup>	10.10p	5.00p	+102.0
Dividend cover	1.27	1.35	-5.9
Revenue reserves <sup>c</sup>	£6,159,000	£3,700,000	+66.5
<b>Operating costs</b>			
Total expense ratio	1.40%	1.91%	

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

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

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

## Performance (total return)

	1 year % return	3 year % return	5 year % return	since inception
Share price	+66.9	+63.5	+113.0	+567.7
Net Asset Value (basic) per Ordinary share	+60.2	+60.1	+131.7	+658.5
Net Asset Value (diluted) per Ordinary share	+60.0	+61.9	+143.1	+598.4
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+22.9	+20.7	+87.5	+135.1
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted)	+30.2	+12.2	+101.1	N/A

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

## Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2010	8.20p	20 October 2010	22 October 2010	2 December 2010
Proposed special 2010	1.90p	20 October 2010	22 October 2010	2 December 2010
	<b>10.10p</b>			
Final 2009	<b>5.00p</b>	21 October 2009	23 October 2009	27 November 2009

## Ten Year Financial Record

Year to 31 July	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total revenue (£'000)	1,673	1,946	2,338	3,077	3,473	5,080	5,485	5,021	4,954	6,103
<b>Per share</b>										
Net revenue return (p)	184	267	312	401	454	725	698	588	675	1285
Total return (p)	(1159)	2563	3452	2548	9593	3148	10838	(5080)	4821	23682
Net dividends paid/proposed (p)	200	265	310	310	345	615 <sup>A</sup>	615 <sup>A</sup>	500 <sup>A</sup>	500	1010 <sup>A</sup>
<b>Net asset value per share</b>										
Basic (p)	11883	14180	17322	19560	28794	30656	40418	34724	39096	61937
Diluted (p)	11493	11313	15804	17578	25125	27645	36477	31646	35595	56257
Shareholders' funds (£'000)	31,791	37,938	46,345	52,332	83,082	98,669	131,679	109,829	121,963	192,851

<sup>A</sup> 2006, 2007, 2008 and 2010 include special dividends of 2.70p, 2.70p, 1.00p and 1.90p respectively

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

## Investment Portfolio – Ten Largest Investments

As at 31 July 2010

Company	Sector	Country	Valuation 2010 £'000	Total assets %	Valuation 2009 £'000
<b>Bukit Sembawang Estates</b>					
Singapore-based residential property developer with a large land bank	Real Estate Management & Development	Singapore	8,445	4.3	5,959
<b>Bank OCBC NISP</b>					
72 per cent-owned by Singapore's OCBC, it specialises in lending to the small and medium-sized business segment	Commercial Banks	Indonesia	8,114	4.1	4,443
<b>LPI Capital</b>					
Malaysia-based insurance company involved in underwriting fire, motor, marine, aviation, transit and miscellaneous insurance	Insurance	Malaysia	7,138	3.6	3,870
<b>Giordano International</b>					
A Hong Kong-based fashion and clothing retailer with a presence across Asia	Specialty Retail	Hong Kong	5,688	2.9	3,124
<b>Godrej Consumer Products</b>					
A leading FMCG company in India with strong market-leading brands in soaps and hair colour	Personal Products	India	5,657	2.8	4,155
<b>Multi Bintang Indonesia</b>					
A subsidiary of Asia Pacific Breweries and an affiliate of Heineken in Indonesia	Beverages	Indonesia	5,496	2.8	2,597
<b>Hana Microelectronics</b>					
An integrated circuit packaging and contract manufacturer with operations in Thailand and China	Electronic Equipment, Instruments & Components	Thailand	5,373	2.7	3,308
<b>Castrol India</b>					
The Indian subsidiary of Castrol Ltd, which manufactures and distributes automotive and industrial lubricants and specialty products	Chemicals	India	5,090	2.6	3,426
<b>AEON Co (M)</b>					
Operator of general merchandise stores, supermarkets and convenience stores	Multi-line Retail	Malaysia	4,866	2.4	3,581
<b>Siam Makro</b>					
A subsidiary of SHV Netherlands, a cash and carry wholesaler with a network of outlets in Thailand	Food & Staples Retailing	Thailand	4,844	2.4	2,687
<b>Top ten investments</b>			<b>60,711</b>	<b>30.6</b>	

## Investment Portfolio – Other Investments

As at 31 July 2010

Company	Sector	Country	Valuation 2010 £'000	Total assets %	Valuation 2009 £'000
WBL	Electronic Equipment & Instruments	Singapore	4,681	2.4	3,672
Holcim Indonesia	Construction & Materials	Indonesia	4,528	2.3	3,793
Gujarat Gas	Gas Utilities	India	4,484	2.3	2,469
Wheelock Properties	Real Estate	Singapore	4,415	2.2	3,765
United Plantations	Food Products	Malaysia	4,374	2.2	3,010
M P Evans	Food Products	Other Asia	4,020	2.0	1,720
Asian Terminals	Transportation Infrastructure	Philippines	3,876	2.0	2,266
Guinness Anchor	Beverages	Malaysia	3,649	1.8	2,370
Shangri-La Hotels	Hotels, Restaurants & Leisure	Malaysia	3,638	1.8	2,135
Jammu & Kashmir Bank	Commercial Banks	India	3,605	1.8	1,951
Top twenty investments			<b>101,981</b>	<b>51.4</b>	
Kansai Nerolac Paints	Chemicals	India	3,599	1.8	2,710
The Hong Kong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	3,593	1.8	2,436
United Malacca	Food Products	Malaysia	3,559	1.8	2,512
Hong Kong Economic Times	Media	Hong Kong	3,421	1.7	2,358
Pos Malaysia	Air Freight & Logistics	Malaysia	3,400	1.7	2,204
Chevron Lubricants	Oil & Gas	Sri Lanka	3,360	1.7	1,204
Tisco Financial Group	Consumer Finance	Thailand	3,339	1.7	1,697
Jollibee Foods	Hotels, Restaurants & Leisure	Philippines	3,247	1.6	1,882
Commercial Bank of Ceylon	Commercial Banks	Sri Lanka	3,199	1.6	1,518
Keells (J)	Industrial Conglomerates	Sri Lanka	3,181	1.6	1,622
Top thirty investments			<b>135,879</b>	<b>68.4</b>	
AEON Stores	Multi-line Retail	Hong Kong	3,168	1.6	3,728
Aventis Pharmaceuticals	Pharmaceuticals	India	3,164	1.6	1,889
Public Financial Holdings	Consumer Finance	Hong Kong	3,015	1.5	2,152
Eastern Water Resources	Water Utilities	Thailand	2,867	1.4	1,833
IDS Group	Distributors	Hong Kong	2,616	1.3	1,908
Cebu Holdings	Real Estate	Philippines	2,526	1.3	1,726
Unilever Pakistan	Food Products	Pakistan	2,503	1.3	1,057
Daegu Bank	Commercial Banks	South Korea	2,469	1.2	2,063
Hong Leong Finance	Consumer Finance	Singapore	2,356	1.2	1,988
Regional Container Lines	Marine	Thailand	2,322	1.2	1,056
Top forty investments			<b>162,885</b>	<b>82.0</b>	
CDL Hospitality Trusts	Real Estate	Singapore	2,301	1.2	2,505
AEON Credit Service	Consumer Finance	Hong Kong	2,193	1.1	1,747
Asia Satellite Communications	Telecommunications	Hong Kong	2,072	1.0	1,296
Goodyear	Automobiles & Parts	Thailand	2,065	1.0	880
Cafe de Coral	Hotels, Restaurants & Leisure	Hong Kong	1,995	1.0	1,655
ARB Corp	Auto Components	Australia	1,966	1.0	-
Millennium & Copthorne Hotels	Hotels, Restaurants & Leisure	New Zealand	1,920	1.0	1,521
SBS Transit	Road and Rail	Singapore	1,854	1.0	1,579
Hung Hing Printing	Containers and Packaging	Hong Kong	1,765	0.9	540
WBL 2 5% 10/06/14	Electronic Equipment & Instruments	Singapore	1,681	0.8	1,309
Top fifty investments			<b>182,697</b>	<b>92.0</b>	
Other investments (13)			<b>10,353</b>	<b>5.2</b>	
Total investments			<b>193,050</b>	<b>97.2</b>	
Net current assets <sup>a</sup>			<b>5,628</b>	<b>2.8</b>	
Total assets <sup>b</sup>			<b>198,678</b>	<b>100.0</b>	

<sup>a</sup> excludes bank loans of £5,619,000

<sup>b</sup> see definition on page 50

All investments are in equities or warrants to convert to equities with the exception of a holding in WBL 2 5% 10/6/14 Convertible Bonds. For a full portfolio listing for Aberdeen Asian Smaller Companies Investment Trust PLC, please go to [www.asian-smaller.co.uk](http://www.asian-smaller.co.uk).

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## Sector/Geographical Analysis

As at 31 July 2010

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# Currency/Market Performance

Year to 31 July 2010

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## Information about the Manager

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### **Aberdeen Asset Management Asia Limited**

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

Worldwide, Aberdeen Asset Management manages a combined £168.4 billion (as at 31 July 2010) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

AAM Asia has been Aberdeen Asset Management's principal manager of Asia-Pacific assets since 1992, and had over 338 staff across the region at 31 July 2010.

Total funds in the region are over £47.6 billion as at 31 July 2010.

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

The Aberdeen Group manages over 50 investment companies and other closed-ended funds representing approximately £10.9 billion of assets under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

### **The Investment Team Senior Managers**

#### **Hugh Young**

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

#### **Chou Chong**

Investment Director  
Masters in accounting and finance from the London School of Economics. Joined Aberdeen in 1989 and was investment director in Australia followed by head of the pan-European desk in the UK before returning to Singapore in 2008.

#### **Flavia Cheong**

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

#### **Chris Wong**

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

#### **Adrian Lim**

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

#### **Andrew Gillan**

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

# The Investment Process

## Philosophy and Style

AAM Asia's investment philosophy is that markets are not always efficient. At AAM Asia we believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

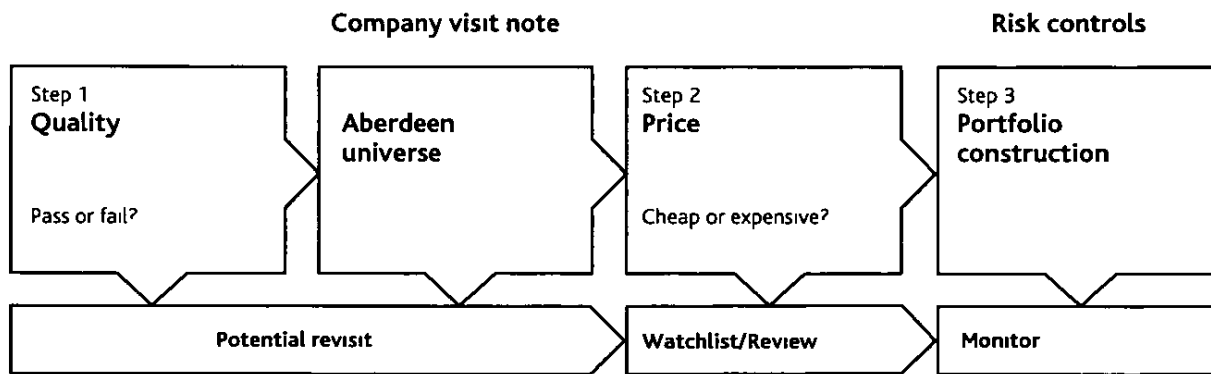
AAM Asia, is based in Singapore. Founded in 1992, the office is run by Hugh Young the founding managing director. Hugh Young oversees a team of portfolio managers who act as generalists, cross-covering the region. In addition, AAM Asia has offices in Sydney, Hong Kong, Kuala Lumpur, Taipei, Tokyo and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

## Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in index relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

Aberdeen's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

## Regional Teams



## Your Board of Directors

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

### **Nigel Cayzer**

**Status** Independent Non-Executive Chairman  
**Age** 56  
**Length of service.** 15 years, appointed Chairman on 28 September 1995  
**Experience** Chairman of Oryx International Growth Fund Limited and a director of a number of other investment companies  
**Last re-elected to the Board** 25 November 2009  
**Committee membership** Nomination Committee (Chairman)  
**Remuneration** £26,000 per annum  
**All other public company directorships** Oryx International Growth Fund Limited and Cayzer Continuation Limited  
**Employment by the Manager** None  
**Other connections with Trust or Manager** None  
**Shared Directorships with any other Trust Directors** None  
**Shareholding in Company** nil

### **Haruko Fukuda OBE**

**Status** Independent Non-Executive Director  
**Age** 64  
**Length of service** 7 years, appointed a Director on 30 January 2003  
**Experience** Previously chief executive of the World Gold Council. She was vice chairman of Nikko Europe PLC and a Partner of James Capel & Co. She was a non-executive director of the Foreign & Colonial Investment Trust PLC for seventeen years until May 2005 and has been a director of several other investment trust companies  
**Last re-elected to the Board.** 25 November 2009  
**Committee membership** Audit Committee, Management Engagement Committee and Nomination Committee  
**Remuneration** £20,000 per annum  
**All other public company directorships** Investec PLC  
**Employment by the Manager** None  
**Other connections with Trust or Manager** None  
**Shared Directorships with any other Trust Directors** None  
**Shareholding in Company** 3,179 Ordinary shares

### **Martin Gilbert**

**Status** Non-Executive Director  
**Age** 55  
**Length of service.** 15 years, appointed a Director on 20 September 1995  
**Experience** Qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management  
**Last re-elected to the Board** 25 November 2009  
**Committee membership** Nomination Committee  
**Remuneration** £20,000 per annum  
**All other public company directorships** Aberdeen Asset Management PLC, Aberdeen Football Club PLC, Aberdeen Asia-Pacific Income Fund Inc, Aberdeen Asia-Pacific Income Investment Company Ltd, Aberdeen Development Capital PLC, Aberdeen Global Income Fund Inc, Aberdeen Latin American Income Fund Limited, ADC Zeros 2010 PLC, ADC Zeros 2012 PLC, Chaucer Holdings PLC, FirstGroup PLC and Primary Health Properties PLC  
**Employment by the Manager** Chief executive of Aberdeen Asset Management PLC  
**Other connections with Trust or Manager** Director of a number of other Aberdeen-managed investment companies  
**Shared Directorships with any other Trust Directors** None  
**Shareholding in Company:** 76,006 Ordinary shares  
**Alternate Director:** Hugh Young

### **Alan Kemp**

**Status** Independent Non-Executive Director

**Age** 66

**Length of service** 14 years, appointed a Director on 16 May 1996

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

**Last re-elected to the Board.** 25 November 2009

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

**Remuneration** £22,000 per annum

**All other public company**

**directorships** JPMorgan US Smaller Companies Investment Trust plc

**Employment by the Manager:** None

**Other connections with Trust or Manager:** None

**Shared Directorships with any other Trust Directors** None

**Shareholding in Company** 26,000 Ordinary shares

### **Chris Maude**

**Status** Independent Non-Executive Director

**Age:** 59

**Length of service** 3 years, appointed a Director on 16 May 2007

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

**Last re-elected to the Board** 29 November 2007

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

**Remuneration** £20,000 per annum

**All other public company**

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

**Employment by the Manager** None

**Other connections with Trust or Manager:** None

**Shared Directorships with any other Trust Directors** None

**Shareholding in Company** 37,300 Ordinary shares

### **Hugh Young**

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

**Age** 52

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

**Remuneration:** £Nil

**All other public company**

**directorships** Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC, Aberdeen Asian Income Fund Limited, Aberdeen Asia-Pacific Income Investment Company Limited and Aberdeen Australia Equity Fund Inc

**Employment by the Manager:** Managing Director of Aberdeen Asset Management Asia Limited and a director of a number of other Aberdeen-managed investment companies

**Other connections with Trust or Manager** None

**Shareholding in Company:** 124,000 Ordinary shares

# Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 July 2010

## Business Review

The business of the Company is that of an investment trust investing in the economies of Asia and Australasia excluding Japan. The objective of the Company is set out on page 2 of this Annual Report. A review of the Company's activities is given in the Corporate Summary on pages 2 to 4, the Chairman's Statement on pages 5 and 6 and the Manager's Review on pages 7 and 8. This includes a review of the business of the Company and its principal activities, likely future developments of the business, recommended dividends and details of the issue of new shares during the year by the Company. The major risks associated with the Company are detailed in the Corporate Summary on pages 2 to 4 and in note 19 to the Financial Statements. Further details of the risk management objectives and policies are provided in the Corporate Governance Statement on pages 24 to 26. The Key Performance Indicators for the Company are NAV performance and share price performance and are detailed on page 9.

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

## Share Capital

On 9 December 2009, 442,698 new Ordinary shares were allotted following the exercise of 442,698 Warrants to subscribe for Ordinary shares. During the year the Company purchased in the market for treasury 502,069 Ordinary shares.

## Results and Dividends

Details of the Company's results and dividends proposed are shown on page 9 of this Report.

## Principal Activity

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

## Status

The Company is registered as a public limited company in England & Wales with registered number 3106339 and is an investment company as defined by Section 833 of the Companies Act 2006. The Company is also a member of the Association of Investment Companies.

The Company has been approved by HM Revenue & Customs as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 July 2009. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2010 so as to be able to continue to obtain approval as an investment trust under Section 1158 of the Corporation Tax Act 2010 (formerly Section 842 ICTA) for that year, although approval for that year would be subject to review were there to be an enquiry under the Corporate Tax Self Assessment regime.

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

## Section 992 Companies Act 2006

The following further information is disclosed in accordance with Section 992 of the Companies Act 2006:

- The Company's capital structure and voting rights are summarised on pages 2 and 3,
- Details of the substantial shareholders in the Company are listed on page 21,
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are summarised on page 21,
- Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders,
- There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company, no agreements which the Company is party to that might affect its control following a takeover bid, and,
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

## Corporate Governance

The Statement of Corporate Governance forms part of this Directors' Report and covers the Company's compliance with the Combined Code and is shown on pages 24 to 26.

## Directors

The current Directors, Messrs N K Cayzer, A S Kemp, M J Gilbert (alternate H Young), C S Maude and Miss H Fukuda were the only Directors who served during the year. Messrs Gilbert, Kemp and Cayzer have each served on the Board for more than nine years and in accordance with corporate governance best practice will retire at the Annual General Meeting ("AGM") on 30 November 2010 and, being eligible,

offer themselves for re-election Mr Maude retires by rotation, in accordance with the Company's Articles of Association which require Directors to retire and stand for re-election at least every three years, and, being eligible, offers himself for re-election at the AGM The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively

The Directors at 31 July 2010 and at 1 August 2009 had no interest other than those interests, all of which are beneficial unless otherwise stated, shown below in the share capital of the Company

	31 July 2010		1 August 2009	
	Ordinary shares	Warrants	Ordinary shares	Warrants
N K Cayzer	-	-	350,979	-
H Fukuda	3,179	-	3,143	-
M J Gilbert	76,006	-	66,233	9,773
A S Kemp	33,500	-	33,500	-
C S Maude	37,300	-	37,300	-
H Young (alternate)	124,000	-	20,000	104,000

On 22 September 2010 Mr Kemp sold 7,500 Ordinary shares The above interests are otherwise unchanged at 6 October 2010, being the nearest practicable date prior to the signing of this Report No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements No other Directors had any interest in contracts with the Company during the period or subsequently

#### Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 6 October 2010, being the nearest practicable date prior to the signing of this Report

Shareholder	Number of Ordinary shares held	% held
Funds managed by Aberdeen Asset Management PLC	4,823,500	15.5
Funds managed by M&G Investment Management Limited	2,990,962	9.6
Aberdeen Asset Managers Savings Scheme (non-beneficial)	2,748,574	8.8
Charles Stanley, stockbrokers	1,447,907	4.7
Reliance Mutual	1,300,000	4.2
Legal & General Investment Management	1,189,786	3.8
Brewin Dolphin	1,186,343	3.8
South Yorkshire Pension Authority	955,000	3.1

#### Special Business at the Annual General Meeting

Directors' Authority to Allot Relevant Securities  
Among the Resolutions being put to the Annual General Meeting as Special Business, Resolution 10 which is an Ordinary Resolution, will, if passed, renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares pursuant to fully pre-emptive rights issues Resolution 10 authorises the Directors to generally allot shares up to an aggregate nominal amount of £5,189,435 representing approximately 2/3 of the existing issued capital of the Company, of which a maximum nominal amount of £2,594,717 (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues Such authority will expire upon the conclusion of the next Annual General Meeting in 2011 The Board has no present intention to utilise this authority

Resolution 11 which is a Special Resolution, will, if passed, renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to 10% of the issued share capital other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders This authority includes shares that the Company sells or transfers that have been held in treasury (if any) pursuant to the authority conferred by Resolution 12 below Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them (provided they do not exceed 10% of the Company's issued share capital) The Board has established guidelines for treasury shares and will only consider buying in shares for treasury at a discount to their prevailing NAV and selling them from treasury at or above the then prevailing NAV

## Directors' Report continued

### Purchase of the Company's Shares

Resolution 12, a Special Resolution, will be proposed to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Services Authority. The minimum price to be paid per Ordinary share shall be not less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5 per cent above the average market values of the shares for the preceding five business days, and, (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out. The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in net asset value per share and would be in the interests of shareholders generally. The Board intends to actively continue to repurchase Ordinary shares when it is appropriate to do so, in accordance with its current authority to repurchase. It is therefore possible that the issued share capital of the Company may change between the date of this document and the Annual General Meeting and therefore the authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

If Resolution 12 is passed then an announcement will be made on the date of the Annual General Meeting which will detail the exact number of Ordinary shares to which each of these authorities relate.

The authority being sought shall expire at the conclusion of the Annual General Meeting in 2011 unless such authority is renewed prior to such time. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or, pursuant to the power granted in Resolution 12 above, may be held in treasury (provided such number does not exceed 10% of the Company's issued share capital).

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

### Notice of Meeting

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

Company's next Annual General Meeting in 2011. In order to utilise this shorter notice period, the Company is required to ensure that shareholders are able to vote electronically at the general meeting called on such short notice.

### Recommendation

Your Board considers Resolutions 10, 11, 12 and 13 to be in the best interests of the Company and its members as a whole and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of Resolutions 10, 11, 12 and 13 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 266,485 Ordinary shares.

### Going Concern

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

Note 19 to the financial statements includes the Company's policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

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

### Creditor Payment Policy

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

### Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the financial statements are set out on pages 27 and 29.


Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the

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Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Additionally there have been no important events since the year end

#### Independent Auditors

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

  
By order of the Board  
**Aberdeen Asset Management PLC - Secretaries**  
Bow Bells House  
1 Bread Street  
London EC4M 9HH  
6 October 2010

# Statement of Corporate Governance

## Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance ("the Combined Code") issued in June 2008 (as appended to the UK Listing Authority Listing Rules). Additionally, the AIC published a Code on Corporate Governance in July 2003, (as supplemented by the Guide and as amended in February 2006, May 2007 and March 2009) (the "AIC Code") which complements the Combined Code and represents a framework of best practice for investment companies. The Company has complied with the Combined Code and the recommendations of the AIC Code, except as set out below.

The Combined Code includes provisions relating to

- The role of the chief executive (A1.2)
- Executive directors' remuneration (B2.1)
- The need for an internal audit function (C3.5)
- The need for a senior independent director (A3.3)

For the reasons set out below and in the AIC Code, and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive Directors.

## The Board

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

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager, under the terms of the investment management agreement. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent Director. Mr Cayzer has served on the Board as a Director and Chairman since September 1995 and Mr Kemp has served on the Board as a Director since May 1996. The Board takes the view that independence is not

compromised by length of tenure and that experience can add significantly to the Board's strength. The Board is satisfied that Mr Cayzer and Mr Kemp who, having each served on the Board for more than nine years must stand for annual re-election, both continue to be independent in character and are effective Directors and it recommends that shareholders support their re-election. Given his relevant experience and contribution to the Company, the Board also fully endorses the re-election of Mr Maude.

During the year ended 31 July 2010 the Board met seven times. In addition, the Audit Committee and Management Engagement Committee met jointly twice. Between meetings the Board maintains regular contact with the Manager.

Directors have attended Board and Committee meetings during the year ended 31 July 2010 as follows (with their eligibility to attend the relevant meeting in brackets).

Director	Board Meetings	Audit and Management Engagement Committee Meetings	Nomination Committee Meetings
NK Cayzer <sup>A</sup>	7 (7)	0 (0)	1 (1)
H Fukuda	7 (7)	2 (2)	1 (1)
MJ Gilbert <sup>AB</sup>	6 (7)	0 (0)	1 (1)
AS Kemp	7 (7)	2 (2)	1 (1)
CS Maude	6 (7)	2 (2)	1 (1)

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

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

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

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

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

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

## Board Committees

### Audit & Management Engagement Committee

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

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

- to review and monitor the internal control systems and risk management systems on which the Company is reliant,
- to consider annually whether there is a need for the Company to have its own internal audit function,
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and Administrator;
- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditors. The Board shall also use this as an opportunity to assess the effectiveness of the audit process,
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services (During the period under review, fees amounting to £6,000 (ex VAT) were paid to the Auditors in respect of non-audit services in connection with the review of the Interim Report and for tax services – the Board will review any future fees in the light of the requirement to maintain the Auditor's independence),
- to review an annual statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters,
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor, and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification. At its September meeting the Audit Committee confirmed its view that the Auditor remained independent and objective.

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

### Nomination Committee

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

Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the first subsequent AGM. The Articles of Association require that one third of the Directors retire by rotation at each AGM and that Directors are required to submit themselves for re-election at least every three years.

### Remuneration Committee

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

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on page 28.

### Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's publication of

## Statement of Corporate Governance continued

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

The significant risks faced by the Company are as follows:

- financial,
- operational, and
- compliance

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

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance,
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate,
- as a matter of course the Manager's compliance department continually reviews the Manager's operations,
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers,
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures, and
- at its September 2010 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2010 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 July 2010. The results of the assessment were then reported to the Board at the next Board meeting.

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

### Exercise of Voting Powers

The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment.

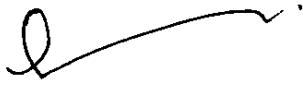
### Relations with Shareholders

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

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

### Socially Responsible Investment Policy

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

By order of the Board  
  
Aberdeen Asset Management PLC - Secretaries  
Bow Bells House, 1 Bread Street  
London EC4M 9HH  
6 OCTOBER 2010

# Statement of Directors' Responsibilities

6 October 2010

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

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

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

In preparing these financial statements, the Directors are required to

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

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

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

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

The Directors confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces

For Aberdeen Asian Smaller Companies Investment Trust PLC

**Nigel Cayzer**  
Chairman  
6 October 2010



# Directors' Remuneration Report

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

## Unaudited Information

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £120,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. Following a periodic review, the Directors' fees were increased on 1 August 2009 as follows: Chairman £26,000, Audit Committee Chairman £22,000, and other Directors £20,000. This policy will continue for the year to 31 July 2011. No element of the Directors' remuneration is performance related.

A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

None of the Directors has a service contract with the Company although upon appointment Directors are issued with letters of appointment. The Company's Articles of Association provide that Directors shall not remain in office for longer than three years without submitting themselves for re-election. The Directors' interests in contractual arrangements with the Company are as shown in note 18 to the financial statements. No other Directors had an interest in any contracts with the Company during the period or subsequently. No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

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

The following chart illustrates the total Shareholder return (including reinvested dividends) for a holding in the

Company's shares as compared to the MSCI AC Asia Pacific ex Japan Index (in Sterling terms) for the five year period to 31 July 2010 (rebased to 100 at 31 July 2005). Given the absence of any meaningful index with which to compare performance, this index is deemed to be the most appropriate one against which to measure the Company's performance.

## Audited information

### Directors' Emoluments

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

Director	2010 £	2009 £
N K Cayzer (Chairman and highest paid Director)	26,000	22,000
H Fukuda	20,000	17,000
M J Gilbert	20,000	17,000
A S Kemp (Audit Committee Chairman)	22,000	19,000
C S Maude	20,000	17,000
<b>Total</b>	<b>108,000</b>	<b>92,000</b>

### Sums Paid to Third Parties

Of the fees disclosed above, £20,000 (2009 – £17,000) was payable to third parties in respect of making available the services of one of the Directors. These fees were assigned to Aberdeen Asset Management PLC (M J Gilbert). The amounts paid by the Company to the Directors were for services as non-executive Directors.

### Approval

The Directors' Remuneration Report on page 28 was approved by the Board on 6 October 2010 and signed on its behalf by

By order of the Board  
  
Aberdeen Asset Management PLC  
Secretaries

6 October 2010

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

We have audited the financial statements of Aberdeen Asian Smaller Companies Investment Trust PLC for the year ended 31 July 2010 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

## Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of its net return for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and,
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in The Disclosure and Transparency Rules Sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

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

We have nothing to report in respect of the following. Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information we require for our audit.

Under the Listing Rules we are required to review

- the Directors' statement set out on page 22 in relation to going concern, and,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

*Ernst & Young LLP*

**Caroline Gulliver**

(Senior Statutory Auditor)

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

London

6 October 2010

# Income Statement

	Notes	Year ended 31 July 2010			Year ended 31 July 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9		71,158	71,158	–	14,420	14,420
Income	2	6,103	–	6,103	4,954	–	4,954
Exchange losses		–	(365)	(365)	–	(1,475)	(1,475)
Investment management fees	3	(1,521)	–	(1,521)	(1,494)	–	(1,494)
Administrative expenses	4	(726)	–	(726)	(623)	–	(623)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>3,856</b>	<b>70,793</b>	<b>74,649</b>	<b>2,837</b>	<b>12,945</b>	<b>15,782</b>
Finance costs	5	(54)	–	(54)	(167)	–	(167)
<b>Return on ordinary activities before taxation</b>		<b>3,802</b>	<b>70,793</b>	<b>74,595</b>	<b>2,670</b>	<b>12,945</b>	<b>15,615</b>
Taxation	6	214	(793)	(579)	(563)	–	(563)
<b>Return on ordinary activities after taxation</b>		<b>4,016</b>	<b>70,000</b>	<b>74,016</b>	<b>2,107</b>	<b>12,945</b>	<b>15,052</b>
<b>Return per share (pence)</b>	<b>8</b>						
<b>Basic</b>		<b>12.85</b>	<b>223.97</b>	<b>236.82</b>	<b>6.75</b>	<b>41.46</b>	<b>48.21</b>
<b>Diluted</b>		<b>11.73</b>	<b>204.50</b>	<b>216.23</b>	<b>6.24</b>	<b>38.32</b>	<b>44.56</b>

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

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

No operations were acquired or discontinued in the year

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

The accompanying notes are an integral part of the financial statements

# Balance Sheet

	Notes	As at 31 July 2010 £'000	As at 31 July 2009 £'000
<b>Non current assets</b>			
Investments at fair value through profit or loss	9	193,050	127,612
<b>Current assets</b>			
Debtors and prepayments	10	639	374
Cash and short term deposits		5,367	2,642
		6,006	3,016
<b>Creditors: amounts falling due within one year</b>			
Bank loan	11	(5,619)	(8,143)
Other creditors		(378)	(522)
		(5,997)	(8,665)
<b>Net current assets/(liabilities)</b>		9	(5,649)
<b>Total assets less current liabilities</b>		193,059	121,963
<b>Provisions for liabilities and charges</b>	12	(208)	-
<b>Net assets</b>		<b>192,851</b>	<b>121,963</b>
<b>Capital and reserves</b>			
Called-up share capital	13	8,331	8,220
Capital redemption reserve		2,062	2,062
Share premium account		11,644	11,312
Special reserve		8,372	10,386
Warrant reserve		1,243	1,387
Capital reserve	14	155,040	84,896
Revenue reserve	14	6,159	3,700
<b>Equity shareholders' funds</b>		<b>192,851</b>	<b>121,963</b>
<b>Net asset value per share (pence)</b>	15		
<b>Basic</b>		<b>619 37</b>	<b>390 96</b>
<b>Diluted</b>		<b>562 57</b>	<b>355 95</b>

The financial statements were approved by the Board of Directors and authorised for issue on 6 October 2010 and were signed on behalf of the Board by

**Nigel Cayzer**  
Chairman



The accompanying notes are an integral part of the financial statements

## Reconciliation of Movements in Shareholders' Funds

### For the year ended 31 July 2010

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2009		8,220	2,062	11,312	10,386	1,387	84,896	3,700	121,963
Purchase of own shares		-	-	-	(2,014)	-	-	-	(2,014)
Exercise of warrants		111	-	332	-	(144)	144	-	443
Return on ordinary activities after taxation		-	-	-	-	-	70,000	4,016	74,016
Dividends paid	7	-	-	-	-	-	-	(1,557)	(1,557)
<b>Balance at 31 July 2010</b>		<b>8,331</b>	<b>2,062</b>	<b>11,644</b>	<b>8,372</b>	<b>1,243</b>	<b>155,040</b>	<b>6,159</b>	<b>192,851</b>

### For the year ended 31 July 2009

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2008		8,163	2,062	11,140	11,975	1,461	71,877	3,151	109,829
Purchase of own shares		-	-	-	(1,589)	-	-	-	(1,589)
Exercise of warrants		57	-	172	-	(74)	74	-	229
Return on ordinary activities after taxation		-	-	-	-	-	12,945	2,107	15,052
Dividends paid	7	-	-	-	-	-	-	(1,558)	(1,558)
<b>Balance at 31 July 2009</b>		<b>8,220</b>	<b>2,062</b>	<b>11,312</b>	<b>10,386</b>	<b>1,387</b>	<b>84,896</b>	<b>3,700</b>	<b>121,963</b>

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

The accompanying notes are an integral part of the financial statements

## Cash Flow Statement

	Notes	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
<b>Net cash inflow from operating activities</b>	16	3,217	2,383
<b>Servicing of finance</b>			
Bank and loan interest paid		(55)	(173)
<b>Taxation</b>			
Net taxation paid		(177)	(658)
<b>Financial investment</b>			
Purchases of investments		(8,171)	(15,602)
Sales of investments		13,928	15,728
<b>Net cash inflow from financial investment</b>		5,757	126
<b>Equity dividends paid</b>	7	(1,557)	(1,558)
<b>Net cash inflow before financing</b>		7,185	120
<b>Financing</b>			
Purchase of own shares		(2,014)	(1,589)
Exercise of warrants		443	229
(Repayment)/drawdown of loan	17	(1,903)	2,069
<b>Net cash (outflow)/inflow from financing activities</b>		(3,474)	709
<b>Increase in cash</b>		<b>3,711</b>	<b>829</b>
<b>Reconciliation of net cash flow to movements in net debt</b>			
Increase in cash as above		3,711	829
Repayment/(drawdown) of loan		1,903	(2,069)
Exchange movements		(365)	(1,475)
<b>Movement in net debt in the year</b>		5,249	(2,715)
Net debt at 1 August		(5,501)	(2,786)
<b>Net debt at 31 July</b>	17	<b>(252)</b>	<b>(5,501)</b>

The accompanying notes are an integral part of the financial statements

# Notes to the Financial Statements For the year ended 31 July 2010

## 1 Accounting policies

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

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009)

The financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 22.

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

### (b) Valuation of investments

Listed investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value and disposals are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

### (c) Income

Dividends receivable on equity shares are recognised on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established. Fixed returns on debt securities are recognised on a time apportioned basis so as to reflect the effective yield. Other returns on debt securities are recognised when the right to return is established. 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, including management fees and finance costs, are charged 100% through the revenue column of the Income Statement with the exception of transaction costs incurred on the purchase and disposal of investments which are charged to the capital column of the Income Statement and are separately identified and disclosed in note 9 within gains/(losses) on investments.

### (e) Taxation

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

#### *Deferred tax*

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

### (f) Capital reserve

Gains and losses on the sale of investments and changes in fair values of investments held are transferred to the capital reserve.

**(g) Foreign currency**

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

	2010	2009
	£'000	£'000
<b>2 Income</b>		
<b>Income from investments</b>		
UK dividend income	54	36
Overseas dividends	5,966	4,886
Stock dividends	37	15
Fixed interest	21	3
	<b>6,078</b>	<b>4,940</b>
<b>Other income</b>		
Deposit interest	15	15
Interest on tax refunded	–	(27)
Underwriting commission	10	26
	<b>25</b>	<b>14</b>
<b>Total income</b>	<b>6,103</b>	<b>4,954</b>

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>3 Investment management fees</b>						
Investment management fees	1,521	–	1,521	1,494	–	1,494

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

During the period the management fee was payable monthly in arrears and is based on an annual amount of 1.2%, calculated on the average net asset value of the Company over a 24 month period, valued monthly. The agreement is terminable on one year's notice. The balance due to AAM Asia at the year end was £275,000 (2009 – £240,000).

## Notes to the Financial Statements *continued*

4	Administrative expenses	2010			2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	Administration fees	73	–	73	72	–	72
	Directors' fees	108	–	108	92	–	92
	Share Plan marketing contribution	95	–	95	101	–	101
	Auditors' remuneration						
	– fees payable to the auditors for the audit of the annual accounts	23	–	23	22	–	22
	– fees payable to the auditors and its associates for other services						
	– interim review	6	–	6	6	–	6
	Custodian charges	265	–	265	176	–	176
	Other expenses	156	–	156	154	–	154
		<b>726</b>	<b>–</b>	<b>726</b>	<b>623</b>	<b>–</b>	<b>623</b>

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of administration services. The administration fee is payable quarterly in advance and based on an index-linked annual amount of £73,000 (2009 – £72,000) and there was a prepayment of £18,000 (2009 – £nil prepaid) at the year end. The agreement is terminable on six months' notice.

The Company also has an agreement with AAM for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fee paid and payable under the agreement was £95,000 (2009 – £101,000) and there was a £22,000 (2009 – £7,000) balance due to AAM the year end.

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

5	Finance costs	2010			2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	On bank loans and overdrafts	54	–	54	167	–	167

6	Taxation	2010			2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	<b>(a) Analysis of charge for the year</b>						
	Corporation tax	–	–	–	577	–	577
	Overseas taxation	371	–	371	255	–	255
	Relief for overseas taxation	–	–	–	(245)	–	(245)
	Tax relief to revenue	(348)	348	–	–	–	–
	Prior year adjustment	–	–	–	13	–	13
	<b>Current taxation</b>	<b>23</b>	<b>348</b>	<b>371</b>	<b>600</b>	<b>–</b>	<b>600</b>
	Deferred taxation	(237)	445	208	(37)	–	(37)
	<b>Total tax</b>	<b>(214)</b>	<b>793</b>	<b>579</b>	<b>563</b>	<b>–</b>	<b>563</b>

The Company has a potential deferred tax liability of £208,000 (2009 – nil) in respect of investment holdings revaluation gains credited to the capital reserve which are subject to corporation tax. This reflects the investment holding gain at the year end on the Company's holding in CDL Hospitality Trusts. As a Singapore based real estate investment trust without distributor status, realised gains arising on disposal of this investment are taxable.

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company (28%)  
The differences are explained below

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Return on ordinary activities before taxation	3,802	70,793	74,595	2,670	12,945	15,615
Return on ordinary activities multiplied by the UK standard tax rate of corporation tax of 28% (2009 – 28%)	1,065	19,822	20,887	748	3,625	4,373
Effects of						
Gains on investments not taxable	–	(19,924)	(19,924)	–	(4,038)	(4,038)
Offshore income gains realised	–	348	348	–	–	–
Exchange losses/(gains)	–	102	102	–	413	413
Franked dividend receipts not chargeable to corporation tax	(15)	–	(15)	(10)	–	(10)
Overseas tax	371	–	371	255	–	255
Double tax relief	–	–	–	(245)	–	(245)
Non-taxable dividend income	(1,623)	–	(1,623)	(161)	–	(161)
Non-taxable stock dividends	(10)	–	(10)	–	–	–
Movement in unutilised management expenses	230	–	230	–	–	–
Movement in unutilised loan relationship deficits	5	–	5	–	–	–
Prior year adjustment	–	–	–	13	–	13
Current tax charge for the year	<b>23</b>	<b>348</b>	<b>371</b>	<b>600</b>	<b>–</b>	<b>600</b>

<b>7 Dividends</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Final dividend for 2009 – 5 00p (2008 – 4 00p)	1,557	1,246
Special dividend for 2009 – nil (2008 – 1 00p)	–	312
	<b>1,557</b>	<b>1,558</b>

Proposed final and special dividends are subject to approval by shareholders at the Annual General Meeting and are not included as a liability in the financial statements

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £4,016,000 (2009 – £2,107,000)

	<b>2010 £'000</b>	<b>2009 £'000</b>
Proposed final dividend for 2010 – 8 2p (2009 – 5 0p)	2,553	1,557
Proposed special dividend for 2010 – 1 9p (2009 – nil)	592	–
Total	<b>3,145</b>	<b>1,557</b>

## Notes to the Financial Statements continued

8 Return per Ordinary share	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>Basic</b>						
Return on ordinary activities after taxation (£'000)	4,016	70,000	74,016	2,107	12,945	15,052
Weighted average number of shares in issue (excluding shares held in treasury)			31,254,783			31,223,576
Basic return per Ordinary share (p)	12.85	223.97	236.82	6.75	41.46	48.21
	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>Diluted</b>						
Number of dilutive shares			2,975,169			2,560,696
Diluted number of shares in issue (excluding shares held in treasury)			34,229,952			33,784,272
Diluted return per Ordinary share (p)	11.73	204.50	216.23	6.24	38.32	44.56

The calculation of the diluted total, revenue and capital returns per Ordinary share are carried out in accordance with Financial Reporting Standard No 22, "Earnings per Share". For the purposes of calculating diluted total, revenue and capital returns per Ordinary share, the number of Ordinary shares is the weighted average used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all Warrants by reference to the average share price of the Ordinary shares during the year. The calculations indicate that the exercise of Warrants would result in an increase in the weighted average number of Ordinary shares of 2,975,169 (2009 – 2,560,696) to 34,229,952 (2009 – 33,784,272) Ordinary shares.

9 Investments	Listed in UK £'000	Listed overseas £'000	Total £'000
	Fair value through profit or loss		
Opening book cost	362	92,216	92,578
Opening fair value gains on investments held	1,358	33,676	35,034
Opening fair value	1,720	125,892	127,612
Movements in year:			
Purchases at cost	1,927	6,281	8,208
Sales – proceeds	–	(13,928)	(13,928)
Sales – gains on sales	–	6,810	6,810
Movement in fair value gains on investments held	373	63,975	64,348
Closing fair value	4,020	189,030	193,050
	Listed in UK £'000	Listed overseas £'000	Total £'000
Closing book cost	2,289	91,379	93,668
Closing fair value gains on investments held	1,731	97,651	99,382
	4,020	189,030	193,050

<b>Gains on investments</b>	<b>Listed in UK £'000</b>	<b>Listed overseas £'000</b>	<b>Total £'000</b>
Gains on sales	–	6,810	6,810
Movement in fair value gains on investments held	373	63,975	64,348
	<b>373</b>	<b>70,785</b>	<b>71,158</b>

#### **Transaction costs**

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

	<b>2010 £'000</b>	<b>2009 £'000</b>
Purchases	27	33
Sales	55	52
	<b>82</b>	<b>85</b>

<b>10 Debtors amounts falling due within one year</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Other debtors	14	8
Prepayments and accrued income	625	366
	<b>639</b>	<b>374</b>

<b>11 Creditors amounts falling due within one year</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Bank loans	5,619	8,143
Other creditors	378	345
Corporation tax payable	–	177
	<b>5,997</b>	<b>8,665</b>

At the year end the Company had drawn down a US\$8,800,000 loan from Barclays Bank at a rate of 0.76594% with repayment or rollover terms to 16 August 2010.

On 16 August 2010, the US\$8,800,000 loan from Barclays Bank was then rolled for one month to 16 September 2010 at a rate of 0.70094% and on 16 September 2010 the loan was rolled forward for three months at a rate of 0.71688%.

The terms of the loan facility with Barclays Bank contain covenants requiring that the minimum number of investments held by the Company be thirty, that the minimum geographical spread be five countries, that the maximum investment in any one country be 25% of the portfolio value, that the maximum investment in MSCI financial services industry category be 40% of portfolio value, and that the maximum investment in other MSCI industry categories be 25% of portfolio value. The Company met these covenants throughout the year and up to the date that this report was signed.

## Notes to the Financial Statements continued

	2010 £'000	2009 £'000
<b>12. Provisions for liabilities and charges</b>		
Deferred tax on accrued income		
At 1 August	–	37
Deferred tax charged/(credited) to the Income Statement in the year	208	(37)
At 31 July	208	–

	2010 £'000	2009 £'000
<b>13. Called up share capital</b>		
<b>Authorised</b>		
42,000,000 (2009 – 42,000,000) Ordinary shares of 25p	10,500	10,500
<b>Called-up, allotted and fully paid</b>		
33,322,905 (2009 – 32,880,207) Ordinary shares of 25p	8,331	8,220

During the year 502,069 (2009 – 662,210) Ordinary shares of 25p were repurchased by the Company at a total cost of £2,014,000 (2009 – £1,589,000) All these shares were placed in treasury At the year end 2,186,290 (2009 – 1,684,221) shares were held in treasury, which represents 6.56% (2009 – 5.12%) of the Company's total issued share capital at 31 July 2010

During the year an additional 442,698 Ordinary shares of 25p were issued after 442,698 Warrants were exercised at 100p each The total consideration received was £442,698

At 31 July 2010 there were 3,823,595 (2009 – 4,266,293) Warrants in issue Each Warrant entitles a holder to subscribe for an Ordinary share of 25p at a price of 100p Further details of exercise rights are included on page 55

The investment objective of the Company is to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$750m at the time of investment) in the economies of Asia and Australasia, excluding Japan

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance

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

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

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

The Company does not have any externally imposed capital requirements

	2010 £'000	2009 £'000
<b>14 Retained earnings</b>		
<b>Capital reserve</b>		
At 31 July 2009	84,896	71,877
Movement in investment holdings fair value	64,348	10,410
Gains on realisation of investments at fair value	6,810	4,010
Foreign exchange movement	(365)	(1,475)
Capital tax charge	(793)	-
Capitalised items	144	74
<b>At 31 July 2010</b>	<b>155,040</b>	<b>84,896</b>
<b>Revenue reserve</b>		
At 31 July 2009	3,700	3,151
Revenue	4,016	2,107
Dividends paid	(1,557)	(1,558)
<b>At 31 July 2010</b>	<b>6,159</b>	<b>3,700</b>

	2010	2009
<b>15. Net asset value per equity share</b>		
<b>Basic</b>		
Net assets attributable	£192,851,000	£121,963,000
Number of Ordinary shares in issue (excluding shares held in treasury)	31,136,615	31,195,986
Net asset value per Ordinary share	619 37p	390 96p
<b>Diluted</b>		
Net assets attributable	£196,675,000	£126,229,000
Number of Ordinary shares if Warrants converted (excluding shares held in treasury)	34,960,210	35,462,279
Net asset value per Ordinary share	562 57p	355 95p

The diluted net asset value per Ordinary share has been calculated on the assumption that 3,823,595 (2009 – 4,266,293) Warrants in issue were exercised on the first day of the financial year at 100p per share, giving year end figures of 34,960,210 (2009 – 35,462,279) Ordinary shares

	2010 £'000	2009 £'000
<b>16 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities</b>		
Net returns before finance costs and taxation	74,649	15,782
Adjustments for		
Gains on investments	(71,158)	(14,420)
Effect of foreign exchange rate losses	365	1,475
Increase in prepayments and accrued income	(259)	(185)
(Increase)/decrease in other debtors	(6)	5
Increase/(decrease) in other creditors	34	(4)
Overseas withholding tax suffered	(371)	(255)
Stock dividends included in investment income	(37)	(15)
<b>Net cash inflow from operating activities</b>	<b>3,217</b>	<b>2,383</b>

## Notes to the Financial Statements continued

	1 August 2009 £'000	Cash flow £'000	Exchange movements £'000	31 July 2010 £'000
<b>17 Analysis of changes in net debt</b>				
Net cash				
Cash at bank and overdrafts	2,642	3,711	(986)	5,367
Debt				
Debt falling due within one year	(8,143)	1,903	621	(5,619)
	<b>(5,501)</b>	<b>5,614</b>	<b>(365)</b>	<b>(252)</b>

### 18 Related party transactions

Mr M J Gilbert is a director of AAM Asia, a subsidiary of Aberdeen Asset Management PLC. Mr Gilbert is also a director of AAM.

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

### 19 Financial instruments

#### Risk management

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

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

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

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

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

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

#### Market price risk

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

### Interest rate risk

Interest rate movements may affect

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

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

### Interest rate risk profile

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

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 July 2010</b>				
<b>Assets</b>				
Singapore Dollar	3.42	2.50	1,681	–
Sterling	–	–	–	5,366
Thailand Baht	–	–	–	1
	n/a	n/a	1,681	5,367
<b>Liabilities</b>				
Bank loan – US Dollar	0.04	0.77	(5,619)	–
<b>At 31 July 2009</b>				
<b>Assets</b>				
Indian Rupee	–	–	–	13
Philippine Peso	–	–	–	66
Singapore Dollar	4.42	2.50	1,309	19
Sri Lankan Rupee	–	–	–	61
Sterling	–	0.30	–	2,483
	n/a	n/a	1,309	2,642
<b>Liabilities</b>				
Bank loan – US Dollar	0.03	0.73	(8,143)	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on interest payable, weighted by the value of the loan. The maturity date of the Company's loan is shown in note 11 to the financial statements.

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

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

## Notes to the Financial Statements continued

### Maturity profile

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

	Within 1 year 2010 £'000	Within 1 year 2009 £'000
<b>Assets</b>		
<b>Floating rate</b>		
Cash	5,367	2,642
<b>Liabilities</b>		
<b>Fixed rate</b>		
Bank loans	(5,619)	(8,143)

All the other financial assets and liabilities do not have a maturity date

### Interest rate sensitivity

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

### Foreign currency risk

All of the Company's investment portfolio is invested in overseas securities and the Balance Sheet, therefore, can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. The Company's borrowings, as detailed in note 11, are also in foreign currency.

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

### Foreign currency risk exposure by currency of denomination

	31 July 2010			31 July 2009		
	Overseas investments £'000	Net monetary assets/(liabilities) £'000	Total currency exposure £'000	Overseas Investments £'000	Net monetary assets/(liabilities) £'000	Total currency exposure £'000
Australia	1,966	–	1,966	–	–	–
Hong Kong Dollar	32,117	–	32,117	23,076	–	23,076
Indian Rupee	25,600	–	25,600	19,255	13	19,268
Indonesian Rupiah	18,719	–	18,719	12,405	–	12,405
Korean Won	2,469	–	2,469	2,063	–	2,063
Malaysian Ringgit	32,080	–	32,080	20,956	–	20,956
New Zealand Dollar	1,920	–	1,920	1,521	–	1,521
Pakistan Rupee	2,658	–	2,658	1,294	–	1,294
Philippine Peso	11,148	–	11,148	6,605	66	6,671
Singapore Dollar	27,377	–	27,377	21,760	19	21,779
Sri Lankan Rupee	11,563	–	11,563	5,296	61	5,357
Thailand Baht	21,413	1	21,414	11,661	–	11,661
US Dollar	–	(5,619)	(5,619)	–	(8,143)	(8,143)
	189,030	(5,618)	183,412	125,892	(7,984)	117,908
Sterling	4,020	5,366	9,386	1,720	2,483	4,203
<b>Total</b>	<b>193,050</b>	<b>(252)</b>	<b>192,798</b>	<b>127,612</b>	<b>(5,501)</b>	<b>122,111</b>

### **Foreign currency sensitivity**

There is no sensitivity analysis included as the Company's significant foreign currency financial instruments are in the form of equity investments, which have been included within the other price risk sensitivity analysis so as to show the overall level of exposure

### **Other price risk**

Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process, as detailed on page 17, act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges worldwide.

### **Other price risk sensitivity**

If market prices at the Balance Sheet date had been 10% (2009 – 10%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2010 would have increased/(decreased) by £19,305,000 (2009 increased/(decreased) by £12,761,000) and equity reserves would have increased/(decreased) by the same amount.

### **Liquidity risk**

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise a revolving multi-currency credit facility. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 25%. Details of borrowings at the 31 July 2010 are shown in note 11.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of a loan facility, details of which can be found in note 11. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

### **Liquidity risk exposure**

At 31 July 2010 the Company's bank loans, amounting to £5,619,000 (2009 – £8,143,000), were due for repayment or roll-over within 1 month (2009 – 1 month). The maximum exposure during the year was £8,441,000 and the minimum exposure during the year was £5,619,000.

### **Credit risk**

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

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

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

## Notes to the Financial Statements continued

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

### Credit risk exposure

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

	2010		2009	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Current assets</b>				
Debtors and prepayments	639	639	374	374
Cash and short term deposits	5,367	5,367	2,642	2,642
	<b>6,006</b>	<b>6,006</b>	<b>3,016</b>	<b>3,016</b>

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

### Fair values of financial assets and financial liabilities

For the US Dollar loan, the fair value of borrowings has been calculated at £5,620,000 as at 31 July 2010 (2009 – £8,144,000) compared to an accounts value in the financial statements of £5,619,000 (2009 – £8,143,000) (note 11). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. All other assets and liabilities of the Company are included in the Balance Sheet at fair value.

## 20 Fair value hierarchy

The Company adopted the amendments to FRS 29 'Financial Instruments: Disclosures' effective from 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy at 31 July 2010 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	191,369	–	–	191,369
Quoted bonds	b)	1,681	–	–	1,681
<b>Net fair value</b>		<b>193,050</b>	<b>–</b>	<b>–</b>	<b>193,050</b>

### a) Quoted equities

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

### b) Quoted bonds

The fair value of the Company's investments in quoted bonds has been determined by their quoted bid price at reporting date.

# Marketing Strategy

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Aberdeen Asian Smaller Companies Investment Trust PLC contributes to the marketing programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution, which is reviewed annually, will amount to £141,000 (ex VAT) for the 12 months to 30 April 2011.

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

These aims can be met in several ways:

## Investor Relations Programme

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

## Newsletter

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

## Public Relations

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

## Shareholder Services

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

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

## Internet

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

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

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

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

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

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may email AAM at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.

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

## Direct

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

## Aberdeen's Investment Plan for Children

Aberdeen Asset Managers ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Asian Smaller Companies Investment Trust PLC. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

## Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Aberdeen Asian Smaller Companies Investment Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

## Stocks and Shares ISA

An investment of up to £10,200 can be made in the Company in the tax year 2010/2011.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT.

The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. Under current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in Aberdeen Asian Smaller Companies Investment Trust PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

## Note

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

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

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

## Trust Information

If investors would like details of Aberdeen Asian Smaller Companies Investment Trust PLC or information on the Children's Plan, Share Plan, ISA or ISA Transfers please telephone 0500 00 00 40, e-mail to [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to

Aberdeen Investment Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP

Details are also available on [www.investments.co.uk](http://www.investments.co.uk)

## Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times.

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

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Alternatively you can call 0500 00 00 40 for trust information

For further information concerning any direct shareholding, please contact the Company's registrars

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

Shareholder helpline numbers  
Tel 0871 384 2416  
Fax 0871 384 2100  
Shareview enquiry line 0871 384 2020  
Textel/hard of hearing line 0871 384 2255

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

#### Literature Request Service

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

Telephone 0500 00 40 00  
Email [aam@lit-request.com](mailto:aam@lit-request.com)

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

Aberdeen Investment Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP

*The information on pages 47, 48 and 49 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority*

# Glossary of Terms and Definitions

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## Actual Gearing

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

## Asset Cover

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

## Discount

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

## Dividend Cover

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

## Dividend Yield

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

## Net Asset Value

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

## Potential Gearing

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

## Premium

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

## Price/Earnings Ratio

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

## Prior Charges

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

## Total Assets

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

## Total Expense Ratio

Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

## Total Return

Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

## Winding-up Date

The date specified in the Articles of Association for winding-up a company.

# Notice of Annual General Meeting

Notice is hereby given that the fifteenth Annual General Meeting of Aberdeen Asian Smaller Companies Investment Trust PLC will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH, at 11 30 a m on 30 November 2010 for the following purposes

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

## Ordinary Business

- 1 To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2010, together with the auditors' report thereon
- 2 To receive and adopt the Directors' Remuneration Report
- 3 To approve the payment of a final dividend of 8 2 pence per Ordinary share
- 4 To approve the payment of a special dividend of 1 9 pence per Ordinary share
- 5 To re-elect Mr N K Cayzer as a Director
- 6 To re-elect Mr M J Gilbert as a Director
- 7 To re-elect Mr A S Kemp as a Director
- 8 To re-elect Mr C S Maude as a Director
- 9 To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to determine their remuneration

## Special Business

- 10 THAT in substitution for all existing powers the Directors of the Company be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act"), to allot shares in the Company, and to grant rights ("Relevant Rights") to subscribe for, or to convert any security into, shares in the Company

(a) up to an aggregate nominal amount of £2,594,717, and

(b) up to a further aggregate nominal amount of £2,594,717 in connection with an offer made by means of a negotiable document to (a) all holders of ordinary shares of 25 p each in the capital of the Company ("Ordinary Shares") in proportion (as nearly as may be) to the respective numbers of such Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the Directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever), and,

such authorisation to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2011 unless previously renewed revoked or varied by the Company in general meeting, save that the Company may at any time before the expiry of this authorisation make an offer or enter into an agreement which would or might require shares to be allotted or Relevant Rights to be granted after the expiry of this authorisation and the Directors of the Company may allot shares or grant Relevant Rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired

- 11 THAT subject to the passing of resolution numbered 10 above and in substitution for all existing powers the Directors be empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 (1), (2) and (3) of the Act) either pursuant to the authorisation under section 551 of the Act as conferred by resolution 10 above or by way of a sale of treasury shares, in each case for cash as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to

(a) the allotment of equity securities (otherwise than pursuant to sub-paragraph (b) below) up to an aggregate nominal amount of £778,415 which are, or are to be, wholly paid up in cash, at a price not less than the net asset value per share at allotment, as determined by the Directors, and do not exceed up to 10 per cent of the issued share capital (as at the date of the Annual General Meeting convened by this notice), and

(b) the allotment of equity securities in connection with an offer to (a) all holders of Ordinary Shares of 25p each in the capital of the Company in proportion (as nearly as may be) to the respective numbers of Ordinary Shares held by them

## Notice of Annual General Meeting continued

and (b) to holders of other equity securities as required by the rights of those securities (but subject in either case to such exclusions limits or restrictions or other arrangements as the Directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price of not less than the net asset value per share at allotment, as determined by the Directors, and

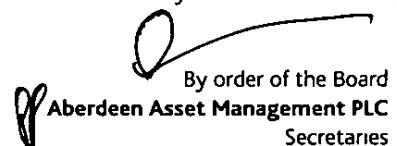
such power shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2011, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may do so as if such expiry had not occurred

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

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent of the Ordinary shares in issue as at the date of the passing of this Resolution 12,
- (b) the minimum price which may be paid for an Ordinary share is 25p,
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than the higher of (i) an amount equal to 105 per cent above the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased, and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out,
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 unless such authority is renewed, revoked or varied prior to such time by the Company in general meeting, and
- (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract

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

Bow Bells House,  
1 Bread Street  
London EC4M 9HH  
15 October 2010

  
By order of the Board  
Aberdeen Asset Management PLC  
Secretaries

### Notes

- 1 In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.asian-smaller.co.uk](http://www.asian-smaller.co.uk).
- 2 As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A form of proxy is enclosed.
- 3 To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notationally certified copy of that power of attorney or authority should be sent to the Company's registrars so as to arrive not less than 48 hours before the time fixed for the meeting. The return of a completed proxy form or other instrument of proxy will not prevent you attending the Meeting and voting in person if you wish to do so.
- 4 The right to vote at the meeting is determined by reference to the Company's Register of Members as at 6.00 p.m. on 28 November 2010 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting. Changes to the entries on that Register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
- 5 As a member you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
- 6 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored

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

- 7 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual which can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). The message must be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST
- 8 CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 9 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001
- 10 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his or her proxy(ies) will need to ensure that both he or she and such proxy(ies) comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules
- 11 The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company
- 12 As at close of business on 6 October 2010 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 31,136,615 Ordinary shares of 25 pence each. Each Ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at close of business on 6 October 2010 is 31,136,615
- 13 No Director has a service contract with the Company, however, copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting
- 14 Under section 338 of the Companies Act 2006, member may require the Company to give, to members of the Company entitled to receive this Notice of Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting. Under section 338A of that Act, members may request the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may be properly included in the business
- 15 Members should note that it is possible that, pursuant to requests made by the Members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid out before the Meeting, or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the Members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on the website
- 16 Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information
- 17 You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated
- 18 There are special arrangements for holders of shares through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust Individual Savings Account ("Plan Participants"). These are explained in the separate 'Letter of Direction' which Plan Participants will have received with this Annual Report

# Corporate Information

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## Directors

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

## Alternate Director

Hugh Young (alternate for Martin Gilbert)

## Manager

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

## Secretaries and Registered Office

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

Registration Number: 3106339

## Registrars

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

Tel 0871 384 2416

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

## Stockbrokers

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

## Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## Bankers

Barclays Bank,  
1<sup>st</sup> Floor, Aurora Building,  
120 Bothwell Street,  
Glasgow G2 7JT

Bank of Scotland  
Corporate Banking (Scotland)  
3-5 Albyn Place  
Aberdeen AB10 1PY

## Solicitors

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

## Website

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

## Your Company's History

### Issued Share Capital at 31 July 2010

<b>31,136,615</b>	Ordinary shares of 25p (excluding treasury shares)
<b>2,186,290</b>	Ordinary shares held in treasury
<b>3,823,595</b>	Warrants to subscribe at 100p

### Capital History

<b>19 October 1995</b>	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
<b>21 December 1998</b>	600 Ordinary shares issued following the exercise of Warrants
<b>27 January 2000</b>	3,500,000 Ordinary shares purchased for cancellation at 95p per share
<b>22 February 2000</b>	1,746,500 Ordinary shares purchased for cancellation at 105p per share
<b>5 June 2001</b>	500,000 Ordinary shares purchased for cancellation at 90 25p
<b>31 July 2001</b>	2,500,000 Ordinary shares purchased for cancellation at 91 5p
<b>Year ended 31 July 2005</b>	2,100,000 new Ordinary shares issued at prices ranging from 196 5p to 252 5p
<b>14 December 2005</b>	1,507,108 Ordinary shares issued following the exercise of Warrants
<b>Year ended 31 July 2006</b>	1,825,000 new Ordinary shares issued at prices ranging from 250 75p to 324 0p
<b>12 December 2006</b>	143,389 Ordinary shares issued following the exercise of Warrants
<b>Year ended 31 July 2007</b>	250,000 new Ordinary shares issued at 313p and 500,000 Warrants purchased for cancellation at prices ranging from 214p to 227p
<b>7 December 2007</b>	71,547 new Ordinary shares issued following the exercise of Warrants
<b>Year ended 31 July 2008</b>	1,022,011 Ordinary shares purchased for treasury at prices ranging from 269p to 316p and 282,000 Warrants purchased for cancellation at prices ranging from 193p to 222p
<b>15 December 2009</b>	229,023 new Ordinary shares issued following the exercise of Warrants
<b>Year ended 31 July 2009</b>	662,210 Ordinary shares purchased for treasury at prices ranging from 269p to 316p
<b>14 December 2009</b>	442,698 Ordinary shares issued following the exercise of Warrants
<b>Year ended 31 July 2010</b>	502,069 Ordinary shares purchased for treasury at prices ranging from 296 7p to 455 0p

### Warrants

The Company has 3,823,595 Warrants in issue. The Warrants confer the right to subscribe for one Ordinary share of 25p at 100p on 30 November 2010 (the "Final Subscription Date") 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. For further details on the procedures relating to the exercise of Warrants, Warrant holders should refer to the separate Letter to Warrant holders, accompanying this Annual Report.



**Mixed Sources**

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