

Aberdeen Asian Smaller Companies Investment Trust PLC

A total return investment trust with a concentrated portfolio, comprised predominantly of smaller listed Asian companies, excluding Japan.

Annual Report

31 July 2016

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

Raffles Place, Singapore

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Visit our website

To find out more about Aberdeen Asian Smaller Companies Investment Trust PLC, please visit: asian-smaller.co.uk

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.

Company Overview

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

of investment) in the economies of Asia and Australasia, excluding Japan.

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

Financial Highlights

Share price total return	Discount to net asset value (diluted)	Earnings per share (revenue)
+19.4%	11.4%	-49.4%
2015 -15.4%	2015 11.9%	2015 +59.3%
Net asset value capital return (diluted)	MSCI AC Asia Pacific ex Japan Index capital return ^A	Ordinary dividend per share ^B
+16.4%	+13.8%	10.50p
2015 -5.9%	2015 -4.2%	2015 10.50p
Net asset value total return (diluted)	MSCI AC Asia Pacific ex Japan Small Cap Index capital return ^A	Special dividend per share ^B
+18.4%	+16.1%	Nil
2015 -4.7%	2015 -3.5%	2015 4.50p

^A Currency adjusted, capital gains basis

^B Dividends are subject to shareholder approval at the Annual General Meeting.

Net asset value per share

At 31 July – pence

Dividends per share

Year ended 31 July - pence

Mid-market price per share

At 31 July – pence

Investment Policy

The Company's assets are invested in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan and Thailand, together with such other countries in Asia as the Directors may from time to time determine. Investments may also be made in collective investment schemes and in companies traded on stock markets outside the investment region provided that over 75% of their consolidated revenue is earned from trading in the investment region or they hold more than 75% of their consolidated net assets in the investment region.

Shareholders' attention is drawn to the proposed amendments to the Company's Investment Objective and Policy detailed in the Chairman's Statement on page 5 and contained in the Appendix on page 80.

Gearing

The Board is responsible for determining the gearing strategy for the Company. Gearing - borrowing money - is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Gearing is subject to a maximum gearing level of up to 25% of adjusted NAV at the time of draw down (see note 11 for definition).

Risk Diversification

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

Management

The Company has appointed Aberdeen Fund Managers Limited (the "Alternative Investment Fund Manager" or "AIFM") as its alternative investment fund manager, which has in turn delegated certain responsibilities, including investment management, to Aberdeen Asset Management Asia Limited ("AAM Asia" or the "Investment Manager").

Financial Calendar

25 October 2016	Announcement of annual results for the year ended 31 July 2016
2 November to 30 November 2016	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
29 November 2016	Annual General Meeting at 11.30 a.m.
30 November 2016	CULS Conversion Date
2 December 2016	Payment of final dividend for year ended 31 July 2016
March 2017	Announcement of half yearly results for the six months ending 31 January 2017
3 May to 31 May 2017	Period during which holders of the Company's 3.5% Convertible Unsecured Loan Stock 2019 (CULS) can elect to convert into Ordinary shares
31 May 2017	CULS Conversion Date
October 2017	Announcement of annual results for the year ending 31 July 2017

Chairman's Statement

Nigel Cayzer
Chairman

Results

I am pleased to report a good set of results for the year ended 31 July 2016. The net asset value ("NAV") total return was 18.4%, while the share price increased by 19.4% reflecting a slight narrowing in the discount from 11.9% to 11.4%. In comparison, the MSCI AC Asia Pacific ex Japan Index returned 17.6% and the MSCI AC Asia Pacific ex Japan Small Cap Index gained 19.1% (in total return terms).

The principal driver behind this performance was the decline in value of sterling caused by the referendum result in which the United Kingdom unexpectedly voted to leave the European Union. However, the underlying performance of the portfolio ended the year slightly ahead, which reflects an improvement in sentiment towards Asia.

Overview

After a very shaky start to the year which was influenced by global growth concerns, falling oil prices, and uncertainty over the implications of negative interest rates in Europe and Japan, Asian equities proved resilient in the latter half of the year. Markets rebounded after the US Federal Reserve hinted that it will proceed more cautiously in lifting interest rates. Risk appetite also increased buoyed by better news from emerging economies, steadier commodity prices and signs of reforms being implemented across the region. Towards the end of the year, local markets further benefited from post-Brexit flows looking for more defensive assets with higher yields supported by stronger fundamentals. Asian currencies also rose against sterling's sharp depreciation.

We highlighted three areas of concern in the Half Yearly Report where sentiment has subsequently improved.

These were, firstly, China's domination of the region. In January, a sell-off in the mainland A-share market reverberated across other Asian stock markets on concerns surrounding the health of China's financial system and economy, declining foreign reserves and heightened capital outflows. The Chinese Government moved to alleviate concerns with a combination of economic stimulus and

improved policy communication which has had a positive impact on markets across the region.

The second was commodity prices. After a period of sharp commodity price declines, the rebound triggered in February caught many observers by surprise. Oil prices closed the year back above US\$40 a barrel, while iron ore prices rose more than 50% in US dollar terms from their lows in mid-December. This dramatic reversal of fortunes provided a substantial tailwind to Australia, which is a commodity-driven economy.

The third was US monetary policy, as the Federal Reserve raised rates in December for the first time in almost a decade. This, however, came at a time when both Europe and Japan let rates fall below zero and the divergence between these global policies had repercussions on Asian markets. Since then, the Fed has hinted that it will proceed more cautiously in lifting rates, while Brexit has stoked expectations that interest rates will stay lower for longer, spurring renewed flows into Asia and the broader emerging markets.

In addition, structural changes have made Asia stronger since the global financial crisis. Governments and central banks across Asia have been fiscally prudent and many Asian countries still have the capacity to lower interest rates to support growth.

There has been a lot of speculation about the prospect of reforms across Asian economies over the past few years, and we are now starting to see these come through, which will have a positive impact over the longer term. The most notable was in India, where a nationwide goods and services tax legislation was finally voted through after many years of indecision. The Reserve Bank of India also confirmed that India's economy will remain in safe hands, as the current deputy governor, Urjit Patel, has been named as the successor to the outgoing Raghuram Rajan. Elsewhere, Indonesia approved a tax amnesty scheme to help fund its infrastructure programme, while President Joko Widodo reshuffled his cabinet, bringing in a well-respected Finance Minister which has added further credibility to his Parliament. In Thailand, Prime Minister Prayuth Chan-ocha has reiterated

his commitment to elections next year as part of his roadmap to democracy although the recent death of the much respected and revered King Bhumibol Adulyadej may affect or delay this process and the Philippines voted for change with a new President Rodrigo Duterte.

Against this backdrop, the prospects for smaller companies in Asia continue to look bright, especially when compared with the problems surrounding both the economies and the politics of Europe. Demographic trends remain favourable, especially in South Asian countries where there is a thriving youth population as well as increasing levels of wealth and technology penetration.

As we discussed in detail in our 20th Anniversary booklet which accompanied last year's Annual Report, the portfolio is well positioned to benefit from this growing middle class and rising consumption. The 10 nation Association of Southeast Asian Nations, ASEAN, has 625 million consumers excluding China and their purchasing power will continue as a driver for growth in years to come.

Reduction in Management Fee

I am pleased to report that an amendment to the management fee has been agreed with Aberdeen Fund Managers Limited (the "Manager") that became effective on 1 August 2016. From that date the Manager is entitled to a management fee payable monthly in arrears based on an annual amount of 1.0% (previously 1.2%) of the average net asset value of the Company's net assets (gross assets less liabilities excluding the amount of any loan facilities or overdraft drawn down) over a 24 month period, valued monthly.

Investment Policy

The cornerstone of your Company's impressive track record over the last 21 years has been based on the detailed research undertaken by Hugh Young and his team based in 14 offices across the Asia Pacific region.

Every company in which the Company invests is subject to a rigorous vetting procedure before any investment decision is made. In the succeeding years, a process of constant monitoring and contact is implemented to ensure that expectations are fulfilled with progress reviewed and logged. This disciplined investment process has resulted in a portfolio where the turnover is low. As I have repeated on an almost bi-annual basis, the search for new and the retention of existing investments is based on the criteria of good management, strong balance sheets and excellent prospects.

As a broad generalisation, a common theme has been to invest in a number of strong regional companies, in some cases with a major investor whose brand the company

develops. This policy continues to serve us well. However, markets, companies and opportunities have moved on in the period since the launch of the Company in 1995.

The Board has recently carried out a review with Hugh Young and his senior managers to see if there are any opportunities that would yield additional returns in the years ahead. We consider that the investment mandate to invest in quoted companies with market capitalisations of US\$1 billion or less needs no change with one exception. We have seen over the years, a number of requests to invest in unquoted companies in the period leading up to an IPO. While these opportunities only occur from time to time; they do give the Manager the ability to achieve good returns over a reasonably short time frame.

It is therefore intended to seek a change to the investment objective and policy to provide this flexibility by allowing investment in unquoted equities provided that such investment be limited to 10% of the Company's net assets at the time an investment is made.

Accordingly, an Ordinary Resolution to approve the change to the investment objective and policy will be proposed at the Annual General Meeting.

At the same time we will amend the investment objective and policy to clarify that future investments may be made in Cambodia, Laos, Myanmar and Vietnam (which is already permitted at the Directors' discretion and by the investment objective and policy) although there are no current intentions to invest directly into any of these countries.

Dividend

As advised in previous years and subject to market conditions, it is your Company's aim to maintain or increase the Ordinary dividend so that shareholders can rely on a consistent stream of income.

In the current year, we have seen a decline in both the ordinary income and the income that we receive as special dividends. This reflects the recent challenging environment as well as the prudence of Asian management who generally favour the strengthening of balance sheets and conserving cash rather maintaining dividends at any cost.

In view of the above, the Board is recommending a final dividend of 10.5p, unchanged from 2015. The payment will necessitate a small transfer from the brought forward revenue reserves. If approved by shareholders at the Annual General Meeting of the Company on 29 November 2016, the final dividend will be paid on 2 December 2016 to shareholders on the register on 4 November 2016.

Chairman's Statement continued

Gearing and Share Capital Management

The Company's year-end net gearing was 7.9%. The majority of the gearing is provided by the Convertible Unsecured Loan Stock of which approximately £33 million remains outstanding. The Company also has a £20 million multi currency loan facility with State Street and £11.8 million (£5.0 million and \$9.0 million) was drawn down under that facility at the year end. The Directors monitor the Company's gearing on a regular basis in accordance with the Company's investment policy and under advice from the Manager.

During the year the Company purchased for treasury 2,059,834 Ordinary shares at a discount to the prevailing NAV (exclusive of income). Subsequent to the period end a further 298,500 Ordinary shares have been purchased into treasury. Share buy backs can reduce the volatility of any discount as well as modestly enhancing the NAV for shareholders.

Annual General Meeting

The Annual General Meeting is scheduled to be held on 29 November 2016 at 11.30 a.m. In addition to the usual ordinary business, as special business the Board is seeking to amend the investment policy and objective, renew the authority to issue new shares and sell treasury shares for cash at a premium without pre-emption rules applying and to renew the authority to buy back shares and either hold them in treasury for future resale (at a premium to the prevailing net asset value per share) or cancel them.

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

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

Directorate

Mr Hadsley-Chaplin has decided to retire from the Board at the conclusion of the forthcoming Annual General Meeting due to other commitments. I would like to take this opportunity to thank Mark sincerely on behalf of the Board for his contribution to the Company over the three year period since his appointment in 2013.

Outlook

While Asian markets and economies appear more stable compared to a year ago, daily headlines constantly remind us of the many dangers that face the world economy. In the US, there is uncertainty over the presidential election and what the outcome could mean for trade policy and engagement with Asia. Policymakers at the Federal Reserve are sending

conflicting signals over future US interest rate policy and in Europe, the post Brexit world seems far from certain both for the United Kingdom and for the other countries of the EU.

As I have stated previously, we cannot influence market volatility but we can ensure that the quality of the portfolio is maintained through regular visits and constant contact. This has been evident over this financial year. The portfolio has an average return on equity of 16.1% and return on assets of 7.5%, while valuations remain reasonable at around 15 times earnings. While the average dividend yield of the underlying holdings has dropped from 3.5% to 3.3%, this remains a reasonable return, given the low interest rate environment.

While it is difficult to make any firm predictions for the future, the case for Asia remains strong and the prospects for well managed small companies compelling.

Nigel Cayzer
Chairman
25 October 2016



Strategic Report

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

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

1995

The Company was launched on the
London Stock Exchange 21 years
ago

Shangri-La Hotel
Pacific Place, Hong Kong Island.

Shangri-La Hotels Malaysia is one of the top twenty investments of Aberdeen
Asian Smaller Companies.

Strategic Report

Overview of Strategy

Business Model

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

Investment Objective

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

Investment Policy

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

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

Shareholders' attention is drawn to the proposed amendments to the Company's investment objective and policy detailed in the Chairman's Statement on page 5 and contained in the Appendix on page 80.

Risk Diversification

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

Gearing

The Board is responsible for determining the gearing strategy for the Company. Gearing is used selectively to leverage the

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

Delivering the Investment Policy

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

A detailed description of the investment process and risk controls employed by the Investment Manager is disclosed on page 72. A comprehensive analysis of the Company's portfolio is disclosed on pages 20 to 24 including a description of the ten largest investments, the portfolio investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 74 holdings.

Comparative Indices

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

Key Performance Indicators (KPIs)

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

KPI	Description
NAV Return (per share)	The Board considers the Company's NAV total return figures to be the best indicator of performance over time and is therefore the main indicator of performance used by the Board. The figures for this year and for the past 1, 3, 5 and 10 years are set out on page 13.
Performance against comparative indices	The Board also measures performance against a combination of two regional indices – the MSCI AC Asia Pacific ex Japan Index (currency adjusted) and the MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted) together with comparison against its peers. Graphs showing performance are shown on pages 14 and 15. The Board also monitors share price performance relative to competitor investment trusts over a range of time periods, taking into consideration the differing investment policies and objectives employed by those companies.
Share price (on a total return basis)	The Board also monitors the price at which the Company's shares trade relative to the MSCI Asia Pacific ex Japan Index (sterling adjusted) on a total return basis over time. A graph showing the total NAV return and the share price performance against the comparative index is shown on page 14.
Discount/Premium to NAV	The discount/premium relative to the net asset value per share represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount relative to similar investment companies investing in the region by the use of share buy backs subject to market conditions. A graph showing the share price premium/(discount) relative to the NAV is also shown on page 14.
Dividend	The Board's aim is to maintain or increase the Ordinary dividend so that shareholders can rely on a consistent stream of income. Dividends paid over the past 10 years are set out on page 13.

Principal Risks and Uncertainties

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

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

Description (contd)

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

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

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

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

Investing in unlisted securities – Shareholders will see that the Board is proposing an amendment to the Investment Policy that will allow the Manager to invest in securities not listed on a stock exchange.

Promoting the Company

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

Mitigating Action (contd)

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

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

The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated by the Investment Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 17 to the financial statements. The Board relies upon the Aberdeen Group to ensure the Company's compliance with applicable regulations and from time to time employs external advisers to advise on specific concerns.

The Board receives reports from the Manager on internal controls and risk management at each board meeting. It receives assurances from all its significant service providers, as well as back to back assurances where activities are themselves sub-delegated to other third party providers with which the Company has no direct contractual relationship. Further details of the internal controls which are in place are set out in the Directors' Report on pages 33 and 34.

The Board recognises that investing in unlisted securities carries a higher risk/reward profile. Accordingly, if approved by Shareholders it will seek to mitigate this risk by limiting investment into such securities to 10% at the time of investment.

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

Board Diversity

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

new board members. At 31 July 2016, there were six male Directors and one female Director on the Board.

Environmental, Social and Human Rights Issues

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

Socially Responsible Investment Policy

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

Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Viability Statement

The Company does not have a formal fixed period strategic plan but the Board formally considers risks and strategy at least annually. The Board considers the Company, with no

fixed life, to be a long term investment vehicle, but for the purposes of this viability statement has decided that a period of three years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than three years.

In assessing the viability of the Company over the review period the Directors have focussed upon the following factors:

- The principal risks detailed in the Strategic Report;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's Shares evidenced by the historical level of premium and or discount;
- The level of income generated by the Company;
- The liquidity of the Company's portfolio; and,
- The flexibility of the Company's multi currency loan facility which matures in June 2017.

Accordingly, taking into account the Company's current position, the fact that the Company's investments are mostly liquid and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation **that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report.** In making this assessment, the Board has considered that matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

Future

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

Nigel Cayzer
Chairman
25 October 2016



Results

Financial Highlights

	31 July 2016	31 July 2015	% change
Total assets (see definition on page 81)	£427,725,000	£380,911,000	+ 12.3
Total equity shareholders' funds (net assets)	£383,735,000	£343,967,000	+ 11.6
Net asset value per share (basic)	1,068.92p	906.16p	+ 18.0
Net asset value per share (diluted)	1,042.99p	896.31p	+ 16.4
Share price (mid market)	924.00p	790.00p	+ 17.0
Market capitalisation	£331,710,000	£299,875,000	+ 10.6
Discount to net asset value (diluted)	11.4%	11.9%	
MSCI AC Asia Pacific ex Japan Index (currency adjusted, capital gains basis)	615.34	540.72	+ 13.8
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted, capital gains basis)	1,321.89	1,138.98	+ 16.1
Net gearing ^A	7.9%	8.8%	
Dividends and earnings			
Total return per share (basic) ^B	165.38p	(50.13)p	
Revenue return per share (basic)	9.22p	18.21p	-49.4
Dividends per share ^C	10.50p	15.00p	-30.0
Dividend cover	0.88	1.21	-27.4
Revenue reserves ^D	£8,347,000	£10,553,000	-20.9
Operating costs			
Ongoing charges ratio ^E	1.69%	1.46%	

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

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

^C The figures for dividends per share reflect the dividends for the year in which they were earned.

^D Prior to payment of final and special dividends.

^E Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year. Management fees are charged on the basis of the average net asset value of the Company over a rolling 24 month period.

Performance (total return)

	1 year % return	3 year % return	5 year % return	10 year % return	Since inception
Share price	+19.4	-3.2	+48.9	+316.3	+1274.3
Net asset value per Ordinary share – diluted	+18.4	+9.8	+64.6	+344.6	+1324.8
MSCI AC Asia Pacific ex Japan Index (currency adjusted)	+17.6	+24.6	+31.7	+258.1	+156.1
MSCI AC Asia Pacific ex Japan Small Cap Index (currency adjusted)	+19.1	+23.6	+19.8	+150.5	n/a

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

Dividends

	Rate	xd date	Record date	Payment date
Proposed final 2016	10.50p	3 November 2016	4 November 2016	2 December 2016
Final 2015	10.50p	5 November 2015	6 November 2015	4 December 2015
Special 2015	4.50p	5 November 2015	6 November 2015	4 December 2015
	15.00p			

Ten Year Financial Record

Year to 31 July	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total revenue (£'000)	5,485	5,021	4,954	6,103	8,380	9,168	11,512	11,427	14,746	10,992
Per share (p)										
Net revenue return	6.98	5.88	6.75	12.85	15.42	13.18	13.84	11.43	18.21	9.22
Total return	108.38	(50.80)	48.21	236.82	137.91	68.56	275.43	(31.46)	(50.13)	165.38
Net ordinary dividends paid/proposed	3.45	4.00	5.00	8.20	9.50	9.50	10.00	10.00	10.50	10.50
Net special dividends paid/proposed	2.70	1.00	–	1.90	2.80	3.00	3.00	3.00	4.50	–
Net asset value per share (p)										
Basic	404.18	347.24	390.96	619.37	686.39	746.55	1013.82	968.89	906.16	1,068.92
Diluted	364.77	316.46	355.95	562.57	n/a	n/a	992.81	952.52	896.31	1,042.99
Shareholders' funds (£'000)	131,679	109,829	121,963	192,851	239,965	260,994	382,932	369,118	343,967	383,735

Strategic Report

Performance

Share Price Premium/(Discount) to Diluted Net Asset Value

Five years to 31 July 2016

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

Five years to 31 July 2016 (rebased to 100 as at 31/07/11)

Diluted NAV Total Return Since Inception vs MSCI AC Asia Pacific ex Japan Index (sterling adjusted)
19 October 1995 to 31 July 2016 (rebased to 100 as at 19/10/95)

Investment Manager's Review

Overview

Asian small-cap equities rallied over the review period, bolstered by currency effects towards the period-end as the Brexit vote sent sterling crashing against most Asian currencies. Initially, Asian markets weakened with investor caution stemming from China, falling energy and commodity prices, as well as the Federal Reserve's impending rate hike. However, a subsequent rebound in most commodities and continued policy easing around the world spurred a reversal of fortune.

In China, concerns over currency depreciation and capital outflows were compounded by policy missteps, such as the abrupt suspension of the newly-implemented circuit breakers in January. Regulators then sought to soothe investors by improving its communication, while the country's economic data also showed some signs of stabilisation. Over the review period, mainland shares still lagged the broader region, vindicating our decision to maintain a low exposure to the market despite the liquidity-fuelled rally in early 2015.

The snap back in raw materials in the second half supported resources-heavy markets, such as Australia. On the monetary policy front, the Fed raised rates in December while most central banks elsewhere maintained policy easing into 2016. **Meanwhile, reforms gained momentum in countries such as Indonesia, which introduced a tax amnesty bill, and India, which passed a long-awaited goods-and-services tax to support the country's finances.**

Portfolio Review

Over the period, the portfolio's performance matched the MSCI AC Asia Pacific ex Japan Small Cap Index and was slightly better than the MSCI AC Asia Pacific ex Japan Index. From a country standpoint, our positioning in Australia, Taiwan and Sri Lanka detracted, although this was counterbalanced by contributions from China, Korea and a few Southeast Asian markets.

Our low exposure to Australia and the commodity-related companies there proved costly because of the sharp rebound in the sector. However, our holdings still did reasonably well, with ARB Corp being one of the main contributors. The maker of four-wheel-drive accessories benefited from unprecedented levels of new car models being introduced into the market. The portfolio's lack of exposure to Taiwan also hurt performance, where the market beat the wider region as electronics component manufacturers benefited along with the strength in the technology sector.

In Sri Lanka, our holdings faced a surprise one-off retrospective tax on prior-year earnings as the government looked to reduce the budget deficit. Financial holdings, such as Commercial Bank of Ceylon and DFCC Bank, were among the laggards, highlighting the difficult operating environment

as the banking sector coped with rising incidence of non-performing loans. For our holdings, however, margins were largely stable and asset quality remained better than their peers.

Against this, our low exposure to China and Korea helped make up lost ground as both markets lagged the broader region. Meanwhile, most Southeast Asian markets were resilient as investors returned to the region. A series of rate cuts and progress with reforms buoyed Indonesian stocks, while sentiment towards Thailand also brightened on improving macroeconomic data.

At the stock level, four of the top five performers came from Southeast Asia, led by Indonesian brewer Multi Bintang. The company's share price was supported by news that the local authorities eased restrictions on the sale of alcohol, and its non-alcoholic business continued to gain traction. The company's recent results showed better profitability, while cash generation further strengthened its balance sheet. Yoma Strategic, a Singapore-listed company with operations in Myanmar, also did well. It reported robust full-year earnings backed by its real estate and tourism divisions, while other business units at the investment phase appeared reasonably on track. Another solid performer was Tisco Financial, which focuses on niche segments in Thailand. The company was buoyed by an expansion of net-interest margins and lower operating expenses, while its asset quality also improved. Philippine fast-food chain operator Jollibee rounded off the list. With a nationwide franchise of almost 1,000 stores, it successfully maintained its market-leading position over McDonald's and KFC as the favourite among the locals.

Another highlight over the review period was the outperformance of our consumer holdings over their peers. As a result of our bottom-up approach to identify well-run companies, attractive consumer names now make up almost one-third of the portfolio. One key example is Hong Kong-listed shoe manufacturer Kingmaker Footwear, which has proven its excellence in cost management and balance sheet prudence. Over the past few years, it has been moving its production facilities out of China to Vietnam and Cambodia to ensure it remains cost-competitive, while adding new customer relationships and expanding into the manufacturing of athletic shoes. The company has also positioned itself well should the Trans-Pacific Partnership come into effect.

Portfolio Activity

Increased market volatility over the period meant there were more opportunities to invest in good quality companies and trim others that seem overvalued. To this end, we introduced Concepcion Industrial Corp, a Philippine maker of home appliances such as air-conditioners and refrigerators. Apart from a solid track record, the company should benefit from

its partnership with international brands, such as Otis and Carrier, as consumers' taste evolves. Other new additions included Malaysia-based Oriental Holdings, a regional conglomerate with diverse interests in sectors from plantations to property; and City Union Bank, a conservatively run regional bank with good asset quality operating in the southern Indian state of Tamil Nadu. The Indian lender did reasonably well over the review period.

Elsewhere, we topped up Pacific Basin by participating in its rights issue to shore up the company's balance sheet. Pacific Basin provides dry-bulk shipping services to commodity companies, a sector that was facing headwinds for most of the year, and this was reflected in its weak share price. But we chose to take a long-term view and our decision to bolster the company's capital reflects our confidence in management's ability to turn things around.

Against this, a notable sale over the period was Godrej Consumer Products, a long-time holding in the portfolio that has been delivering solid returns over the years. The decision was made on valuation grounds, as the company's success saw its market value exceed US\$7 billion and by definition was no longer a small-cap company.

We also sold several other holdings. Among them were gas producer Linde India, which was poor in its strategy execution, as well as compatriot Jammu and Kashmir, a mid-sized public sector bank, as concerns lingered over its deteriorating asset quality. We exited the small position in Greka Engineering, which was an in-specie distribution from

its parent Green Dragon Gas, a portfolio holding. Similarly, we exited TCS, one of India's largest IT companies, which was received via a share-swap arrangement from a merger with our holding CMC. Separately, we sold Malaysian plantation group Riverview Rubber Estates following a change in management.

Outlook

While we see some signs of stabilisation following a positive year, the operating environment remains challenging in the year ahead. On a brighter note, some of our holdings have been diligent in reshaping their businesses, either by selling non-core assets or raising capital to strengthen their balance sheets. Examples include Hong Kong-listed Dah Sing Financial, which will be selling its life insurance business upon receipt of regulatory approval and Pacific Basin, which raised capital through a rights issue. While we are not likely to see a dramatic jump in earnings in the short term, solid financials should help act as a buffer and a robust balance sheet is especially crucial for small-cap companies. Despite market volatility, we continue to hold good-quality stocks at a reasonable price, an approach that has helped the portfolio outperform the benchmark on a longer timeframe over five years or more. With a diversified selection of good-quality companies, the portfolio is well-placed to benefit from the **region's undeniable growth potential.**

Aberdeen Asset Management Asia Limited
Investment Manager
25 October 2016

Portfolio

Over the period, the portfolio's performance matched the MSCI AC Asia Pacific ex Japan Small Cap Index and was slightly better than the MSCI AC Asia Pacific ex Japan Index. From a country standpoint, our positioning in Australia, Taiwan and Sri Lanka detracted, although this was counterbalanced by contributions from China, Korea and a few Southeast Asian markets.

Aeon Mall

Makuhari Shintoshin shopping mall, Chiba, Japan

Portfolio

Ten Largest Investments

As at 31 July 2016

Company	Industry	Country	Valuation 2016 £'000	Total assets %	Valuation 2015 £'000
LPI Capital Berhad Malaysia-based insurance company involved in underwriting fire, motor, marine, aviation, transit and miscellaneous insurance.	Insurance	Malaysia	14,228	3.3	11,372
Dah Sing Financial Holdings A conservative medium-sized Hong Kong based bank with exposure to both Hong Kong and China. The bank offers appealing valuation and strong asset quality.	Banks	Hong Kong	12,547	2.9	10,409
Tisco Financial Group^A A diversified financial services provider, the Thai company specialises in auto hire–purchase lending and is a prominent securities broker and asset manager.	Banks	Thailand	12,075	2.8	7,943
Bank OCBC NISP Indonesian subsidiary of Singapore-based OCBC Bank.	Banks	Indonesia	11,988	2.8	9,384
Multi Bintang Indonesia A well-run Indonesian brewery which has good long-term prospects and steady cash flow.	Beverages	Indonesia	11,890	2.8	6,150
AEON Co (M) Operator of general merchandise stores, supermarkets and convenience stores.	Multiline Retail	Malaysia	11,654	2.7	10,865
Bukit Sembawang Estates Singapore-based residential property developer with a large land bank.	Real Estate Management & Development	Singapore	10,979	2.6	8,968
Yoma Strategic Holdings Singapore-listed conglomerate with businesses in property, agriculture and tourism in Myanmar.	Real Estate Management & Development	Singapore	10,961	2.6	7,265
Ramco Cements A mid-sized cement manufacturer in India with a leading market share in the southern region.	Construction Materials	India	10,745	2.5	6,943
AEON Thana Sinsap (Thailand)^B Consumer financial services provider offering hire-purchase lending.	Consumer Finance	Thailand	10,437	2.4	7,742
Top ten investments			117,504	27.4	

^A Holding includes investment in both common and non-voting depositary receipt lines.

^B Holding includes investment in both common and non-voting depositary receipt lines.

Portfolio

Other Investments

As at 31 July 2016

Company	Industry	Country	Valuation 2016 £'000	Total assets %	Valuation 2015 £'000
Jollibee Foods Corporation	Hotels, Restaurants & Leisure	Philippines	10,437	2.4	6,812
Hana Microelectronics (Foreign)	Electronic Equipment, Instruments & Components	Thailand	10,299	2.4	8,776
Cebu Holdings	Real Estate Management & Development	Philippines	10,100	2.4	8,219
First Sponsor	Real Estate Management & Development	Singapore	9,915	2.2	8,545
Shangri-La Hotels Malaysia	Hotels, Restaurants & Leisure	Malaysia	9,126	2.1	9,444
Asian Terminals	Transportation Infrastructure	Philippines	8,890	2.1	9,155
Millennium & Copthorne Hotels New Zealand ^c	Hotels, Restaurants & Leisure	New Zealand	8,550	2.0	5,360
ARB Corporation	Auto Components	Australia	8,445	2.0	6,132
Eastern Water Resources Development and Management (Foreign)	Water Utilities	Thailand	8,316	1.9	6,233
Gujarat Gas Co	Gas Utilities	India	8,103	1.9	9,086
Top twenty investments			209,685	48.8	
Sanofi India	Pharmaceuticals	India	8,074	1.9	6,767
Kansai Nerolac Paints	Chemicals	India	7,569	1.8	5,761
Heineken Malaysia	Beverages	Malaysia	7,494	1.8	–
United International Enterprises	Food Products	Denmark	7,457	1.7	4,308
AEON Credit Service (M)	Consumer Finance	Malaysia	7,401	1.7	6,503
Public Financial Holdings	Banks	Hong Kong	7,101	1.7	7,213
Thai Stanley Electric (Foreign)	Auto Components	Thailand	6,713	1.6	5,940
United Plantations	Food Products	Malaysia	6,642	1.6	6,788
Hong Kong Economic Times Holdings	Media	Hong Kong	6,629	1.5	6,293
Giordano International	Specialty Retail	Hong Kong	6,426	1.5	6,514
Top thirty investments			281,191	65.6	
M.P. Evans Group	Food Products	United Kingdom	6,387	1.5	5,987
YHN Property	Real Estate Management & Development	Malaysia	6,229	1.5	4,977
Cabcharge Australia	Commercial Services & Supplies	Australia	6,134	1.4	4,439
City Union Bank	Banks	India	6,101	1.4	–
Castrol India	Chemicals	India	6,042	1.4	5,936
Kingmaker Footwear Holdings	Textiles, Apparel & Luxury Goods	Hong Kong	6,001	1.4	3,886
Straits Trading Company	Metals & Mining	Singapore	5,107	1.2	5,672
Thaire Life Assurance (Foreign)	Insurance	Thailand	4,992	1.2	4,794
Tasek Corporation	Construction Materials	Malaysia	4,975	1.2	4,757
Convenience Retail Asia	Food & Staples Retailing	Hong Kong	4,957	1.2	5,080
Top forty investments			338,116	79.0	

Portfolio

Other Investments continued

As at 31 July 2016

Company	Industry	Country	Valuation 2016 £'000	Total assets %	Valuation 2015 £'000
AEON Stores Hong Kong	Multiline Retail	Hong Kong	4,723	1.1	3,275
AEON Credit Service (Asia)	Consumer Finance	Hong Kong	4,709	1.1	4,299
Commercial Bank of Ceylon	Banks	Sri Lanka	4,609	1.1	5,607
Wheelock Properties (S)	Real Estate Management & Development	Singapore	4,094	1.0	4,051
Pacific Basin Shipping	Marine	Hong Kong	3,658	0.9	3,398
John Keells Holdings ^o	Industrial Conglomerates	Sri Lanka	3,458	0.8	3,815
Green Dragon Gas	Oil, Gas & Consumable Fuels	China	3,406	0.8	3,936
SBS Transit	Road & Rail	Singapore	3,397	0.8	2,098
Holcim Indonesia	Construction Materials	Indonesia	3,393	0.8	3,592
United Malacca	Food Products	Malaysia	3,239	0.8	3,122
Top fifty investments			376,802	88.2	
The Hong Kong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	2,906	0.7	3,057
DFCC Vardhana Bank	Banks	Sri Lanka	2,622	0.6	3,693
Asia Satellite Telecommunications Holdings	Diversified Telecommunication Services	Hong Kong	2,600	0.6	3,449
Concepcion Industrial	Building Products	Philippines	2,482	0.6	–
Cafe de Coral Holdings	Hotels, Restaurants & Leisure	Hong Kong	2,398	0.6	2,136
Hong Leong Finance	Consumer Finance	Singapore	2,290	0.5	2,141
Haad Thip (Foreign)	Beverages	Thailand	2,275	0.5	1,778
Goodyear (Foreign)	Auto Components	Thailand	2,126	0.5	1,653
Riverstone Holdings	Commercial Services & Supplies	Singapore	2,090	0.5	1,760
DGB Financial Group	Banks	South Korea	2,047	0.5	2,214
Top sixty investments			400,638	93.8	
CDL Hospitality Trusts	Real Estate Investment Trusts	Singapore	2,020	0.5	1,790
Oriental Holdings	Automobiles	Malaysia	2,015	0.5	–
ORIX Leasing Pakistan	Consumer Finance	Pakistan	1,448	0.3	1,868
National Development Bank	Banks	Sri Lanka	1,418	0.3	2,178
Aitken Spence & Co	Industrial Conglomerates	Sri Lanka	1,265	0.3	1,620
Pos Malaysia	Air Freight & Logistics	Malaysia	1,091	0.3	3,390
Manulife Holdings	Insurance	Malaysia	1,032	0.2	59
Chevron Lubricants Lanka	Chemicals	Sri Lanka	983	0.2	2,700
Hung Hing Printing	Containers & Packaging	Hong Kong	738	0.2	698
CDL Investments	Real Estate Management & Development	New Zealand	574	0.1	413
Top seventy investments			413,222	96.7	
Wintermar Offshore Marine	Marine	Indonesia	538	0.1	479
Mayfair Group	Machinery	United Kingdom	484	0.1	1,350
FJ Benjamin Holdings	Specialty Retail	Singapore	314	0.1	482
Mustika Ratu	Personal Products	Indonesia	254	0.1	203
Total investments			414,812	97.1	
Net current assets (before deducting prior charges ^e)			12,913	2.9	
Total assets ^e			427,725	100.0	

^c Holding includes investment in both common and preference lines.^o Holding includes investment in both common and convertible warrant lines.^e See definition on page 81.

All investments are in equities.

Sector/Geographical Analysis

As at 31 July 2016

Sector Breakdown

Geographic Breakdown

Sector/Geographical Analysis

As at 31 July 2016

Currency Returns (in sterling terms)

MSCI Country Index Total Returns (in sterling terms)

Governance

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

The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2016 so as to enable it to comply with the ongoing requirements for investment trust status. The Company has also conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts and the Directors intend that the Company will continue to direct its affairs in this manner.

Your Board of Directors

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

Nigel Cayzer

Status:

Independent Non-Executive Chairman

Length of service:

21 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:

1 December 2015

Committee membership:

Nomination Committee (Chairman) and Management Engagement Committee

Remuneration:

£30,000 per annum

All other public company directorships:

Oryx International Growth Fund Limited

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

Nil

Randal Alexander McDonnell, Viscount Dunluce

Status:

Independent Non-Executive Director

Length of service:

3 years, appointed a Director on 1 July 2013

Experience:

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

Last re-elected to the Board:

elected to the Board on 3 December 2013

Committee membership:

Management Engagement Committee and Nomination Committee (Audit Committee with effect from September 2016)

Remuneration:

£23,000

All other public company directorships:

None

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

800 Ordinary shares and £400 of CULS

Haruko Fukuda OBE

Status:

Independent Non-Executive Director

Length of service:

13 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:

1 December 2015

Committee membership:

Audit Committee (up to September 2016), Management Engagement Committee and Nomination Committee

Remuneration:

£23,000 per annum

All other public company directorships:

Global Resources Investment Trust plc

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

3,479 Ordinary shares

Martin Gilbert

Status:

Non-Executive Director

Length of service:

21 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:

1 December 2015

Committee membership:

Nomination Committee

Remuneration: £23,000 per annum

All other public company directorships: Aberdeen Asset Management PLC, Aberdeen Asia-Pacific Income Fund Inc., Aberdeen Asia-Pacific Income Investment Company Ltd, Aberdeen Global Income Fund Inc., Aberdeen Latin American Income Fund Limited, British Sky Broadcasting Group Plc, The India Fund, Inc., Aberdeen Liquidity Fund (Lux) and The Asia Tigers Fund, Inc.

Employment by the Manager:

Chief executive of Aberdeen Asset Management PLC

Other connections with Trust or Manager:

Director of a number of other Aberdeen-managed investment companies

Shared Directorships with any other Trust Directors: None

Shareholding in Company:

106,250 Ordinary shares

Alternate Director: Hugh Young

Your Board of Directors continued

Mark Hadsley-Chaplin

Status:

Independent Non-Executive Director

Length of service:

3 years, appointed a Director on 1 July 2013

Experience:

A former Vice Chairman of UBS Securities (East Asia) Limited and was, until 2010, Chairman of RWC Partners Limited, a London based fund management firm specializing in hedge funds and long only funds, having founded the company in 2000. He is a non-executive director of a number of other companies including Aberdeen Emerging Markets Investment Company Limited a London listed investment trust.

Last re-elected to the Board:

elected to the Board on 3 December 2013

Committee membership:

Audit Committee, Management Engagement Committee and Nomination Committee

Remuneration:

£23,000

All other public company directorships:

None

Employment by the Manager:

None

Other connections with Trust or Manager:

Non executive Director of Aberdeen Emerging Markets Investment Company Limited

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

10,000 Ordinary shares

Chris Maude

Status:

Independent Non-Executive Director

Length of service:

9 years, appointed a Director on 16 May 2007

Experience:

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

Last re-elected to the Board:

3 December 2013

Committee membership:

Audit Committee (Chairman), Management Engagement Committee (Chairman) and Nomination Committee

Remuneration:

£26,000 per annum

All other public company directorships:

None

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

37,300 Ordinary shares

Philip Yea

Status:

Independent Non-Executive Director

Length of service:

1 year 9 months, appointed a Director on 23 January 2014

Experience:

Chief executive of 3i Group plc until 2009 and prior to that served as a managing director at Investcorp Bank the Bahrain listed private equity firm and was group finance director at Diageo plc. He is currently chairman of Greene King plc, a non-executive director of Vodafone Group Plc and Marshall of Cambridge (Holdings) Limited and a trustee director of the Francis Crick Institute.

Last re-elected to the Board:

elected to the Board on 2 December 2014

Committee membership:

Audit Committee, Management Engagement Committee and Nomination Committee

Remuneration:

£23,000 per annum

All other public company directorships:

Computacenter Plc

Employment by the Manager:

None

Other connections with Trust or Manager:

None

Shared Directorships with any other Trust Directors:

None

Shareholding in Company:

2,063 Ordinary shares

Hugh Young

Status:

Alternate Non-Executive Director for Martin Gilbert

Experience:

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

Remuneration:

£Nil

All other public company directorships:

Aberdeen Asset Management PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC, Aberdeen Asian Income Fund Limited, Aberdeen Australia Equity Fund Inc., Aberdeen Asia-Pacific Income Investment Company Limited Aberdeen Liquidity Fund (Lux) and The India Fund, Inc.

Employment by the Manager:

Managing Director of Aberdeen Asset Management Asia Limited and a director of a number of other Aberdeen-managed investment companies

Other connections with Trust or Manager:

None

Shareholding in Company:

124,000 Ordinary shares and £211,948 of CULS

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 July 2016.

Results and Dividends

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

Investment Trust Status

The Company (registered in England & Wales No. 03106339) has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 August 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2016 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

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

Capital Structure, Buybacks and Issuance

The Company's capital structure is summarised in note 13 to the financial statements. At 31 July 2016, there were 35,899,334 fully paid Ordinary shares of 25p each (2015 – 37,958,890 Ordinary shares) in issue with a further 3,278,124 Ordinary shares of 25p held in treasury (2015 – 1,218,290 treasury shares). During the year 2,059,834 Ordinary shares were purchased in the market for treasury. Subsequent to the period a further 298,500 Ordinary shares have been purchased in the market for treasury. During the period and up to the date of this report no new Ordinary shares were issued for cash at a premium to the prevailing NAV per share and no shares were sold from treasury.

On 14 December 2015, 1,153 units of Convertible Unsecured Loan Stock were converted into 137 new Ordinary shares and on 12 June 2016, 1,176 units of CULS were converted into 141 new Ordinary shares. In accordance with the terms of the CULS Issue, the conversion price of the CULS was determined at 830.0 pence nominal of CULS for one Ordinary share.

Voting Rights

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

surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

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

Borrowings

At the year end £5.0 million and \$9.0 million had been drawn down under the Company's £20 million multi currency loan facility with State Street Bank and Trust Company.

Management Agreement

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

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

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

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

Political and Charitable Donations

The Company does not make political donations (2015 - nil) and has not made any charitable donations during the year (2015 – nil).

Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 17 to the financial statements.

The Board

The current Directors, Messrs N K Cayzer, Randal McDonnell (Viscount Dunluce), M J Gilbert (alternate H Young), M Hadsley-Chaplin, C S Maude, P Yea and Ms H Fukuda were the only Directors who served during the year. Messrs Cayzer, Maude and Ms Fukuda have each served on the Board for more than nine years and, in accordance with corporate governance best practice, will retire at the Annual General Meeting on 29 November 2016 and, being eligible, offer themselves for re-election. Mr Gilbert has served on the Board for more than nine years and is also deemed not to be independent as he is a representative of the Manager, and therefore, in accordance with corporate governance best practice, Mr Gilbert will also retire at the Annual General Meeting on 29 November 2016 and, being eligible, offer himself for re-election. Viscount Dunluce retires by rotation at the AGM and, being eligible, offers himself for re-election. Mr Hadsley-Chaplin will be retiring from the Board at the conclusion of the AGM on 29 November 2016 and will not be seeking re-election.

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

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

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, has applied the principles identified in the UK Corporate Governance Code (published in September 2014). The UK Corporate Governance Code is available on the Financial Reporting Council's website: frc.org.uk.

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

Code and the AIC Guide are available on the AIC's website: theaic.co.uk.

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

The UK Corporate Governance Code includes provisions relating to:

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

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

During the year ended 31 July 2016, the Board met six times. In addition, the Audit Committee and Management Engagement Committee met jointly twice. Between meetings the Board maintains regular contact with the Manager. Directors have attended Board and Committee meetings during the year ended 31 July 2016 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 ^A	6 (6)	n/a	1 (1)
Viscount Dunluce ^A	6 (6)	n/a	1 (1)
H Fukuda	6 (6)	2 (2)	1 (1)
MJ Gilbert ^{AB}	6 (6)	n/a	1 (1)
M Hadsley-Chaplin	6 (6)	2 (2)	1 (1)
CS Maude	6 (6)	2 (2)	1 (1)
P Yea	5 (6)	2 (2)	1 (1)

^A Mr Cayzer, Mr Gilbert and Viscount Dunluce are not members of the Audit and Management Engagement Committees.

^B Including attendance by Mr Young as Alternate Director to Mr Gilbert.

Policy on Tenure

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

Board Committees

Audit Committee

The Audit Committee Report is on pages 40 to 42 of this Annual Report.

Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and is chaired by Nigel Cayzer. The Board's overriding priority in appointing new Directors to the Board is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board also recognises the benefits of diversity and its policy on diversity is referred to in the Strategic Report on pages 10 and 11.

Management Engagement Committee

The Board has separated out the Management Engagement Committee responsibilities previously undertaken as part of the Audit Committee and established a new Management Engagement Committee.

The Management Engagement Committee comprises all of the Directors except Mr Gilbert and his Alternate Mr Young and is chaired by Mr Maude. The Committee reviews the performance of the Investment Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Investment Manager's appointment, including an evaluation of fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Remuneration Committee

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

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the

Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on pages 36 to 38.

Terms of Reference

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

Going Concern

In accordance with the Financial Reporting Council's guidance the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking covenants.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 9 and 10 and the Viability Statement on page 11 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

Management of Conflicts of Interest

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

No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 16 to the financial statements. No other Directors had any interest in contracts with the Company during the period or subsequently.

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

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements are set out on pages 39 and 46 respectively.

Each Director confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and,
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Additionally there have been no important events since the year end that impact the audit of this Annual Report.

The Directors have reviewed the level of non-audit services provided by the independent auditor during the year, together with the independent auditor's procedures in connection with the provision of such services, and remain satisfied that the auditor's objectivity and independence is being safeguarded.

Independent Auditor

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

Internal Control

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

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

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

Risks are identified and documented through a risk management framework by each function within the Aberdeen Group's activities. Risk includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

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

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

- the Aberdeen Group prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager and Investment Manager as appropriate;
- as a matter of course the Aberdeen Group's compliance department continually reviews the Aberdeen Group's operations and reports to the Board on a six monthly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers and, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations, or their equivalents are reviewed;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Aberdeen Group, has decided to place reliance on the Aberdeen Group's systems and internal audit procedures; and
- at its September 2016 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2016 by considering documentation

from the Manager, Investment Manager and the Depositary, including the internal audit and compliance functions and taking account of events since 31 July 2016. The results of the assessment, that internal controls are satisfactory, were then reported to the Board at the next Board meeting.

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

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 31 July 2016:

Shareholder	No. of Ordinary shares held	% held
Aberdeen Asset Managers Savings Scheme (non-beneficial)	3,534,621	9.8
Hargreaves Lansdown	2,682,726	7.5
Funds managed by Aberdeen Asset Management PLC	2,283,486	6.4
Alliance Trust Savings	2,177,424	6.1
Investec Wealth Management	1,679,748	4.7
Charles Stanley, Stockbrokers	1,320,371	3.7

The UK Stewardship Code and Proxy Voting

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on the Company's website.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service and the Company's website (asian-smaller.co.uk). The Company responds to letters from shareholders on a wide range of issues.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the Aberdeen Group (either the Company Secretary or the Manager) in situations where direct

communication is required and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

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

Special Business at the Annual General Meeting

Directors' Authority to Allot Relevant Securities

Approval is sought in Resolution 10, an ordinary resolution, to renew the Directors' existing general power to allot securities but will also, provide a further authority (subject to certain limits), to allot shares under a fully pre-emptive rights issue. The effect of Resolution 10 is to authorise the Directors to allot up to a maximum of 23,733,889 shares in total (representing approximately 2/3 of the existing issued capital of the Company, of which a maximum of 11,866,944 shares (approximately 1/3 of the existing issued share capital) may only be applied to fully pre-emptive rights issues. This authority is renewable annually and will expire at the conclusion of the next Annual General Meeting in 2017. The Board has no present intention to utilise this authority.

Disapplication of Pre-emption Rights

Resolution 11 is a special resolution that seeks to renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to 10% of the issued share capital other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders.

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

New shares issued in accordance with the authority sought in Resolution 11 will always be issued at a premium to the NAV per Ordinary share at the time of issue. The Board will issue new Ordinary shares or sell Ordinary shares from treasury for cash when it is appropriate to do so, in accordance with its current policy. It is therefore possible that the issued share capital of the Company may change between the date of this document and the Annual General Meeting and therefore the authority sought will be in respect of 10% of the issued share capital as at the date of the

Annual General Meeting rather than the date of this document.

Purchase of the Company's Shares

Resolution 12 is a special resolution proposing to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. The minimum price to be paid per Ordinary share by the Company will not be less than 25p per share (being the nominal value) and the maximum price should not be more than the higher of (i) 5% above the average of the middle market quotations for the shares for the preceding five business days; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out.

The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in NAV per share and would be in the interests of shareholders generally.

The authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

The authority being sought in Resolution 12 will expire at the conclusion of the Annual General Meeting in 2017 unless it is renewed before that date. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or under the authority granted in Resolution 11 above, may be held in treasury.

If Resolutions 11 and 12 are passed then an announcement will be made on the date of the Annual General Meeting which will detail the exact number of Ordinary shares to which each of these authorities relate.

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

Notice of Meetings

Resolution 13 is a special resolution seeking to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on 14 days' notice. This approval will be effective until the Company's next Annual General Meeting in 2017. In order to utilise this shorter notice period, the Company is required to ensure that shareholders are able to vote electronically at the general meeting called on such short notice. The Directors confirm that, in the event that a general meeting is called, they will

give as much notice as practicable and will only utilise the authority granted by Resolution 13 in limited and time sensitive circumstances.

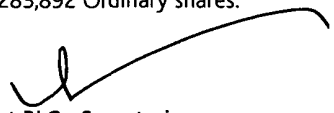
Amendment to Investment Objective and Policy

Resolution 14 is an ordinary resolution proposing an amendment to the Company's investment policy and objective. Further details of the proposed changes are contained in the Chairman's Statement on page 5 and the Appendix on page 80.

Recommendation

Your Board considers Resolutions 10 to 14 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 to 14 to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 283,892 Ordinary shares.

By order of the Board



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

25 October 2016

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

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

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 43 to 48.

Remuneration Policy

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

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

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

	31 July 2016	31 July 2015
	£	£
Chairman	30,000	30,000
Chairman of Audit Committee	26,000	26,000
Director	23,000	23,000

Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.

- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £23,000 per annum).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance-related fee.
- No Director has a service contract.
- With the exception of Mr Gilbert and his Alternate Mr Young, no Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed upon three months' notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or to any assets of the Company.

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

Implementation Report

Directors' Fees

The Board carried out a review of Directors' annual fees during the year and concluded that these should remain unchanged for the year to 31 July 2016, at £30,000, £26,000 and £23,000 for the Chairman, Audit Committee Chairman and other Directors, respectively. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Company Performance

The following chart illustrates the total shareholder return (including reinvested dividends) for a holding in the Company's shares as compared to the MSCI AC Asia Pacific ex Japan Index (in Sterling terms) for the seven year period to 31 July 2016 (rebased to 100 at 31 July 2009). Given the absence of any meaningful index with which to compare performance, this index is deemed to be the most appropriate one against which to measure the Company's performance.

Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 1 December 2015, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 July 2015 and the following proxy votes were received on the resolutions:

Resolution	For	Discret.	Against	Withheld
2) Receive and Adopt Directors' Remuneration Report	13.7m (99.5%)	317 (0.003%)	66,294 (0.5%)	50,456

Spend on Pay

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

The total fees paid to Directors are shown below.

Audited Information

Fees Payable

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

Director	2016 £	2015 £	Taxable Benefits 2016	Taxable Benefits 2015
N K Cayzer (Chairman and highest paid Director)	30,000	30,000	-	-
Viscount Dunluce	23,000	23,000	-	-
H Fukuda	23,000	23,000	-	-
M J Gilbert ^A	23,000	23,000	-	-
M Hadsley- Chaplin	23,000	23,000	-	-
C S Maude (Audit Committee Chairman)	26,000	26,000	-	-
P Yea	23,000	23,000	-	-
Total	171,000	171,000	-	-

^A Plus applicable VAT.

Sums Paid to Third Parties

Of the fees disclosed above, £23,000 (2015 – £23,000) was payable to third parties in respect of making available the services of one of the Directors. These fees were assigned to Aberdeen Asset Management PLC (M J Gilbert). The amounts paid by the Company to the Directors were for services as non-executive Directors.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 31 July 2016, and 1 August 2015, had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table overleaf.

The Directors' interests in contractual arrangements with the Company are as shown in note 16 to the financial statements. No other Directors had an interest in any contracts with the Company during the period or subsequently.

Directors' Remuneration Report continued

	31 July 2016		31 July 2015	
	Ordinary shares	CULS	Ordinary shares	CULS
N K Cayzer	-	-	-	-
Viscount Dunluce	800	400	800	400
M Hadsley- Chaplin	10,000	-	10,000	-
H Fukuda	3,479	-	3,414	-
M J Gilbert	106,250	-	87,256	128,696
C S Maude	37,300	-	37,300	-
P Yea	2,063	-	2,063	-
H Young (alternate)	124,000	211,948	124,000	211,948

The above interests are unchanged at 25 October 2016, being the nearest practicable date prior to the signing of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year ended 31 July 2016:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and in which decisions have been taken.

N K Cayzer
Chairman
25 October 2016



Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

The Directors listed on pages 26 to 29, being the persons responsible, hereby confirm to the best of their knowledge that:

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

For Aberdeen Asian Smaller Companies Investment Trust PLC

Nigel Cayzer
Chairman
25 October 2016



Report of the Audit Committee

I am pleased to present the report of the Audit Committee for the year ended 31 July 2016.

Committee Composition

The Audit Committee comprised four independent Directors during the year: Ms Fukuda, Mr Hadsley-Chaplin, Mr Yea and myself (Mr Maude) as Chairman. The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – I am a member of the Institute of Chartered Accountants. Subsequent to the year end Ms Fukuda has stepped down from the Audit Committee and Viscount Dunluce has agreed to join the Audit Committee. Following the retirement of Mr Hadsley-Chaplin at the AGM the Committee will comprise three independent Directors.

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

Functions of the Committee

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

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

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- to review the content of the Annual Report and Financial Statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to meet with the auditor to review their proposed audit programme of work and the findings of the auditor. The

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

- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees of £17,000 were paid to the independent auditor during the year ended 31 July 2016 (2015 - £20,000), split between the interim review (£7,000), tax compliance (£8,000), and the preparation of annual corporation tax returns in the format prescribed by HMRC (£2,000). All figures are quoted inclusive of applicable VAT. The Committee will review any future non-audit fees in the light of the requirement for the Auditor to maintain their independence and in the light of applicable legislation. For the current year it is expected that tax compliance and advisory services are expected to be supplied by Deloitte;
- to review a statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ("whistleblowing");
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor;
- to monitor and review annually the auditor's independence, objectivity, effectiveness, resources and qualification; and
- to investigate, when an auditor resigns, the reasons giving rise to such resignation and consider whether any action is required.

Activities During the Year

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

Review of Internal Control Systems and Risk

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

Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 July 2016, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during their planning and reporting of the year end audit:

Valuation and Existence of Investments

How the issue was addressed - The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the financial statements on page 54.

All investments are considered liquid and quoted in active markets and have been categorised as Level 1 within the FRS 102 fair value hierarchy and can be verified against daily market prices. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared each month and circulated to the Board. The portfolio is also reviewed annually by the auditor and a sample of price checks to independent sources is undertaken by the auditor. The Company used the services of an independent Depositary (BNP Paribas Securities Services) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager to the depositary/custodian records and the audit includes independent confirmation of the existence of all investments at the year end.

Recognition of Investment Income

How the issue was addressed – The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 54. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the intention of the underlying company. The Directors review monthly revenue forecasts and dividend comparisons and the Manager provides monthly internal control reports to the Board.

Correct Calculation of Management Fees

How the issue was addressed - The management fees are calculated by the Manager and reviewed periodically by the Board. The Auditor reviews the calculations as part of its audit.

Review of Financial Statements

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

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

- the externally audited internal control reports of the Manager, Depositary and related service providers.

The Committee has reviewed the Annual Report and the work undertaken by the third party service providers and is satisfied that, taken as a whole, the Annual Report and financial statements is fair balanced and understandable. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report would have a reasonable level of knowledge of the investment trust industry in general and of investment trusts in particular. The Committee has reported its findings to the Board which in turn has made its own statement in this regard in the Directors' Responsibility Statement on page 39.

Review of Auditor

The Audit Committee has reviewed the effectiveness of the Auditor including:

- **Independence** the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards;
- **Quality of audit work** including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the Auditor has a constructive working relationship with the Manager); and,
- **Quality of people and service** including continuity and succession plans (the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the partner).

The Audit Committee therefore supports the recommendation to the Board that the reappointment of the Auditor be put to shareholders for approval at the AGM.

Tenure of the Auditor

Ernst & Young LLP ("EY") has held office as auditor since the incorporation of the Company in 1995. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 31 July 2016 will be the first year for which the present partner has served. The Committee considers EY, the Company's auditor, to be independent of the Company. The Audit Committee is aware that new EU legislation requires listed companies to tender the audit every 10 years and rotate after a maximum of 20 years. Under the transitional arrangements for firms where the tenure is between 11 and 20 years, there will be a

Report of the Audit Committee continued

grace period of nine years after the enactment of the EU legislation (2014). Accordingly, based upon the new legislation, EY will not be able to audit the Company after 2023.

Chris Maude
Audit Committee Chairman
25 October 2016



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

Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 2016 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Aberdeen Asian Smaller Companies Investment Trust PLC's (the "Company") financial statements comprise:

Statement of Comprehensive Income for the year ended 31 July 2016
Statement of Financial Position as at 31 July 2016
Statement of Changes in Equity for the year ended 31 July 2016
Statement of Cash Flows for the year ended 31 July 2016
Related notes 1 to 19 to the financial statements

The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate revenue recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. • <i>Incorrect valuation and existence of the investment portfolio.</i> • The management and performance fees payable by the Company for investment management services are not calculated in accordance with the methodology prescribed in the investment management agreement.
Audit scope	• All audit work was performed directly by the audit engagement team.
Materiality	• Materiality of £3.8m which represents 1% of equity shareholders' funds (2015: £3.4m).

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

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or inaccurate revenue recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 41 of the Report of the Audit Committee). Substantially all of the Company's income is received in the form of dividends from investments, being £11.0m for the year (2015: £14.7m). During the year, the Company received ten special dividends, with an aggregate value of £0.5m. The investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders. Given the manual and judgemental element in allocating special dividends between revenue and capital, we considered there to be a fraud risk, in accordance with Auditing Standards, in this area of our audit.	We agreed, on a sample basis, dividend receipts to an independent source. We agreed, on a sample basis, investee company dividends from an independent source to the income recorded by the Company. We agreed all accrued dividends to an independent source. We checked, on a sample basis, that the withholding tax suffered was calculated appropriately and in accordance with the relevant tax legislation. We reviewed the treatment of material special dividends identified. We have placed reliance on the controls surrounding the recording and recognition of investment income at the fund administrator BNP Paribas Securities Services UK. This is based on our review of the relevant AAF0106 report and the further controls testing performed to 30 June 2016.	We noted no issues in agreeing the sample of dividend receipts to and from an independent source. We noted no issues in agreeing the accrued dividends to an independent source. We noted no issues in recalculating the withholding tax in accordance with tax legislation. We agreed with the allocation of material special dividends to revenue.

Incorrect valuation and existence of the investment portfolio (as described on pages 40 and 41 of the Report of the Audit Committee).	For all investments in the portfolio, we agreed the prices to an independent source.	For all investments, we noted no material differences in market value or exchange rates used.
The Company's investment portfolio consists of listed equities with a total valuation of £414.8m as at 31 July 2016 (2015: £374.5m).	For those investments priced in currencies other than Sterling, we have recalculated the market value in GBP using the correct exchange rates from an independent source.	We noted no differences between the custodian and depositary confirmations and the Company's underlying financial records.
The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.	We have independently obtained confirmations from the Company's custodian and depositary to confirm the existence of the assets held as at 31 July 2016.	
	We have placed reliance on the controls surrounding the pricing of investments at the fund administrator BNP Paribas Securities Services UK. This is based on our review of the relevant AAF0106 report and the further controls testing performed to 30 June 2016.	

In the prior year, our auditor's report included a risk of material misstatement in relation to valuation and existence of the investment portfolio and a risk of material misstatement in relation to the calculation of the management fee. In the current year, we have removed the risk in relation to the management fee. The management fees are determined by a relatively straightforward calculation and we can verify the inputs to supporting documentation. There is also no history of errors in these calculations and the management fees are at a low level when compared to the NAV of the Company. In addition to prior year, we also recognise a risk of material misstatement in relation to the recognition of revenue. We have assessed this as a fraud risk and a significant risk this year as investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders and judgement is used in allocating special dividends between revenue and capital. Potentially, these factors could give the Manager both the incentive and the opportunity to misstate the revenue of the Company in order to meet shareholder expectations.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be £3.8m (2015: £3.4m), which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of equity shareholders' funds as we consider that to be the key measurement of the Company's performance.

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

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being £2.9m (2015: £2.6m). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.2m (2015: £0.4m) for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the audit committee that we would report all audit differences in excess of £0.2m (2015: £0.2m) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

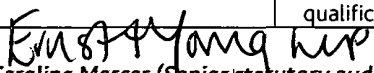
Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern set out on page 32, and longer-term viability, set out on page 11; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

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

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
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 Caroline Mercer (Senior statutory auditor)
 for and on behalf of Ernst & Young LLP, Statutory Auditor
 Edinburgh
 25 October 2016

Financial Statements

The net asset value ("NAV") total return for the year was 18.4%, while the share price increased by 19.4% reflecting a slight narrowing in the discount from 11.9% to 11.4%. In comparison, the MSCI AC Asia Pacific ex Japan Index returned 17.6% and the MSCI AC Asia Pacific ex Japan Small Cap Index gained 19.1% (in total return terms).

The principal driver behind this performance was the decline in value of sterling caused by the referendum result in which the United Kingdom unexpectedly voted to leave the European Union. However, the underlying performance of the portfolio ended the year slightly ahead, which reflects an improvement in sentiment towards Asia.

Palm oil plantations, Malaysia

Statement of Comprehensive Income

	Notes	Year ended 31 July 2016			Year ended 31 July 2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	58,314	58,314	–	(26,196)	(26,196)
Income	2	10,992	–	10,992	14,746	–	14,746
Exchange losses		–	(817)	(817)	–	(131)	(131)
Investment management fees	3	(4,335)	–	(4,335)	(4,381)	–	(4,381)
Administrative expenses	4	(1,135)	–	(1,135)	(1,108)	–	(1,108)
Net return on ordinary activities before finance costs and taxation		5,522	57,497	63,019	9,257	(26,327)	(17,070)
Finance costs	5	(1,592)	–	(1,592)	(1,522)	–	(1,522)
Return on ordinary activities before taxation		3,930	57,497	61,427	7,735	(26,327)	(18,592)
Taxation	6	(534)	–	(534)	(797)	294	(503)
Return on ordinary activities after taxation		3,396	57,497	60,893	6,938	(26,033)	(19,095)
Return per share (pence):							
Basic	8	9.22	156.16	165.38	18.21	(68.34)	(50.13)
Diluted	8	n/a	140.93	152.04	n/a	n/a	n/a

For the year ended 31 July 2016 the conversion option for potential Ordinary shares within the Convertible Unsecured Loan Stock was non-dilutive to the revenue return per Ordinary share but dilutive to the capital return per Ordinary share.

For the year ended 31 July 2015 the conversion option for potential Ordinary shares within the Convertible Unsecured Loan Stock was non-dilutive to both the revenue and capital return per Ordinary share.

The total column of this statement represents the profit and loss account of the Company. There is no other comprehensive income and therefore the return on ordinary activities after taxation is also the total comprehensive income for the year.

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

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

Financial Statements

Statement of Financial Position

	Notes	As at 31 July 2016 £'000	As at 31 July 2015 £'000
Non-current assets			
Investments at fair value through profit or loss	9	414,812	374,460
Current assets			
Debtors and prepayments	10	600	1,010
Cash and short term deposits		13,623	6,678
		14,223	7,688
Creditors: amounts falling due within one year			
Bank loans		(11,779)	(5,000)
Other creditors		(1,310)	(1,237)
	11	(13,089)	(6,237)
Net current assets		1,134	1,451
Total assets less current liabilities		415,946	375,911
Non-current liabilities			
3.5% Convertible Unsecured Loan Stock 2019	12	(32,211)	(31,944)
Net assets		383,735	343,967
Capital and reserves			
Called-up share capital	13	9,794	9,794
Capital redemption reserve		2,062	2,062
Share premium account		39,646	39,644
Special reserve		—	10,578
Equity component of 3.5% Convertible Unsecured Loan Stock 2019	12	1,361	1,361
Capital reserve	14	322,525	269,975
Revenue reserve	14	8,347	10,553
Equity shareholders' funds		383,735	343,967
Net asset value per share (pence):			
Basic	15	1,068.92	906.16
Diluted	15	1,042.99	896.31

The financial statements were approved by the Board of Directors and authorised for issue on 25 October 2016 and were signed on behalf of the Board by:

Nigel Cayzer
Chairman



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

Financial Statements

Statement of Changes in Equity

For the year ended 31 July 2016

		Share capital	Capital redemption reserve	Share premium account	Special reserve	Equity Component CULS 2019	Capital reserve	Revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2015		9,794	2,062	39,644	10,578	1,361	269,975	10,553	343,967
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	12	–	–	2	–	–	–	–	2
Purchase of own shares to treasury	14	–	–	–	(10,578)	–	(4,947)	–	(15,525)
Return on ordinary activities after taxation		–	–	–	–	–	57,497	3,396	60,893
Dividends paid	7	–	–	–	–	–	–	(5,602)	(5,602)
Balance at 31 July 2016		9,794	2,062	39,646	–	1,361	322,525	8,347	383,735

For the year ended 31 July 2015

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

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

Financial Statements

Statement of Cash Flows

		Year ended 31 July 2016	Year ended 31 July 2015 as re-presented (note 1)
	Notes	£'000	£'000
Cash flows from operating activities			
Net return on ordinary activities before finance costs and taxation		63,019	(17,070)
<i>Adjustments for:</i>			
Dividend income	2	(10,822)	(14,060)
Interest income	2	(10)	(9)
Dividends received		11,466	13,267
Interest received		9	9
Interest paid		(1,321)	(1,266)
(Gains)/losses on investments	9	(58,314)	26,196
Foreign exchange movements		817	131
Decrease/(increase) in prepayments		3	(1)
(Increase)/decrease in other debtors		(10)	19
Increase in accruals		358	45
Stock dividends included in investment income		(160)	(677)
Overseas withholding tax suffered	6	(534)	(503)
Net cash inflow from operating activities		4,501	6,081
Cash flows from investing activities			
Purchase of investments		(15,504)	(18,074)
Sales of investments		33,404	18,794
Net cash inflow from investing activities		17,900	720
Cash flows from financing activities			
Purchase of own shares to treasury		(15,816)	(724)
Drawdown of loan		6,868	–
Equity dividends paid	7	(5,602)	(4,953)
Net cash outflow from financing activities		(14,550)	(5,677)
Increase in cash and cash equivalents		7,851	1,124
Analysis of changes in cash and cash equivalents			
Opening balance		6,678	5,685
Increase in cash and cash equivalents		7,851	1,124
Foreign exchange movements		(906)	(131)
Closing balance		13,623	6,678

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

Notes to the Financial Statements For the year ended 31 July 2016

1. Accounting policies

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited) on page 32.

These financial statements are the first since FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) came into effect for accounting periods beginning on or after 1 January 2015. An assessment of the impact of adopting FRS 102 has been carried out and found that no restatement of balances as at the transition date, 1 August 2014, or comparative figures in the Statement of Financial Position or the Statement of Comprehensive Income is considered necessary. The presentation of items in the statement of cash flows for the comparative period has been changed to comply with the requirements of FRS 102. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016.

(b) Valuation of investments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) and investments have been designated upon initial recognition at 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 measured 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 as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

(c) Borrowings

Short-term bank loans are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they are measured at amortised cost using the effective interest method. Finance charges are accounted for on an accruals basis using the effective interest rate method and are charged 100% to revenue.

(d) Income

Dividends, including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to return is established. The fixed return on a debt security, if material, is recognised on a time apportioned basis so as to reflect the effective yield on each security. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses, including management fees and finance costs, are charged 100% through the revenue column of the Statement of Comprehensive Income with the exception of transaction costs incurred on the purchase and disposal of investments which are charged to the capital gains of the Statement of Comprehensive Income and are separately identified and disclosed in note 9 within gains on investments.

(f) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue within the Statement of Comprehensive Income on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year, based on the marginal basis.

(g) Foreign currency

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Statement of Financial Position date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve.

(h) 3.5% Convertible Unsecured Loan Stock 2019

Convertible Unsecured Loan Stock ("CULS") issued by the Company is regarded as a compound instrument, comprising of a liability component and an equity component. At the date of issue, the fair value of the liability component was estimated by assuming that an equivalent non-convertible obligation of the Company would have a coupon rate of 4.662%. The fair value of the equity component, representing the option to convert liability into equity, is derived from the difference between the issue proceeds of the CULS and the fair value assigned to the liability. The liability component is subsequently measured at amortised cost using the effective interest rate and the equity component remains unchanged.

Direct expenses associated with the CULS issue are allocated to the liability and equity components in proportion to the split of the proceeds of the issue. Expenses allocated to the liability component are amortised over the life of the instrument using the effective interest rate.

The interest expense on the CULS is calculated according to the effective interest rate method.

On conversion of CULS, equity is issued and the liability component is derecognised. The original equity component recognised at inception remains in equity. No gain or loss is recognised on conversion.

When CULS is repurchased early for cancellation, the fair value of the liability at the redemption date is compared to its carrying amount, giving rise to a gain or loss on redemption that is recognised through profit or loss. The amount of consideration allocated to equity is recognised in equity with no gain or loss being recognised.

(i) Nature and purpose of reserves

Capital redemption reserve

The capital redemption reserve arose when Ordinary shares were redeemed, at which point an amount equal to the par value of the Ordinary share capital was transferred from the Statement of Comprehensive Income to the capital redemption reserve.

Notes to the Financial Statements continued

Special reserve

The special reserve was created by a transfer from the share premium account and is used to fund the value of purchases in the market of the Company's own shares to be held in treasury.

Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any movement in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, the cost of share buybacks to be held in treasury is also deducted from this reserve.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(j) Treasury shares

When the Company purchases the Company's equity share capital as treasury shares, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. When these shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from the capital reserve.

(k) Dividends payable

Dividends are recognised in the financial statements in the period in which they are paid.

(l) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided however an analysis of the geographic exposure of the Company's investments is provided on page 23.

	2016	2015
	£'000	£'000
2. Income		
Income from investments		
Overseas dividends	10,822	14,060
Stock dividends	160	677
	10,982	14,737
Other income		
Deposit interest	10	9
Total income	10,992	14,746
	2016	2015
	£'000	£'000
3. Investment management fees		
Investment management fees	4,335	4,381

The Company has an agreement with AFML for the provision of management services, which has been delegated to AAM Asia.

During the year the management fee was payable monthly in arrears and is based on an annual amount of 1.2%, calculated on the average net asset value of the Company over a 24 month period, valued monthly. The management fee is calculated by reference to the value of the Company's net assets (gross assets less liabilities excluding the amount of any loan facilities or overdraft facilities drawn down). The balance due to the Manager at the year end was £724,000 (2015 – £366,000) which represents two months' fees (2015 – one month). The agreement is terminable on one year's notice.

	2016 £'000	2015 £'000
4. Administrative expenses		
Administration fees	87	86
Directors' fees	171	171
Promotional activities	250	230
Auditor's remuneration:		
• fees payable to the auditor for the audit of the annual accounts	26	25
• fees payable to the auditor and its associates for other services:		
• interim review	7	7
• taxation services (compliance)	8	11
• iXBRL tagging services	2	2
Custodian charges	235	260
Other expenses	349	316
	1,135	1,108

The Company has an agreement with AFML for the provision of administration services which is, in turn, delegated to Aberdeen group. The administration fee is payable quarterly in advance and based on an index-linked annual amount of £87,000 (2015 – £86,000). The balance due to AFML at the year end was £22,000 (2015 – £22,000). The agreement is terminable on six months' notice.

Under the management agreement, the Company has also appointed AFML to provide promotional activities to the Company by way of its participation in the Aberdeen Investment Trust Share Plan and ISA. AFML has delegated this role to Aberdeen group. The total fee paid and payable under the agreement in relation to promotional activities was £250,000 (2015 – £230,000) and there was a £21,000 (2015 – £83,000) balance due to Aberdeen at the year end.

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

	2016 £'000	2015 £'000
5. Finance costs		
Loans repayable in less than 1 year	167	109
Interest on 3.5% Convertible Unsecured Loan Stock 2019	1,156	1,157
Notional interest on 3.5% Convertible Unsecured Loan Stock 2019	194	181
Amortisation of 3.5% Convertible Unsecured Loan Stock 2019 issue expenses	75	75
	1,592	1,522

Notes to the Financial Statements continued

6. Taxation	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Overseas taxation	534	–	534	503	–	503
Current taxation	534	–	534	503	–	503
Movement on deferred taxation	–	–	–	294	(294)	–
Total tax	534	–	534	797	(294)	503

At 31 July 2016 the Company had surplus management expenses and loan relationship deficits with a tax value of £5,880,000 (2015 – £4,972,000) in respect of which a deferred tax asset has not been recognised. This is due to the Company having sufficient excess management expenses available to cover the potential liability and the Company is not expected to generate taxable income in the future in excess of deductible expenses.

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the current standard rate of corporation tax in the UK for a large company of 20% (2015 – effective rate 20.67%). The differences are explained below:

	2016			2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	3,930	57,497	61,427	7,735	(26,327)	(18,592)
Return on ordinary activities multiplied by the effective UK standard tax rate of corporation tax of 20% (2015 – 20.67%)	786	11,499	12,285	1,599	(5,442)	(3,843)
Effects of:						
Losses on investments not taxable	–	(11,663)	(11,663)	–	5,415	5,415
Exchange losses	–	164	164	–	27	27
Overseas tax	534	–	534	503	–	503
Non-taxable dividend income	(2,167)	–	(2,167)	(3,012)	–	(3,012)
Movement in unutilised management expenses	1,065	–	1,065	1,101	–	1,101
Movement in unutilised loan relationship deficits	316	–	316	312	–	312
Total tax charge for the year	534	–	534	503	–	503

7. Dividends	2016	2015
	£'000	£'000
Final dividend for 2015 – 10.50p (2014 – 10.00p)	3,921	3,810
Special dividend for 2015 – 4.50p (2014 – 3.00p)	1,681	1,143
	5,602	4,953

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

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the current year is £3,396,000 (2015 – £7,160,000).

	2016 £'000	2015 £'000
Proposed final dividend for 2016 – 10.50p (2015 – 10.50p)	3,738	3,921
Proposed special dividend for 2016 – nil (2015 – 4.50p)	–	1,681
Total	3,738	5,602

	2016			2015		
8. Return per Ordinary share	Revenue	Capital	Total	Revenue	Capital	Total
Basic						
Return on ordinary activities after taxation (£'000)	3,396	57,497	60,893	6,938	(26,033)	(19,095)
Weighted average number of shares in issue ^A			36,818,139			38,094,721
Return per Ordinary share (p)	9.22	156.16	165.38	18.21	(68.34)	(50.13)

	2016			2015		
Diluted	Revenue	Capital	Total	Revenue	Capital	Total
Return on ordinary activities after taxation (£'000)	4,534	57,497	62,031	7,990	(26,033)	(18,043)
Weighted average number of shares in issue ^{AB}			40,799,154			42,077,584
Return per Ordinary share (p)	n/a	140.93	152.04	n/a	n/a	n/a

^A Calculated excluding shares held in treasury.

^B The calculation of the diluted total, revenue and capital returns per Ordinary share are carried out in accordance with IAS33, "Earnings per Share". For the purpose of calculating total, revenue and capital returns per Ordinary share, the number of Ordinary shares used is the weighted average number used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all 3.5% Convertible Unsecured Loan Stock 2019 (CULS). The calculations indicate that the exercise of CULS would result in an increase in the weighted average number of Ordinary shares of 3,981,015 (2015 – 3,982,863) to 40,799,154 (2015 – 42,077,584) Ordinary shares.

For the year ended 31 July 2016 the assumed conversion for potential Ordinary shares was non-dilutive to the revenue return per Ordinary share but dilutive to the capital return per Ordinary share. For the year ended 31 July 2015 there was no dilution to both the revenue and capital return per Ordinary share. Where dilution occurs, the net returns are adjusted for items relating to the CULS. Accrued CULS finance costs for the period and unamortised issues expenses are reversed. Total earnings for the period are tested for dilution. Once dilution has been determined individual revenue and capital earnings are adjusted.

	Listed in UK £'000	Listed overseas £'000	Total £'000
9. Investments			
Fair value through profit or loss:			
Opening book cost	7,637	227,008	234,645
Opening fair value gains on investments held	3,663	136,152	139,815
Opening fair value	11,300	363,160	374,460
Movements in year:			
Purchases at cost	191	15,444	15,635
Sales – proceeds	(119)	(33,478)	(33,597)
Sales – (losses)/ gains on sales	(99)	12,911	12,812
Movement in fair value gains on investments held	2,666	42,836	45,502
Closing fair value	13,939	400,873	414,812

Notes to the Financial Statements continued

	Listed in UK £'000	Listed overseas £'000	Total £'000
Closing book cost	7,610	221,885	229,495
Closing fair value gains on investments held	6,329	178,988	185,317
	13,939	400,873	414,812
Gains/(losses) on investments			
(Losses)/ Gains on sales	(99)	12,911	12,812
Movement in fair value gains on investments held	2,666	42,836	45,502
	2,567	55,747	58,314

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/(losses) on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2016 £'000	2015 £'000
Purchases	78	37
Sales	83	77
	161	114

	2016 £'000	2015 £'000
10. Debtors: amounts falling due within one year		
Amounts due from brokers	200	8
Other debtors	55	11
Prepayments and accrued income	345	991
	600	1,010

	2016 £'000	2015 £'000
11. Creditors: amounts falling due within one year		
Bank loans	11,779	5,000
Amounts due to brokers	–	30
Amount due for the purchase of own shares to treasury	157	413
Other creditors	1,153	794
	13,089	6,237

As at 31 July 2016, £5,000,000 (2015 – £5,000,000) had been drawn down at an all-in rate of 1.4% (2015 – 1.4%) which matured on 25 August 2016. At the date this Report was approved the principal amount was rolled over at an all-in interest rate of 1.2% until maturity on 26 October 2016. In addition, US\$9,000,000 (2015 – nil) had been drawn down at an all-in rate of 1.4% (2015 – 1.4%) which matured on 25 August 2016. At the date this Report was approved the principal amount was rolled over at an all-in interest rate of 1.4% until maturity on 26 October 2016.

Under the terms of the loan facilities the Borrower must not permit total debt to exceed 25% of the adjusted NAV. Adjusted NAV is defined as total net assets less, inter alia, without double counting, the market value of the Borrower's investments which are not quoted on an internationally recognised exchange, the aggregate market value of the Borrower's investments in Sub-Investment Grade Corporate Bonds and Unrated Corporate Bonds, the amount by which the market value of the Borrower's investments in a single issuer exceeds 5% of the value of the NAV, the amount by

which the aggregate market value of the Borrower's investments in the issuers comprising the twenty largest holdings of the Borrower by issuer exceeds 65% of the value of the NAV, the amount by which the aggregate market value of the Borrower's investments in any one country exceeds 25% of the value of the NAV and the amount by which the aggregate market value of the Borrower's investments in issuers incorporated in any Sub-Investment Grade Country exceeds 30% of the value of the NAV.

	Number of units £'000	Liability component £'000	Equity component £'000
12. Non-current liabilities			
3.5% Convertible Loan Stock 2019			
Balance at beginning of year	33,043	31,944	1,361
Conversion of 3.5% Convertible Unsecured Loan Stock 2019	(2)	(2)	–
Notional interest on CULS transferred to revenue reserve	–	194	–
Amortisation and issue expenses	–	75	–
Balance at end of year	33,041	32,211	1,361

The 3.5% Convertible Unsecured Loan Stock 2019 ("CULS") can be converted at the election of holders into Ordinary shares during the months of May and November each year throughout their life, commencing 30 November 2012 to 31 May 2019 at a rate of 1 Ordinary share for every 830.0p nominal of CULS. Interest is paid on the CULS on 31 May and 30 November each year, commencing 30 November 2012. 100% of the interest is charged to revenue in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

The CULS has been constituted as an unsecured subordinated obligation of the Company by the Trust Deed between the Company and the Trustee, the Law Debenture Trust Corporation p.l.c., dated 17 May 2012. The Trust Deed details the CULS holders' rights and the Company's obligations to the CULS holders and the Trustee oversees the operation of the Trust Deed. In the event of a winding-up of the Company the rights and claims of the Trustee and CULS holders would be subordinate to the claims of all creditors in respect of the Company's secured and unsecured borrowings, under the terms of the Trust Deed.

During the year ended 31 July 2016 the Company converted 2,329 (31 July 2015 – 33,978) nominal amount of CULS into 278 (31 July 2015 – 4,083) Ordinary shares.

As at 31 July 2016, there was £33,040,814 (2015 – £33,043,143) nominal amount of 3.5% Convertible Unsecured Loan Stock 2019 in issue.

	2016 £'000	2015 £'000
13. Called up share capital		
Allotted, called-up and fully paid		
Ordinary shares of 25p	8,975	9,490
Treasury shares	819	304
	9,794	9,794

	Ordinary shares Number	Treasury shares Number	Total Number
At 31 July 2015	37,958,890	1,218,290	39,177,180
Conversion of CULS	278	–	278
Buyback of own shares	(2,059,834)	2,059,834	–
At 31 July 2016	35,899,334	3,278,124	39,177,458

Notes to the Financial Statements continued

During the year 2,059,834 Ordinary shares of 25p were purchased by the Company (2015 – 142,000 Ordinary shares purchased) at a total cost of £15,525,000 (2015 – total cost of £1,137,000), all of which were held in treasury (2015 – same). At the year end 3,278,124 (2015 – 1,218,290) shares were held in treasury, which represents 8.37% (2015 – 3.11%) of the Company's total issued share capital at 31 July 2016. During the year there were a further 278 Ordinary shares issued as a result of CULS conversion (2015 – 4,083).

Since the year end a further 298,500 Ordinary shares of 25p have been purchased by the Company at a total cost of £2,815,000, all of which were held in treasury.

14. Reserves	2016 £'000	2015 £'000
(a) Capital reserve		
At 31 July 2015	269,975	296,008
Movement in investment holdings fair value	45,502	(42,300)
Gains on realisation of investments at fair value	12,812	16,104
Purchase of own shares to treasury	(4,947)	–
Foreign exchange movement	(817)	(131)
Capital tax charge	–	294
At 31 July 2016	322,525	269,975

The capital reserve includes investment holding gains amounting to £185,317,000 (2015 – £139,815,000) as disclosed in note 9. The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements Of Investment Trust Companies and Venture Capital Trusts'.

(b) Revenue reserve	2016 £'000	2015 £'000
At 31 July 2015	10,553	8,568
Revenue	3,396	6,938
Dividends paid	(5,602)	(4,953)
At 31 July 2016	8,347	10,553

15. Net asset value per equity share	2016	2015
Basic		
Net assets attributable	£383,735,000	£343,967,000
Number of Ordinary shares in issue ^A	35,899,334	37,958,890
Net asset value per Ordinary share	1,068.92p	906.16p
	2016	2015
Diluted		
Net assets attributable	£415,946,000	£375,911,000
Number of Ordinary shares in issue ^A	39,880,155	41,939,992
Net asset value per Ordinary share ^B	1,042.99p	896.31p

^A Calculated excluding shares held in treasury

^B The diluted net asset value per Ordinary share has been calculated on the assumption that the 33,040,814 (2015 – 33,043,143) 3.5% Convertible Unsecured Loan Stock 2019 ("CULS") are converted at 830.00p per share, giving a total of 39,880,155 (2015 – 41,939,992) Ordinary shares. Where dilution occurs, the net assets are adjusted for items relating to the CULS.

Net asset value per share – debt converted

In accordance with the Company's understanding of the current methodology adopted by the AIC, convertible financial instruments are deemed to be 'in the money' if the cum income net asset value ("NAV") exceeds the conversion price of 830.00p per share. In such circumstances a net asset value is produced and disclosed assuming the convertible debt is fully converted. At 31 July 2016 the cum income NAV was 1068.92p (31 July 2015 – 906.16p) and thus the CULS were 'in the money'.

16. Related party transactions and transactions with the Manager

Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on pages 36 to 38. The balance of fees due to Directors at the year end was £14,000 (2015 – £2,000).

Mr Gilbert and his alternate Director, Mr Young are both directors of Aberdeen and its subsidiary AAM Asia which has been delegated, under an agreement with AFML, to provide management services to the Company, the terms of which are outlined in note 3 and 4 along with details of transactions during the year and balances outstanding at the year end. Neither Mr Gilbert nor Mr Young are directors of AFML.

17. Financial instruments

Risk management

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

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

Risk management framework

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

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

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

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

Notes to the Financial Statements continued

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

Risk management

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

Market risk

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

Interest rate risk

Interest rate movements may affect:

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

Management of the risk

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

Interest rate risk profile

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

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 July 2016				
Assets				
Sterling	–	–	–	13,444
Thailand Baht	–	–	–	179
	–	–	–	13,623
Liabilities				
Bank loan	0.08	1.4	11,779	–
3.5% Convertible Loan Stock 2019	2.83	3.5	32,211	–
	–	–	43,990	–
At 31 July 2015				
Assets				
Sterling	–	–	–	6,675
Thailand Baht	–	–	–	3
	–	–	–	6,678
Liabilities				
Bank loan	0.08	1.4	5,000	–
3.5% Convertible Loan Stock 2019	3.83	3.5	31,944	–
	–	–	36,944	–

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

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

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

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 Statement of Financial Position, therefore, can be significantly affected by movements in foreign exchange rates.

Management of the risk

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

The revenue account is subject to currency fluctuations arising on dividends receivable in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. It is not the Company's policy to hedge this currency risk but the Board keeps under review the currency returns in both capital and income.

Foreign currency risk exposure by currency of denomination:

	31 July 2016			31 July 2015		
	Overseas	Net monetary	Total	Overseas	Net monetary	Total
	investments	assets/(liabilities)	currency	Investments	assets/(liabilities)	currency
	£'000	£'000	£'000	£'000	£'000	£'000
Australian Dollar	14,579	–	14,579	10,571	–	10,571
Danish Krona	7,457	–	7,457	4,308	–	4,308
Hong Kong Dollar	65,392	–	65,392	56,629	–	56,629
Indian Rupee	46,634	–	46,634	56,967	–	56,967
Indonesian Rupiah	28,063	–	28,063	19,808	–	19,808
Korean Won	2,047	–	2,047	2,214	–	2,214
Malaysian Ringgit	75,126	–	75,126	71,233	–	71,233
New Zealand Dollar	9,124	–	9,124	5,772	–	5,772
Pakistan Rupee	1,448	–	1,448	1,868	–	1,868
Philippine Peso	31,909	–	31,909	24,186	–	24,186
Singapore Dollar	51,166	–	51,166	45,131	–	45,131
Sri Lankan Rupee	14,355	–	14,355	19,612	–	19,612
Thailand Baht	57,235	179	57,414	44,861	3	44,864
United States Dollar	–	(6,779)	(6,779)	–	–	–
	404,535	(6,600)	397,935	363,160	3	363,163
Sterling	10,277	(23,767)	(13,490)	11,300	(30,269)	(18,969)
Total	414,812	(30,367)	384,445	374,460	(30,266)	344,194

Foreign currency sensitivity

There is no sensitivity analysis included as the Company's significant foreign currency financial instruments are in the form

Notes to the Financial Statements continued

of equity investments, which have been included within other price risk sensitivity analysis so as to show the overall level of exposure. Due consideration is paid to foreign currency risk throughout the investment process.

Other price risk

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

Investment in Far East equities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. Both the allocation of assets and the stock selection process, as detailed on page 72, 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% (2015 – 10%) higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 July 2016 would have increased/(decreased) by £41,481,000 (2015 – increased/(decreased) by £37,446,000) 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.

Management of the risk

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Gearing comprises both bank loans and convertible unsecured loan stock. The Board has imposed a maximum gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of 25%. Details of borrowings at the 31 July 2016 are shown in notes 11 and 12.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of a loan facility, details of which can be found in note 11. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the investment policy section on page 3.

Liquidity risk exposure

At 31 July 2016 the Company had borrowings in the form of the £33,040,814 (2015 – £33,043,143) nominal of 3.5% Convertible Unsecured Loan Stock 2019.

At 31 July 2016 the Company's bank loan, amounting to £11,779,000 (2015 – £5,000,000), was due for repayment or roll-over within 1 month. The maximum exposure during the year was £11,999,806 (2015 – £5,000,000) and the minimum exposure during the year was £5,000,000 (2015 – £nil).

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

	Expected cashflows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
3.5% Convertible Unsecured Loan Stock 2019	36,510	–	1,156	35,354
Bank loans	11,779	11,779	–	–
	48,289	11,779	1,156	35,354

Credit risk

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

Management of the risk

Investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker. Settlement of investment transactions are also done on a delivery versus payment basis;

- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the third party administrator carries out a stock reconciliation to Custodian records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's risk management committee. This review will also include checks on the maintenance and security of investments held; and
- cash is held only with reputable banks with high quality external credit ratings.

It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

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:

	2016		2015	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Debtors	600	600	1,010	1,010
Cash and short term deposits	13,623	13,623	6,678	6,678
	14,223	14,223	7,688	7,688

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

Fair values of financial assets and financial liabilities

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

Notes to the Financial Statements continued

18. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. This has not resulted in any reclassifications in levelling and the prior year comparative has been disclosed under the new hierarchy. The fair value hierarchy shall have the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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 2016 as follows:

		Level 1	Level 2	Level 3	Total
As at 31 July 2016	Note	£'000	£'000	£'000	£'000
Financial assets and liabilities at fair value through profit or loss					
Quoted equities	a)	414,812	–	–	414,812
Unquoted equities	b)	–	–	–	–
CULS	c)	(38,080)	–	–	(38,080)
Net fair value		376,732	–	–	376,732

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

a) Quoted equities

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

b) Unquoted equities

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

c) Convertible Unsecured Loan Stock ("CULS")

The Company's CULS are actively traded on a recognised stock exchange. The fair value of the CULS has therefore been deemed Level 1. The carrying value of the CULS is disclosed in note 12.

19. Capital management policies and procedures

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

The Company's capital comprises the following:

	2016 £'000	2015 £'000
Equity		
Equity share capital	9,794	9,794
Reserves	373,941	334,173
Liabilities		
CULS	32,211	31,944
	415,946	375,911

The Board's policy is to utilise gearing when the Manager believes it appropriate to do so, up to a maximum of 25% geared at the time of drawdown. Gearing for this purpose is defined as the excess amount above shareholders' funds of total assets (including net current assets/liabilities) less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount so calculated is negative, this is shown as a 'net cash' position.

	2016 £'000	2015 £'000
Investments at fair value through profit or loss	414,812	374,460
Current assets excluding cash	600	1,010
Current liabilities excluding bank loans	(1,310)	(1,237)
Total assets	414,102	374,233
Net assets	383,735	343,967
Gearing (%)	7.9	8.8

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

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

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

The Company does not have any externally imposed capital requirements.

Corporate Information

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

Worldwide, Aberdeen Asset Management manages a combined £301.4 billion (as at 30 June 2016) 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 526 staff across the region at 30 June 2016. Total funds in the region are over £60.5 billion as at 31 July 2016.

Aberdeen Asset Management has its headquarters in Aberdeen with over 46 offices globally including Bangkok, Edinburgh, Frankfurt, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

Street scene, Singapore

Information about the Manager

Aberdeen Fund Managers Limited

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

Aberdeen Asset Management Asia Limited

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

Worldwide, Aberdeen Asset Management manages a combined £301.4 billion (as at 30 June 2016) 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 526 staff across the region at 30 June 2016.

Total funds in the region are over £60.5 billion as at 31 July 2016.

Aberdeen Asset Management has its headquarters in Aberdeen with over 46 offices globally including Bangkok, Edinburgh, Frankfurt, Hong Kong, Jersey, Kuala Lumpur, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

The Aberdeen Group manages over 90 investment companies and other closed-ended funds representing approximately £17.7 billion of assets under management. They adhere closely to the Aberdeen Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

The Investment Team Senior Managers

Hugh Young Managing Director

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

Flavia Cheong Head of Equities, Asia Pacific ex. Japan

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 AAM Asia in 2001 having previously been an associate director at Andersen Corporate Finance.

Adrian Lim Senior Investment Manager

Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined AAM Asia in 2000 having previously been an associate director at Arthur Andersen.

Prukka Iamthongthong Senior Investment Manager

Chartered Financial Analyst, BA in Business Administration from Chulalongkorn University, Thailand joined AAM Asia in 2007.

The Investment Process

Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We (AAM Asia) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment.

Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or

top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

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

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

Investor Information

AIFMD

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

Comparative Indices

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

Website

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

Investor Warning

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

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

Dividend Tax Allowance

From 6 April 2016, dividend tax credits have been replaced by an annual £5,000 tax-free allowance on dividend income. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is

the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

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

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

Shareholder Enquiries

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

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

Direct

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

Aberdeen's Investment Plan for Children

Aberdeen runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-

offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable 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 Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Aberdeen's Investment Trust Share Plan

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

Stocks and Shares ISA

An investment of up to £15,240 can be made in the tax year 2016/2017.

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 where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

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

Pre-investment Disclosure Document (PIDD)

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

Literature Request Service

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

Telephone: 0500 00 40 00
Email: aam@lit-request.com

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

Aberdeen Investment Trust Administration

PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40
(free when dialling from a UK landline)

Terms and conditions for the Aberdeen managed savings products can also be found under the literature section of invtrusts.co.uk

Online Dealing details

Investor information

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

Online dealing

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

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

Hargreaves Lansdown
TD Direct
Interactive Investor

Discretionary private client stockbrokers

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

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit unbiased.co.uk

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at www.fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

Suitable for Retail/NMPI Status

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

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

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

Note

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

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

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

The information on pages 73 to 75 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website asian-smaller.co.uk. There have been no material changes to the disclosures contained within the PIDD since first publication in July 2014 and updated in October 2016.

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

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 17 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 83) and the numerical remuneration in the disclosures in respect of the AIFM's reporting period for the year ended 30 September 2015 are available on the Company's website.

Leverage

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

	Gross method	Commitment method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 July 2016	1.14:1	1.17:1

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

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

Notice of Annual General Meeting

Notice is hereby given that the twenty-first 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 29 November 2016 for the following purposes:

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 10 and Resolution 14 will be proposed as Ordinary Resolutions and Resolutions 11 to 13 as Special Resolutions:

Ordinary Business

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2016, together with the auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 July 2016 (other than the Directors' Remuneration Policy).
3. To approve the payment of a final dividend of 10.5p pence per Ordinary share.
4. To re-elect Mr N.K. Cayzer as a Director.
5. To re-elect Mr M.J. Gilbert as a Director.
6. To re-elect Ms H. Fukuda as a Director.
7. To re-elect Mr C.S. Maude as a Director.
8. To re-elect Viscount Dunluce as a Director.
9. To re-appoint Ernst & Young LLP as auditor and to authorise the Directors to determine their remuneration.

Special Business

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

(a) up to an aggregate nominal amount of £2,966,736; and

(b) up to a further aggregate nominal amount of £2,966,736 in connection with an offer made by means of a negotiable document to (a) all holders of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") in proportion (as nearly as may be) to the respective numbers of such Ordinary shares held by them and (b) to holders of other equity securities required by the rights of those securities (but subject to such exclusions, limits or restrictions or other arrangements as the Directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever);

such authorisation to expire at the conclusion of the next Annual General Meeting of the Company to be held in 2017 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 £890,020 which are, or are to be, wholly paid up in cash, at a price representing a premium to the net asset value per share at allotment, as determined by the Directors, and do not exceed up to 10% of the issued share capital (as at the date of the Annual General Meeting convened by this notice); and

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

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 representing a premium to the net asset value per share at allotment, as determined by the Directors; and

such power shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2017, 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% of the Ordinary shares in issue as at the date of the passing of this Resolution 12;
- (b) the minimum price which may be paid for an Ordinary share is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the higher of (i) an amount equal to 5% 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 2017 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.

14. THAT the proposed investment objective and investment policy set out under the headings "Investment Objective" and "Investment Policy" respectively in the Appendix to the Annual Report and Financial Statements dated 25 October 2016, a copy of which is produced to the meeting and initialled for the purposes of identification by the Chairman of the meeting, be and are hereby approved and adopted with immediate effect as the investment objective and investment policy of the Company to the exclusion of all previous investment objectives and investment policies of the Company respectively.

Bow Bells House
1 Bread Street
London EC4M 9HH
1 November 2016

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 asian-smaller.co.uk.
2. As a member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A form of proxy is enclosed.
3. To be valid, any form of proxy or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's registrars so as to arrive not less than 48 hours before the time fixed for the meeting. The return of a completed form of proxy or other instrument of proxy will not prevent you attending the Meeting and voting in person if you wish to do so.
4. The right to vote at the meeting is determined by reference to the Company's Register of Members as at 6.30 p.m. on 25 November 2016 or, if this meeting is adjourned, at 6.30 p.m. on the day two

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- business days prior to the adjourned meeting. Changes to the entries on that Register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
5. As a member you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
 6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual which can be viewed at euroclear.com. 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 25 October 2016 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 35,600,834 Ordinary shares of 25 pence each and there was a further 3,576,624 shares held in treasury. Each Ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at close of business on 25 October 2016 is 35,600,834. Treasury shares represent 10.0% of the total issued Ordinary share capital (inclusive of treasury shares).
 13. No Director has a service contract with the Company, however, copies of Directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.
 14. Under Section 338 of the Companies Act 2006, members may require the Company to give, to members of the Company entitled to receive this Notice of Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting. Under Section 338A of that Act, members may request the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may be properly included in the business.
 15. Members should note that it is possible that, pursuant to requests made by the members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid out before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available 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.
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Appendix – Proposed Amendments to Investment Objective and Investment Policy

Proposed Investment Objective and Investment Policy

The Company's current Investment Objective and Investment Policy are disclosed on page 8.

It is proposed to adopt the investment objective and investment policy set out under the headings "Investment Objective" and "Investment Policy" below as the investment objective and investment policy of the Company. The proposed changes are underlined for ease of identification.

Investment Objective

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

Investment Policy

The Company's assets are invested in a diversified portfolio of securities (including equity shares, preference shares, convertible securities, warrants and other equity-related securities) predominantly in quoted smaller companies spread across a range of industries and economies in the investment region including Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Korea, Laos, Malaysia, Myanmar, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam, 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, in unquoted equities (up to 10% of the net assets of the Company, calculated at the time of investment) and in companies traded on stock markets outside the Investment Region provided that over 75% of their consolidated revenue is earned from trading in the Investment Region or they hold more than 75% of their consolidated net assets in the Investment Region.

Risk Diversification

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

Gearing

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

General

Glossary of Terms and Definitions

AAM Asia or the Investment Manager	Aberdeen Asset Management Asia Limited
Aberdeen	Aberdeen Asset Management PLC
Aberdeen Group	the Aberdeen group of companies
AFML or Manager	Aberdeen Fund Managers Limited
AIC	Association of Investment Companies
AIFM	the alternative investment fund manager, being AFML
AIFMD	The Alternative Investment Fund Managers Directive
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security
CULS	The £33.04 million nominal of 3.5% Convertible Unsecured Loan Stock 2019
CULS Conversion Date	The CULS is convertible at any time during the periods of 28 days ending on 30 November and 31 May in each year commencing November 2012 and ending May 2019 (each such period and any other period during which Conversion Rights may be exercised being a "Conversion Period") conversions requests are to be received by 5.00 p.m. on the last day of the relevant Conversion Period (each such last day being a "Conversion Date" and the Conversion Date falling on 31 May 2019 or Final Repayment Date being the "Final Conversion Date")
CULS Conversion Price	The CULS is convertible semi-annually on the Conversion Date on the basis of 830p nominal of CULS for one Ordinary share. This equated to a 15% premium to the unaudited NAV per Ordinary share (including income) of 725p at 14 May 2012, rounded down to the nearest 5 pence
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
FRC	Financial Reporting Council
Leverage	For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share
Net Gearing	Net gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage
Ongoing Charges	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard
PIDD	The pre-investment disclosure document made available by the AIFM in relation to the Company
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
Prior Charges	The name given to all borrowings including debentures, long and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment
Total Assets	Total assets less current liabilities (before deducting prior charges as defined above)
Total Return	Total return involves reinvesting the net dividend in the month that the share price goes up. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date

Your Company's Share Capital History

Issued Share Capital at 31 July 2016

35,899,334	Ordinary shares of 25p (excluding treasury shares)
3,278,124	Ordinary shares held in treasury

Capital History

19 October 1995	35,000,000 Ordinary shares of 25p each placed at 100p with 7,000,000 Warrants attaching, each conferring the right to subscribe for one Ordinary share of 25p at 100p
Year ended 31 July 1999	600 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2000	5,246,500 Ordinary shares purchased for cancellation at prices ranging from 95p to 105p per share
Year ended 31 July 2001	3,000,000 Ordinary shares purchased for cancellation at prices between 90.25p and 91.5p
Year ended 31 July 2005	2,100,000 new Ordinary shares issued at prices ranging from 196.5p to 252.5p
Year ended 31 July 2006	1,825,000 new Ordinary shares issued at prices ranging from 250.75p to 324.0p and 1,507,108 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2007	250,000 new Ordinary shares issued at 313p; 500,000 Warrants purchased for cancellation at prices ranging from 214p to 227p; and 143,389 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2008	1,022,011 Ordinary shares purchased for treasury at prices ranging from 269p to 316p; 282,000 Warrants purchased for cancellation at prices ranging from 193p to 222p; and, 71,547 new Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2009	662,210 Ordinary shares purchased for treasury at prices ranging from 269p to 316p and 229,023 new Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2010	502,069 Ordinary shares purchased for treasury at prices ranging from 296.7p to 455.0p and 442,698 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2011	3,823,595 Ordinary shares issued following the final exercise of Warrants
18 May 2012	£35 million nominal of Convertible Unsecured Loan Stock 2019 ("CULS") issued at 100p per unit
Year ended 31 July 2013	23,372 new Ordinary shares issued following the conversion of 194,182 units of CULS in December 2012 and 182,787 new Ordinary shares issued following the conversion of 1,517,404 units of CULS in May 2013
Year ended 31 July 2013	2,605,000 Ordinary shares issued for cash and sold from treasury at a premium to NAV
Year ended 31 July 2014	300,000 Ordinary shares issued for cash at a premium to NAV; 23,228 new Ordinary shares issued following the conversion of 192,896 units of CULS in December 2013; and, 2,210 new Ordinary shares issued following the conversion of 18,397 units of CULS in May 2014
Year ended 31 July 2015	142,000 Ordinary shares purchased for treasury at a discount to NAV; 3,510 new Ordinary shares Issued following conversion of 29,188 units of CULS in December 2014; 573 new Ordinary shares issued following conversion of 4,790 units of CULS in June 2015
Year ended 31 July 2016	2,059,834 Ordinary shares purchased for treasury at a discount to NAV; 137 new Ordinary shares issued following conversion of 1,137 units of CULS in December 2015; 141 new Ordinary shares issued following conversion of 1,176 units of CULS in June 2016

Contact Information

Investor Directors

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

Alternate Director

Hugh Young (alternate for Martin Gilbert)

Alternative Investment Fund Manager

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

Investment Manager

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

Secretaries and Registered Office

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

Registration Number

03106339

Website

asian-smaller.co.uk

Depository

BNP Paribas Securities Services, London Branch
10 Harewood Avenue
London NW1 6AA

Stockbrokers

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Independent Auditor

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

Bankers

State Street Bank and Trust Company
100 Huntington Avenue
Tower 1, Floor 4
Boston MA 02116

Solicitors

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

CULS Trustee

The Law Debenture Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX

Registrars

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

Tel: 0371 384 2416

Tel: +44 (0) 121 415 7047 (International)

Lines open 8:30am to 5:30pm (UK time), Monday to Friday, (excluding public holidays in England and Wales)

Foreign Account Tax Compliance Act ("FATCA")

IRS Registration Number ("GIIN"): SITCFT.99999.SL.826