

**PRUSIK ASIAN SMALLER  
COMPANIES FUND PLC**

**ANNUAL REPORT AND AUDITED  
FINANCIAL STATEMENTS**

**For the period from 11 January 2008 (date of  
incorporation) to 31 December 2008**

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

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# Prusik Asian Smaller Companies Fund Plc

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## Background of the Company

Prusik Asian Smaller Companies Fund Plc (the “Company”) is a public limited liability investment company with variable capital, incorporated on 11 January 2008 in Ireland pursuant to the Companies Acts, 1963 to 2006 and authorised by the Financial Regulator (the “Financial Regulator”), as an investment company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended (the “UCITS Regulations”).

Except where the context otherwise requires, defined terms shall bear the meaning given to them in the Prospectus of the Company.

The Company, with the prior approval of the Financial Regulator, may create additional Share Classes as the Directors may deem appropriate.

The Company commenced trading on 8 February 2008. Shares are available to investors in the Company as shares in Class A Dollar Non-Distributing Class, Class B Dollar Distributing Class and Class C Sterling Distributing Class. Class A Dollar Non-Distributing Class and Class B Dollar Distributing Class commenced trading on 8 February 2008. Class C Sterling Distributing Class commenced trading on 25 April 2008. Further classes of shares may be issued on advance notification to the Financial Regulator.

Citi Fund Services (Ireland), Limited (the “Administrator”) determines the net asset value per share of each Class of the Company on the first and third Friday of each calendar month (“dealing day”) providing that dealing day is a business day, or if such day is not a business day, on the following business day. The valuation point is 11.00 am (Irish time) on each dealing day.

The most recent Prospectus of the Company is dated 04 February 2008. There is one addendum to the Prospectus, dated 23 April 2008.

## Prusik Asian Smaller Companies Fund

The Company’s investment objective is to engineer capital growth primarily by investing in companies operating in the Asian and Australasian region.

In pursuit of its investment objective the Company invests in emerging companies operating in Asia including Australia, New Zealand, Hong Kong, Taiwan, South Korea, China, India, Sri Lanka, Pakistan, Thailand, Indonesia, Malaysia, Singapore and the Philippines and generally seeks to invest, on average, in companies which have a price to book value ratio and a price/earnings ratio below the level then prevailing in the market of that sector. The Company pursues its investment objective primarily by taking short and long positions in publicly traded common stocks and other equity securities of Asian issuers and Australasian issuers. In addition, the Company’s investments are likely to include situations where an event has triggered a change in the market’s perception of the future outlook for a specific company or industry. The Policy will also enable the Company to invest in equity securities of issuers in Recognised Markets outside of Asia and Australasia and in debt and other fixed-income securities of Asian and Australasian and other issuers in Recognised Markets.

The Company has the ability to hold up to 100% cash for any period of time Prusik Investment Management LLP (the “Investment Manager”) deems this prudent. The Company limits its investment in other Collective Investment schemes to 10% of its Net Asset Value.

The Company may invest in American depository receipts and global depository receipts and other equity related securities and instruments, which may be over-the counter (“OTC”) or listed, including convertible bonds, depository receipts and warrants as well as other securities such as bonds and preference shares issued by corporate and governmental issuers (and which may be fixed or floating, and of both investment grade (BB- or higher) or non-investment grade).

The Company may invest in both short and long term Asian and Australasian foreign debt securities (such as fixed and/or floating rate bonds and notes) of corporate issuers and government entities. The debt and other fixed income securities in which the Company may invest will principally be of investment grade. The Company may, however, invest on a very limited basis in debt and fixed income securities which are not required to satisfy any minimum rating standard. Such securities may include instruments that are considered to be of poor standing and which have predominantly speculative characteristics with respect to capacity to pay interest and repay principal.

# Prusik Asian Smaller Companies Fund Plc

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## **Background of the Company (continued)**

### **Prusik Asian Smaller Companies Fund (continued)**

The Company may utilise techniques for efficient portfolio management and/or to protect against exchange risks, subject to the conditions and within the limits laid down by the Financial Regulator. These techniques and instruments include but are not limited to futures, options, forward foreign exchange contracts, interest and exchange rate swap contracts, stock lending and repurchase and reverse repurchase agreements.

The Company may also invest in currency forwards such as non-deliverable forwards (“NDF”) in order to manage currency exposure.

Pending investment of the proceeds of a placing or offer of Shares or where market or other factors so warrant, the Company’s assets may be invested in money market instruments, including but not limited to certificates of deposit, floating rate notes and fixed or variable rate commercial paper listed or traded on Recognised Exchanges and in cash deposits.

Audited annual reports and unaudited semi-annual reports are available to the public at the registered office of the Company and are sent to shareholders at their registered addresses by post. The first set of semi-annual reports prepared by the Company was dated 30 June 2008. The first set of annual reports prepared are dated 31 December 2008.

The complete statement of changes in the composition of the portfolio will be made available to shareholders on request free of charge.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Directors' Report

The Directors submit their report together with the audited financial statements for the period ended 31 December 2008.

### Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland.

Irish company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of Prusik Asian Smaller Companies Fund Plc (the "Company") and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition to the Company law requirements, as an investment company with variable capital, the Company is required to comply with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended and related Financial Regulator Notices and it is the Directors' responsibility to ensure that these regulations are adhered to by the Company.

### Books of Account

The measures taken by the Directors to secure compliance with Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of accounts are kept at Citi Fund Services (Ireland), Limited, 1 North Wall Quay, Dublin 1, Ireland.

### Principal Activities

The Company is organised as an investment company with variable capital under the laws of Ireland as a public limited company pursuant to the Companies Acts, 1963 to 2006, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

### Review of development of the business and future developments

Over the eleven month period ending 31 December 2008, the Prusik Asian Smaller Companies Fund Plc Class A Dollar Non-Distributing Class returned (21.64%) outperforming the Morgan Stanley Capital International AC Asia Pacific Ex Japan Index (the "Index") which returned (47.22%).\*

\*Source Bloomberg.

### Risk management objectives and policies

The investment objective of the Company, as detailed on page 2, is to engineer capital growth primarily by investing in companies operating in the Asian region. Investment in the Company carries with it a degree of risk including, but not limited to, the risks referred to in Note 11 of these financial statements.

### Results

The results for the period are stated on page 11 of the financial statements. Particulars relating to distributions and the issue and redemption of shares are set out on page 12 of the financial statements.

### Events since Year End

There have been no significant events since the year end.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Directors' Report (continued)

### Directors

The names of the persons who were Directors at any time during the period ended 31 December 2008 are set out below.

Heather Manners  
Richard Hayes  
David Hammond

### Directors' Interests

Details of the Directors or the Company Secretary holdings in the shares of the Company as at 31 December 2008 are included in Note 4. "Significant Agreements and Related Party Transactions". Heather Manners is Chief Investment Officer of the Investment Manager. David Hammond was during the period a partner in the law firm of Dillon Eustace and is a director of Bridge Consulting, who provide corporate governance services to the Company.

### Auditors

The Auditors, Ernst & Young, were appointed as auditors in accordance with section 160(6) of the companies Act 1963, and will continue in office in accordance with section 160(2) of that Act.

On behalf of the Board:

David Hammond

\_\_\_\_\_  
Director

Date: 23 April 2009

Heather Manners

\_\_\_\_\_  
Director

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Investment Manager's Report

2008 was a traumatic year for the world's equity markets. Lax credit policies finally came home to roost, the US housing market finally ran out of steam and crucially Western Central bank policy of fuelling countless asset bubbles was exposed. 10 years ago Prusik's founders were all labouring through what was then known as the Asian crisis. There was little or no support given to corporates, many went bust, Asian central banks were powerless to stimulate domestically and full scale capital flight spread all over Asia. We faced lectures from various money managers that the Hong Kong peg was doomed and Asia faced a lost decade. The downcycle was savage but market forces were allowed to prevail which in hindsight cleansed the region of excesses and left us with a far more robust corporate sector, high savings rates and a much more risk adverse mentality. All these factors still prevail in Asia 10 years on, savings rates are high, corporate debt not excessive and public finances in better shape, certainly than in the West. Perversely during the Asian crisis 10 years ago LTCM, a "hedge fund" got into difficulties due to a "long tail" or supposedly series of random events occurring. The Greenspan Fed pushed the oligopoly of investment banks into a room (these were the key lenders and investors to LTCM) worked out a compromise and injected liquidity provisions to ease the work out. We wonder whether the Western world would be in quite the mess it is now if market forces had been allowed to prevail with LTCM and its investor base as cleanly as they were allowed to sweep through Asia during the crisis. The economic collapse of Asia was not a random event and therefore ran its course, the financial contagion of the Western investment arena as a result, was deemed to be so and thus prevented. What followed was a ballooning of lenders proprietary risk which when it turned sour destroyed the lenders ability to lend. Welcome to 2009.

Asian indices fell over 50% during 2008. The Prusik Asian Smaller Companies Fund fell 23% and our strategy for the year can be characterised in three phases. During phase 1 we stuck with our favoured industries and companies this lasted the first two quarters – we reaped some gains in the face of dire markets but as we approached late summer we reduced exposure almost completely as market action became disorderly. Huge selling pressure from the leveraged investment industry rendered all traditional and normal investment tools redundant and was no more brutally felt than in the small company universe. Prusik's analysis showed many companies trading at undervalued levels in September yet in October share prices in many of these companies still halved. PE's fell from 5x to 2.5x, we stepped back almost completely. Phase 3 started in late November when we began to become more confident that we had seen selling exhausted and that the Chinese Government had to step into stimulate its economy to stave off any social unrest – as unemployment was beginning to balloon in the coastal manufacturing areas.

Prusik's favoured industries in the region already had a tilt towards Government spend and this is where we re-invested favouring power transmission & distribution, railway infrastructure roll out, healthcare reform in China, gold, rural and agricultural reform and nuclear power plant construction. Over 50% of the portfolio was re-invested.

The outlook for Asia in 2009 is not all gloom. We are already seeing pockets of data where the effects of the huge Chinese stimulus is emerging. The Chinese banking sector probably lent nearly half of what it lent last year in the first two months of 2009. China has little social security or unemployment provisioning so any downturn in confidence can have serious consequences. Serious civil unrest, which we are yet to see, would jeopardise the entire 20 year programme started by Deng Xiaoping to introduce a "market economy" in China. The stakes are high so the huge stimulus programme is understandable. Prusik forecast is that the Chinese economy will show patches of resilience which will mollify the manufacturing collapse but not offset it in 2009. It will be a difficult year for China but we do not foresee a Western style collapse. The Chinese financial system is in good health and the 'command' characteristics of the economy at least enable China to stimulate.

China cannot however stimulate forever and its fortunes are still tied into the global economy. We remain very nervous about the prospects for Western economies. Central banks have one blueprint we think and that is what happened and what went wrong in Japan. Noted economists always criticised the Bank of Japan for not pursuing what are termed "quantitative" policies aggressively enough. It is clear that the Federal Reserve intends to use this policy – no one really knows what the consequences will be – Prusik believe much higher inflation – a negative, and in the shorter term perhaps higher liquidity – which may chase reasonable investment opportunities which we would say are predominantly in Asia – a positive.

Meanwhile our investment process continues to pick out industries which are still growing in the face of the global slump. We think when more rationality returns to the equity markets this should stand us in good stead. This we think is likely to lead to, at some point, a dramatic re-rating of smaller companies which are still heavily over sold. We hope that this will lead to a quick reversal in the fund's fortunes in 2009 and are already building positions up in some extremely undervalued investments.

We would like to thank all our investors for their support in 2008 which was a difficult year for all.

**Prusik Investment Management LLP**

10 March 2009

# Prusik Asian Smaller Companies Fund Plc

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## Report of the Custodian

### To the Shareholders of Prusik Asian Smaller Companies Fund Plc

We have enquired into the conduct of the Prusik Asian Smaller Companies Fund Plc (“the Company”) for the period ended 31 December 2008, in our capacity as Custodian to the Investment Company.

This report, including the opinion, has been prepared for and solely for the shareholders in the Company as a body, in accordance with the Financial Regulator’s Undertakings for Collective Investment in Transferable Securities (“UCITS”) Notice 4 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

### Responsibilities of the Custodian

Our duties and responsibilities are outlined in the Financial Regulator’s UCITS Notice 4. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period in accordance with the provisions of the Company’s Memorandum and Articles of Association and the UCITS Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

### Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in UCITS Notice 4 and to ensure that, in all material respects, the Company has been managed:

- (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and
- (ii) otherwise in accordance with the Company’s constitutional documentation and the appropriate regulations.

### Opinion

In our opinion, the Company has been managed during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company and the Custodian by the Memorandum & Articles of Association and by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (“the Regulations”) and
- (ii) otherwise in accordance with the provisions of the Memorandum & Articles of Association and the Regulations.

For and on Behalf of  
Brown Brothers Harriman Trustee Services (Ireland) Limited  
Date: 23 April 2009

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## **Independent Auditors' Report to the Members of Prusik Smaller Companies Fund Plc**

We have audited the financial statements of Prusik Smaller Companies Fund Plc (the “Company”) for the period from 11 January 2008 (date of incorporation) to 31 December 2008 which comprise Balance Sheet, Income Statement, and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditors**

The Directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland, as set out in the Statement of Directors' Responsibilities.

The Directors are also responsible for preparing a Schedule of Investments in accordance with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended) Notices (the “UCITS Notices”) issued by the Irish Financial Services Regulatory Authority (the “Financial Regulator”).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act, 1963 to 2006 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended). We also report to you our opinion as to whether proper books of account have been kept by the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Schedule of Investments has been prepared in accordance with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended) Notices (the “UCITS Notices”) issued by the Irish Financial Services Regulatory Authority (the “Financial Regulator”) and we report if it does not.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises of Background to the Company, the Directors' Report, the Investment Manager's Report and the Report of the Custodian. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## **Independent Auditors' Report to the Members of Prusik Smaller Companies Fund Plc (continued)**

### **Basis of audit opinion (continued)**

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

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Company as at 31 December 2008 and of its loss for the period then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2006, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended).

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young  
Chartered Accountants and Registered Auditors

23 April 2009

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## BALANCE SHEET

	Note	As at 31 December 2008 USD
<b>Current Assets:</b>		
Financial Assets, at cost		6,191,666
Financial Assets, at fair value through profit or loss		6,360,513
Cash	5	7,544,010
Dividends and Interest receivable		59
Other Assets		46,221
<b>Total Assets:</b>		<u>13,950,803</u>
<b>Liabilities (amounts falling due within one year):</b>		
Financial Liabilities at fair value through profit or loss		56,966
Payable for Investments purchased		413,739
Accrued Expenses:		
Investment Management Fees	4	21,830
Administration Fees	4	6,720
Custody Fees	4	8,824
Audit Fees		31,003
Directors' Fees	4	1,278
Other Fees		29,876
<b>Liabilities (excluding Net assets attributable to holders of redeemable participating shares)</b>		<u>570,236</u>
<b>Net assets attributable to holders of redeemable participating shares</b>		<u>13,380,567</u>
<b>Class A Dollar Non-Distributing Class</b>		
Net Assets		USD 12,234,604
Outstanding redeemable participating shares		156,878
Net Asset Value per share		USD 77.99
<b>Class B Dollar Distributing Class</b>		
Net Assets		USD 652,837
Outstanding redeemable participating shares		8,371
Net Asset Value per share		USD 77.99
<b>Class C Sterling Distributing Class</b>		
Net Assets		GBP 339,147
Outstanding redeemable participating shares		8,131
Net Asset Value per share		GBP 41.71

David Hammond

Heather Manners

Director

Director

Date: 23 April 2009

The accompanying notes form an integral part of these financial statements.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

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## INCOME STATEMENT

For the period from 11 January 2008 (date of incorporation) to  
31 December 2008

	Note	31 December 2008 USD
<b>Investment Income:</b>		
Dividend Income	2	110,033
Withholding Tax		(10,432)
Interest Income		54,245
Net realised loss on Financial Assets and Liabilities at fair value through profit or loss		(2,963,040)
Movement in net unrealised loss on Financial Assets and Liabilities at fair value through profit or loss		(160,502)
Total Loss		<u>(2,969,696)</u>
<b>Expenses:</b>		
Investment Management Fees	4	185,152
Administration Fees	4	43,449
Custody Fees	4	43,560
Audit Fees		31,003
Directors' Fees	4	20,482
Legal Fees		24,776
Printing Fees		2,085
Redemption Fees		2,395
Registration Fees		2,594
Miscellaneous Fees		44,108
Transaction Costs		381,707
Total Expenses		<u>781,311</u>
<b>Net Loss</b>		<u>(3,751,007)</u>

David Hammond

Director

Date: 23 April 2009

Heather Manners

Director

Gains and losses arise solely from continuing operations. There were no gains or losses other than those reflected above.

The accompanying notes form an integral part of these financial statements.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

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## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

For the period from 11 January 2008 (date of incorporation) to 31 December 2008

	Note	31 December 2008 USD
Net Loss		(3,751,007)
<b>Capital Share Transactions of redeemable participating shares:</b>		
Proceeds from issuance of redeemable participating shares	3	17,417,772
Payments on redemption of redeemable participating shares	3	<u>(286,198)</u>
Net increase from capital shares transactions of redeemable participating shares		<u>17,131,574</u>
Net increase in Net assets attributable to holders of redeemable participating shares		13,380,567
Net assets attributable to holders of redeemable participating shares at the beginning of the period		-
<b>Net assets attributable to holders of redeemable participating shares at the end of the period</b>		<u><b>13,380,567</b></u>

The accompanying notes form an integral part of these financial statements.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements

### 1. THE COMPANY

Prusik Asian Smaller Companies Fund Plc (the “Company”) is a public limited liability investment company with variable capital, incorporated on 11 January 2008 in Ireland pursuant to the Companies Acts, 1963 to 2006 and authorised by the Financial Regulator (the “Financial Regulator”), as an investment company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended (“UCITS Regulations”).

The Company commenced trading on 8 February 2008. Shares are available to investors in the Company as shares in Class A Dollar Non-Distributing Class, Class B Dollar Distributing Class and Class C Sterling Distributing Class. Class A Dollar Non-Distributing Class and Class B Dollar Distributing Class commenced trading on 8 February 2008. Class C Sterling Distributing Class commenced trading on 25 April 2008. Further classes of shares may be issued on advance notification to the Financial Regulator.

The investment objective of the Company is to engineer capital growth primarily by investing in companies operating in the Asian and Australasian region.

### 2. ACCOUNTING POLICIES

The significant accounting policies and estimation techniques adopted by the Company are as follows:

#### BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2006 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board (“ASB”).

The format and certain wordings of the financial statements have been adapted from those contained in the Companies (Amendment) Act, 1986 and FRS 3 “Reporting Financial Performance” so that, in the opinion of the Directors, they may more appropriately reflect the nature of the Company’s business as an investment fund. The Company has availed of the exemption available to open-ended investment funds under FRS 1 not to prepare a cash flow statement.

#### FINANCIAL INSTRUMENT MEASUREMENT

##### (i) *Classification*

In accordance with FRS26 “Financial Instruments: Recognition and Measurement”, the Company designated all its assets and liabilities as Financial Assets and Liabilities at fair value through profit or loss. The category of Financial Assets and Liabilities at fair value through profit or loss is further subdivided into:-

##### *Financial assets and liabilities held for trading*

These include equities held by the Company. These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price. All the Company’s assets and liabilities are held for the purpose of being traded or are expected to be realised within one year

##### *Financial instruments designated as at fair value through profit or loss upon initial recognition*

These include Financial Assets or Liabilities that are not held for trading. These financial instruments are designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis in accordance with the risk management and/or investment strategy as set out in the Company’s Prospectus. There were no such financial instruments designated as at fair value through profit or loss upon initial recognition held by the Company.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 2. ACCOUNTING POLICIES (continued)

#### FINANCIAL INSTRUMENT MEASUREMENT (continued)

##### *(ii) Initial Measurement*

Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the FIFO ("first in first out") method. Financial instruments categorised at fair value through profit or loss are measured initially at fair value, with transaction costs for such instruments being recognised directly in the Income Statement.

##### *(iii) Subsequent measurement*

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Securities which are quoted, listed or traded on a Recognised Exchange will be valued at last bid prices at the valuation point.

If a quoted market price is not available on a recognised stock exchange or from a broker/counterparty, the fair value of the financial instruments may be estimated by the directors using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

#### *Cash and Other Liquid Assets*

Cash comprises current deposits with banks. Cash and other liquid assets will be valued at their face value with accrued interest on interest bearing accounts as at the close of business on each valuation date.

#### *Derivative Instruments*

Derivative instruments traded on a regulated market shall be valued at the settlement price as determined by the market. If the settlement price is not available, the value shall be the probable realisation value estimated with care and in good faith by (i) the Directors or the Investment Manager or (ii) a competent person, firm or corporation selected by the Directors and approved for the purpose by the Custodian or (iii) any other means provided that the value is approved by a competent person (such competent person having been approved for the purpose by the Custodian). Derivative contracts which are not traded on a regulated market including without limitation swap contracts will be valued on the basis of a quotation provided daily by the relevant counterparty and verified or approved at least weekly by a party independent of the counterparty, including the Investment Manager, or another independent party which is approved for such purpose by the Custodian. Apart from forward foreign exchange contracts as at 31 December 2008 the Company did not hold any derivative instruments.

#### *Forward Foreign Exchange Contracts*

Forward foreign exchange contracts shall be valued in the same manner as derivatives contracts which are not traded in a regulated market or by reference to the price at the Valuation Point at which a new forward contract of the same size and maturity could be undertaken. The forward foreign exchange contracts held by the Company as at 31 December 2008 are included in the Portfolio of Investments.

#### *Collective Investment Schemes*

Units in collective investment schemes shall be valued at the latest available net asset value per unit or bid price as published by the relevant collective investment scheme or, if listed or traded on a Recognised Exchange, in accordance with listed securities above. As at 31 December 2008 the Company did not hold any units in collective investment schemes.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 2. ACCOUNTING POLICIES (continued)

#### INVESTMENT TRANSACTIONS AND INVESTMENT INCOME

Investment transactions are accounted for as at the date purchased or sold. Gains and losses arising from changes in the fair value of the Financial Assets at fair value through profit or loss are included in the Income Statement in the period which they arise. Dividends are credited to the Income Statement on the dates on which the relevant securities are listed as “ex-dividend”. Interest income is accrued on a daily basis. Income is shown gross of non-recoverable withholding tax.

#### DISTRIBUTIONS PAYABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

The Directors propose to distribute at least 85 per cent of the net investment income of the Class B Dollar Distributing Class and the Class C Sterling Distributing Class of the Company and intend that the Company will apply to the HM Revenue & Customs in the UK for Distributor Status, for the period ended 31 December 2008. In the event that a dividend is paid it will be paid out of the net investment income and/or net realised and unrealised capital gains (i.e. realised and unrealised gains net of realised and unrealised losses) of the Company. It is currently anticipated that a dividend will be declared in April of each year, and will be paid within four months of declaration. However, the Directors may at their discretion determine the frequency at which a dividend is paid. Shareholders will be notified of any change in the frequency of the payment of dividends. Distributions to holders of redeemable participating shares are recorded in the Income Statement as Finance Costs when paid. As at 31 December 2008 no distributions were paid or payable from the Company.

#### FOREIGN EXCHANGE TRANSLATION

##### *Functional and Presentation Currency*

Items included in the Company’s financial statements are measured using the currency of its primary assets and the currency in which shareholder transactions take place (the “functional currency”). This is U.S. Dollars. The Company’s reporting currency is U.S. Dollars.

##### *Transactions and Balances*

Assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the Balance Sheet date. Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the dates of the transactions. Gains and losses on foreign exchange transactions are recognised in the Income Statement in determining the result for the period.

#### EXPENSES

All expenses, including Investment Management fees and Performance fees, are recognised in the Income Statement on an accrual basis.

#### TRANSACTION COSTS

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. During the period ending 31 December 2008 the transaction costs amounted to US\$381,707.

### 3. SHARE CAPITAL

#### AUTHORISED

The authorised capital of the Company is EURO 300,000 divided into 300,000 Non-Participating Shares of no par value and 500 Billion redeemable participating shares of no par value.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 3. SHARE CAPITAL (continued)

#### NON-PARTICIPATING SHARES

There are currently 300,000 non-participating shares in issue. Prusik Investment Management LLP (the “Investment Manager”) and Edward Buckley (partner of the Investment Manager) hold 299,999 and 1 non-participating shares, respectively, in the Company. The non-participating shares do not form part of the net asset value of the Company and are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company’s business as an investment fund.

#### REDEEMABLE PARTICIPATING SHARES

The net assets attributable to holders of redeemable participating shares are at all times equal to the net asset value of the Company. Redeemable participating shares (“shares”) are redeemable at the shareholder’s option and are classified as Financial Liabilities under FRS 25 “Financial Instruments: Disclosure and Presentation” as they can be redeemed at the option of the shareholder.

#### REDEEMABLE PARTICIPATING SHARE TRANSACTIONS

The movement in the number of redeemable participating shares for the period ended 31 December 2008 is as follows:

	<b>Class A Dollar Non-Distributing Class</b>		<b>Class B Dollar Distributing Class</b>	
	<b>Shares</b>	<b>USD</b>	<b>Shares</b>	<b>USD</b>
At the beginning of the period	-	-	-	-
Issued	158,896	15,713,000	9,473	948,381
Redeemed	(2,018)	(178,060)	(1,102)	(108,138)
At the end of the period	<u>156,878</u>	<u>15,534,940</u>	<u>8,371</u>	<u>840,243</u>

  

	<b>Class C Sterling Distributing Class</b>	
	<b>Shares</b>	<b>USD</b>
At the beginning of the period	-	-
Issued	8,131	756,391
Redeemed	-	-
At the end of the period	<u>8,131</u>	<u>756,391</u>

Application for redemption of participating shares may be submitted prior to 5.00pm Irish time two calendar days before any Dealing Day, (the “dealing deadline”) or such other time as the Board of Directors may determine, provided that the dealing deadline is no later than the Valuation point, at the net asset value per share based on last traded prices.

Holders of Participating Shares of Class B Dollar Distributing Class and Class C Sterling Distributing Class are entitled to receive all dividends declared and paid by the Company. Upon winding up, the holders are entitled to a return of capital based on the Net Asset Value per share of the Company.

### 4. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTION

#### INVESTMENT MANAGEMENT FEES

The Company has entered into the Investment Management Agreement with Prusik Investment Management LLP pursuant to which the Investment Manager manages the Company’s investments on a discretionary basis.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 4. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTION (continued)

#### INVESTMENT MANAGEMENT FEES (continued)

Each Share Class pays a management fee as below, subject to the terms and conditions of the Prospectus:

Class A Dollar Non-Distributing Class	1.50%
Class B Dollar Distributing Class	1.50%
Class C Sterling Distributing Class	1.50%

In addition, the Investment Manager shall be entitled to be reimbursed by the Company for its out-of-pocket expenses. Details of the Investment Management fees charged to the Company and payable at the end of the period are included in the Income Statement and Balance Sheet respectively.

#### PERFORMANCE FEE / EQUALISATION

The Investment Manager also receives a Performance Fee out of the assets of the Company. The Performance Fee is calculated in respect of each twelve month period ending on 31 December respectively in each year (a "Calculation Period"). For each Calculation Period, the Performance Fee in respect of each Share will be equal to 10% of the appreciation in the Net Asset Value per Share during that Calculation Period above the base Net Asset Value per Share. The base Net Asset Value per Share is the greater of the Net Asset Value per Share at the time of issue of that Share and the highest Net Asset Value per Share achieved as at the end of any previous Calculation Period (if any) during which such Share was in issue. The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fees.

Equalisation arises if shares are subscribed for at a time when the Net Asset Value per Share is greater than the Peak Net Asset Value per Share for performance fee calculation purposes, the investor will be required to pay an amount in excess of the then current Net Asset Value per Share equal to 10% of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Peak Net Asset Value per Share (an "Equalisation Credit").

The Investment Manager will not charge the Holders of Participating Shares of the Company a performance fee if the Net Asset Value does not appreciate by more than 6% over a calculation period.

For further details on the Performance Fee calculations and Equalisation Credits please refer to the Prospectus.

During the period ending 31 December 2008 there were no Performance or Equalisation Fees.

#### ADMINISTRATOR FEES

The Company pays to the Administrator Administration Fees of 0.05% of the Net Asset Value of the Company, together with VAT, if any of such fee. The Administrator's fees shall be accrued at each Valuation Point and shall be payable monthly in arrears, subject to a monthly minimum charge of US\$8,333. Minimum fees were waived 66% for the first 6 months after launch and 33% for the second 6 months after launch. Details of the Administrator fees charged to the Company and payable at the end of the period are included in the Income Statement and Balance Sheet, respectively.

The Administrator shall also be entitled to be repaid out of the assets of the Company all of its reasonable out-of-pocket expenses incurred on behalf of the Company which shall include legal fees, couriers' fees and telecommunication costs and expenses together with VAT, if any, thereon.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 4. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS (continued)

#### CUSTODIAN FEES

The Company will pay Brown Brothers Harriman Trustee Services (Ireland) Limited, (the "Custodian") a trustee fee of 0.02% of the Net Asset Value of the Company. The Custodian will also receive a custody fee ranging from 0.0075% to 0.60% calculated by reference to the market value of the investments that the Company may make in each relevant market. The Custodian fees are payable monthly in arrears, subject to a minimum charge of USD12,000 per annum. Details of the Custodian fees charged to the Company and payable at the end of the period are included in the Income Statement and Balance Sheet, respectively.

#### RELATED PARTIES

#### DIRECTORS

Heather Manners is Chief Investment Officer of the Investment Manager. Details of the Investment Management fees and Performance fees charged to the Company and payable at the end of the year are included in the Income Statement and Balance Sheet respectively. David Hammond was during the period a partner in the law firm of Dillon Eustace which earned fees of USD 12,923 for the period and is a director of Bridge Consulting, which earned fees of USD 16,076 for the period, a financial services consultancy and business advisory firm.

The Directors of the Company shall be entitled to a fee in remuneration for their services at a rate determined by the Directors up to a maximum fee per Director of Euro 5,000 (plus VAT, if any) for the period. In addition the Directors may be entitled to special remuneration if called upon to perform any special or extra services to the Company. All Directors will be entitled to reimbursement by the Company of expenses properly incurred in connection with the business of the Company or the discharge of their duties. Details of the Directors fees charged to the Company and payable at the end of period are included in the Income Statement and Balance Sheet, respectively.

All transactions which the Company has entered into with related parties, Directors of the Company or any party in which a Director has a material interest has been made in the ordinary course of business and on normal commercial terms.

#### DIRECTORS & RELATED PARTIES INTERESTS

The following Directors held shares in the Company as at 31 December 2008

<b>Prusik Smaller Companies Fund</b>	<b>Shares</b>	<b>Class</b>
Richard Hayes	764	Class A Dollar Non-Distributing Class
Heather Manners	3,069	Class B Dollar Distributing Class

### 5. CASH AT BANK

All cash balances were held under the control of the Custodian for the period ended 31 December 2008.

### 6. TAXATION

The Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997 (as amended). It is not chargeable to Irish tax on its income and gains.

Tax may arise on the happening of a chargeable event. A chargeable event includes any distribution payments to shareholders or any encashment, redemption or transfer of Shares. No tax will arise on the Company in respect of chargeable events in respect of:

- a shareholder who is not Irish resident and not ordinarily resident in Ireland at the time of the chargeable event, provided the necessary signed statutory declarations are held by the Company; and
- Certain exempted Irish resident investors who have provided the Company with the necessary signed statutory declarations.

Dividend income and interest received by the Company may be subject to non-recoverable withholding tax in the countries of origin.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 6. TAXATION (Continued)

Following legislative changes in the Finance Act 2006, the holding of shares at the end of a Relevant Period will, in respect of Irish Resident investors, also constitute a chargeable event. To the extent that any tax issues arise on such a chargeable event, such tax will be allowed as a credit against any tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant Shares.

Relevant Period is defined as a period of eight years beginning with the acquisition of a Share by a shareholder and each subsequent period of eight years beginning immediately after the preceding relevant period.

### 7. SOFT COMMISSION ARRANGEMENTS

The Investment Manager may effect transactions by or through the agency of another person with whom the Investment Manager has an arrangement under which that party will, from time to time, provide to or procure for the Investment Manager goods, services or other benefits such as research and advisory services, specialised computer hardware or software. No direct payment may be made for such goods or services but the Investment Manager may undertake to place business with that person provided that person has agreed to provide best execution with respect to such business and the services provided must be of a type which assists in the provision of investment services to the Company.

During the period ending 31 December 2008 there were no soft commission transactions.

### 8. EFFICIENT PORTFOLIO MANAGEMENT

The Company may employ techniques and instruments relating to transferable securities and money market instruments, for the purposes of efficient portfolio management including but not limited to futures, options, swaps, warrants, and forward currency contracts. Such techniques and instruments may include foreign exchange transactions which alter the currency characteristics of transferable securities held by the Company. The Company may also employ techniques and instruments intended to provide protection against exchange risk in the context of the management of its assets and liabilities. As at 31 December 2008 the Company did not hold any such instruments for the purposes of efficient portfolio management, apart from forward currency contracts held with the Custodian.

### 9. EXCHANGE RATES

The functional and reporting currency of the Company is U.S. Dollars. The Company prepares its valuation in U.S. Dollars.

The following exchange rates have been used to translate assets and liabilities in currencies other than U.S. Dollar as at:

<b>31 December 2008</b>	For USD 1.00
Australian Dollar	1.4449
Great British Pound	0.6878
Hong Kong Dollar	7.7500
Singapore Dollar	1.4441
Taiwan Dollar	32.820

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 10. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the investment objectives set out in the Prospectus, the Company may hold a number of financial instruments. These comprise:

- Equity securities, convertible bonds, depository receipts, warrants plus other securities such as investment grade fixed or floating rate bonds, and preference shares, issued by corporate and governmental issuers. These are held in accordance with the Company's investment objectives and policies;
- Cash, liquid resources and short-term debtors and creditors that arise directly from operations;
- Shareholders' funds which represent investors' monies which are invested on their behalf; and
- Derivative transactions, (primarily forward foreign currency contracts), the purpose of which is to manage the currency and market risks arising from the Company's investment activities.

The positions held by the Company at the period end are disclosed in the Portfolio of Investments.

### 11. RISK MANAGEMENT

In accordance with FRS29, this note details the way in which the Company manages risks associated with the use of financial instruments. Day-to-day risk management of the Company is undertaken by the Investment Manager. Investment in the Company carries with it a degree of risk including, but not limited to, the risks referred to below.

As defined by FRS29, risk can be separated into the following components: market risk, credit risk and liquidity risk. Each type of risk is discussed in turn and qualitative and quantitative analyses are provided where relevant to give the reader an understanding of the risk management methods used by the Investment Manager and Board of Directors.

#### **Market Risk**

This risk comprises of three main types of risk, Market Price Risk, Currency Risk and Interest Rate Risk.

#### *Market Price Risk*

The investments of the Company are subject to normal market fluctuations and the risks inherent in investment in various securities markets and there can be no assurances that appreciation will occur. Stock markets can be volatile and stock prices can change substantially.

The Company invests in equity securities of companies in emerging markets. Such securities involve a high degree of risk and may be considered speculative. Risks include (i) greater risk of expropriation, confiscatory taxation, nationalisation, and social, political and economic instability; (ii) the small current size of the markets for securities of emerging markets issuers and the currently low or non-existent volume of trading, resulting in lack of liquidity and in price volatility, (iii) certain national policies which may restrict the Company's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; and (iv) the absence of developed legal structures governing private or foreign investment and private property.

#### *Currency Risk*

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The net asset values per share of the Company are computed in U.S. Dollars whereas the investments of the Company may be acquired, valued and disposed of in other currencies. The U.S. Dollar value of the investments of the Company designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currency.

#### *Interest Rate Risk*

This risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The value of investments in interest rate bearing securities may be subject to price volatility due to changes in interest rates. An increase in interest rates will generally reduce the value of debt securities that are issued and outstanding, while a decline in interest rates will generally increase the value of debt securities that are issued and outstanding.

The Company has no exposure to Interest Rate Risk as at 31 December 2008.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 11. RISK MANAGEMENT (continued)

#### Credit Risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

#### Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily cash redemptions of redeemable participating shares. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Company's listed securities are considered readily realisable as they are listed on the stock exchange or dealt in on another regulated market. Some of the Recognised Exchanges in which the Company may invest may be less well regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which the Company may liquidate positions to meet redemption requests or other funding requirements

#### Risk Management Process

The Company's investment objective is to engineer capital growth primarily by investing in companies operating in the Asian region including Australia, New Zealand, Hong Kong, Taiwan, South Korea, China, India, Sri Lanka, Pakistan, Thailand, Indonesia, Malaysia, Singapore and the Philippines. The Company's objective is to focus principally on select investments in fundamentally sound businesses which the Investment Manager believes can be acquired at an attractive discount to their intrinsic value. The Company generally seeks to invest, on average, in companies which have a price to book value ratio and a price/earnings ratio below the level prevailing in the market of that sector. The Company also seeks companies which the Investment Manager believes will achieve a rising return to Shareholders over the foreseeable future. The Company pursues its investment objective primarily by taking long positions in publicly traded common stocks and other equity securities of Asian issuers.

#### Market Risk

The Investment Manager adopts a bottom up, stock selection approach when constructing the portfolio. The Investment Manager selects stocks on Asian issuers which they believe have an attractive discount to their intrinsic value.

The table below compares the annualised volatility of the Company to a number of indices for the markets to which the Company has exposure during the period ended 31 December 2008.

	31 December 2008
	%
Prusik Asian Smaller Companies Fund	15.18
MSCI AC Asia Pacific	44.36
MSCI AC Asia Pacific Ex-Japan	42.38
MSCI Taiwan	32.52
MSCI India	41.47
MSCI Korea	37.11
MSCI Singapore	33.17
MSCI Australia	31.14
MSCI Hong Kong	47.69
MSCI Indonesia	37.31
MSCI Malaysia	21.14
MSCI Pakistan	26.66
MSCI Philippines	33.22
MSCI Thailand	31.60
MSCI New Zealand	18.80
MSCI Japan	38.39

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 11. RISK MANAGEMENT (continued)

#### Market Risk (continued)

The following table lists exchange exposure, reasonably possible market movements and their impact to the Company. This exposure can result in an equal percentage decrease.

As at 31 December 2008

Exchange	Exchange Exposure USD	Reasonable % Movement in Exchange	Impact on Profit or Loss and Equity USD
ASX	874,312	31.14	272,261
China/Hong Kong	3,938,005	47.69	1,878,035
Singapore	1,548,196	33.17	513,537
<b>Total</b>	<b>6,360,513</b>		<b>2,663,833</b>

<b>Net Assets Attributable to Holders of Redeemable Participating Shares</b>	<b>13,380,567</b>
<b>% Impact of reasonable movement in exchange</b>	<b>19.91</b>

Percentage movements are based on expected movements of the relevant indices. Observation that in practice, the actual trading results may differ from the sensitivity analysis above and the differences could be material.

Details of the Company's financial assets at fair value through profit or loss concentrated by geographical and industrial distribution are included in the Portfolio of Investments.

#### Currency Risk

Assets of the Company may be denominated in a currency other than the base currency of the Company and changes in the exchange rate between the base currency and the currency of the asset may lead to a depreciation of the value of the Company's assets as expressed in the base currency.

The Investment Manager does not hedge the potential foreign currency risk at an investment level as they believe that currency risk is inherent in the market price of the investment and that over time, in the long term perspective, the investments will even out respective to currency fluctuations.

The following sets out the total exposure to currencies other than the U.S. Dollar, possible currency movements over the course of a year and the impact of a movement of the size indicated on the net assets of the Company based on the currency exposure as at 31 December 2008

Currency	Amount in USD	Hedging USD	Net Exposure USD	Reasonable % movement in Currency	Impact to Profit and Loss and Equity USD
Australian Dollar	1,812,341	-	1,812,341	24.25	439,493
Great British Pound	508,368	403,034	911,402	12.83	116,933
Hong Kong Dollar	3,754,501	-	3,754,501	0.76	28,534
Singapore Dollar	2,715,165	-	2,715,165	7.08	192,234
Taiwan Dollar	3,588,552	-	3,588,552	4.76	170,815
<b>Total</b>	<b>12,378,927</b>		<b>12,781,961</b>		<b>948,009</b>
<b>Net Assets Attributable to Holders of Redeemable Participating Shares</b>					<b>13,380,567</b>
<b>% Impact of reasonable movement in exchange</b>					<b>7.08</b>

Observation that in practice, the actual trading results may differ from the sensitivity analysis above and the differences could be material.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 11. RISK MANAGEMENT (continued)

#### Interest Rate Risk

The Company invests in equity securities and has limited or no exposure to Interest Rate Risk.

#### Credit Risk

The Company invests in equity securities and has limited or no exposure to Credit Rate Risk. All financial assets and financial liabilities at fair value through profit or loss are held with the Custodian. All unsettled trades at period end have subsequently settled with the Custodian. Details of the Company's financial assets and financial liabilities at fair value through profit or loss are included in the Portfolio of Investments.

#### Liquidity Risk

The Company manages its liquidity risk by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of. All of the Company's securities are exchanged in Regulated Markets. The Company has the ability to borrow in the short term to ensure settlement of potential daily cash redemptions of redeemable participating shares. No such borrowings have arisen during the period ending 31 December 2008.

The maturity profiles of the Company's Financial Liabilities as of 31 December 2008 are as follows:

<b>Liabilities</b>	<b>Due on Demand</b>	<b>Due within 3 months</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Financial Liabilities at fair value through profit or loss	-	56,966	56,966
Investments Payable	413,739	-	413,739
Other Payables	-	99,531	99,531
Redeemable Shares	13,380,567	-	13,380,567
<b>Total Liabilities</b>	<b>13,794,306</b>	<b>156,497</b>	<b>13,950,803</b>

### 12. NET ASSET COMPARISON

In accordance with the provisions of the Company's Prospectus, marketable investment securities are valued at last traded prices at the valuation point. Marketable investment securities for financial statement purposes are required by FRS 26 to be valued based on last bid prices at the valuation point. The difference between the two valuations methods may result in a difference between the NAV per share shown the financial statements and the NAV per share at which redeemable participating shares are issued and redeemed.

As at 31 December 2008 the difference between the NAV required by FRS 26 and the NAV at which redeemable shares are issued and redeemed is detailed in the table below.

#### Net Asset Value reconciliation

	<b>31 December 2008</b>
	<b>USD</b>
Valuation in accordance with Prospectus	13,444,488
Adjustment for bid and offer pricing	(63,921)
Valuation in accordance with FRS26	<u>13,380,567</u>

#### Dealing NAV analysis

		<b>As at 31 December 2008</b>		
		<b>Net Assets</b>		<b>NAV per Share</b>
Class A Dollar Non-Distributing Class	USD	12,293,051	USD	78.36
Class B Dollar Distributing Class	USD	655,956	USD	78.36
Class C Sterling Distributing Class	GBP	340,768	GBP	41.91

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Notes to the Financial Statements (continued)

### 13. PORTFOLIO ANALYSIS

As at 31 December 2008

	<b>Market Value USD</b>	<b>% of Net Asset Value</b>
Transferable securities admitted to an official exchange listing	5,486,201	41.01
Transferable securities dealt on another regulated market	874,312	6.53
Financial derivative instruments (Forward Contracts)	(56,966)	(0.43)
<b>Total Financial Assets at fair value through profit or loss</b>	<b><u>6,303,547</u></b>	<b><u>47.11</u></b>

### 14. SUBSEQUENT EVENTS

There were no material post balance sheet events.

### 15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Directors on 23 April 2009.

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Portfolio of Investments (unaudited)

<b>Common Stocks</b> <b>Financial Assets at fair value through profit or loss</b>	<b>Shares</b>	<b>Value USD</b>	<b>Percent of Net Assets</b>
<b>Australia</b>			
<b>Basic Materials</b>			
Lynas Corp Ltd.	2,000,000	387,583	2.90
Sino Gold Mining Ltd.	145,000	486,729	3.64
<b>Total Australia</b>		<b>874,312</b>	<b>6.54</b>
<b>China/Hong Kong</b>			
<b>Basic Materials</b>			
Zhaojin Mining Industry Co., Ltd.	590,000	456,774	3.41
<b>Consumer, Cyclical</b>			
China Hongxing Sports Ltd.	3,200,000	409,944	3.06
<b>Consumer, Non-cyclical</b>			
Chaoda Modern Agriculture Holdings Ltd.	370,800	236,834	1.77
China Green Holdings Ltd.	612,000	481,703	3.60
Mingyuan Medicare Development Co., Ltd.	6,010,000	348,968	2.61
		1,067,505	7.98
<b>Financial</b>			
China Everbright International Ltd.	2,578,000	472,356	3.53
Rexcapital Financial Holdings Ltd.	12,000,000	288,000	2.15
		760,356	5.68
<b>Industrial</b>			
China Automation Group Ltd.	1,124,000	234,952	1.76
Wasion Group Holdings Ltd.	2,320,000	508,903	3.81
Zhuzhou CSR Times Electric Co., Ltd.	588,000	472,676	3.53
		1,216,531	9.10
<b>Utilities</b>			
Huadian Power International Co.	1,850,000	436,839	3.26
<b>Total China/Hong Kong</b>		<b>4,347,949</b>	<b>32.49</b>
<b>Singapore</b>			
<b>Basic Materials</b>			
Midas Holdings Ltd.	1,057,000	351,333	2.63
<b>Communications</b>			
Global Voice Group Ltd.	4,643,000	32,152	0.24

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Portfolio of Investments (unaudited) (continued)

	Shares	Value USD	Percent of Net Assets				
<b>Common Stocks (continued)</b>							
<b>Singapore (continued)</b>							
<b>Consumer, Non-cyclical</b>							
Raffles Medical Group Ltd.	680,000	320,199	2.39				
<b>Industrial</b>							
Sino-Environment Technology Group Ltd.	980,000	403,781	3.02				
<b>Total Singapore</b>		<b>1,107,465</b>	<b>8.28</b>				
<b>Virgin Islands</b>							
<b>Consumer, Non-cyclical</b>							
Del Monte Pacific Ltd.	114,000	30,787	0.23				
<b>Total Virgin Islands</b>		<b>30,787</b>	<b>0.23</b>				
<b>Total Commons Stocks (Cost USD 6,191,666)</b>		<b>6,360,513</b>	<b>47.54</b>				
<b>Total Financial Assets at fair value through profit or loss (Cost USD 6,191,666)</b>		<b>6,360,513</b>	<b>47.54</b>				
<b>Financial Liabilities at fair value through profit or loss</b>							
<b>Forward Currency Contracts Open as of 31 December 2008</b>							
<b>Currency Purchased</b>	<b>Principal Amount</b>	<b>Currency Sold</b>	<b>Currency Market Value USD</b>	<b>Aggregate Face Value USD</b>	<b>Settle Date</b>	<b>Unrealized Loss USD</b>	<b>Percent of Net Assets</b>
GBP	277,443	USD	403,034	460,000	02-Feb-09	(56,966)	(0.43)
	277,443		403,034	460,000		(56,966)	(0.43)
<b>Total Financial Liabilities at fair value through profit or loss</b>						<b>(56,966)</b>	<b>(0.43)</b>
<b>Other assets in excess of liabilities</b>						<b>7,077,020</b>	<b>52.89</b>
<b>Net assets attributable to holders of redeemable participating</b>						<b>13,380,567</b>	<b>100.00</b>

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Statements of Changes in Composition of Portfolio (unaudited)

<b>Major Purchases for the period ended 31 December 2008</b>	<b>Shares or Principal Amount or Par</b>	<b>Cost USD</b>
Sino Gold Mining Ltd.	361,400	1,070,605
Chaoda Modern Agriculture Holdings Ltd.	1,134,000	889,845
Sino-Environment Technology Group Ltd.	1,245,000	705,857
Wasion Group Holdings Ltd.	2,422,000	685,577
Huaku Development Co., Ltd.	308,000	671,760
Goldsun Development & Construction Co., Ltd.	998,000	635,746
Lynas Corp Ltd.	2,250,000	603,623
China Green Holdings Ltd.	798,000	575,869
China Everbright International Ltd.	3,728,000	558,487
Midas Holdings Ltd.	1,941,000	539,147
Ambassador Hotel/The	341,000	539,064
Sumalindo Lestari Jaya Tbk PT	2,137,500	537,218
Polaris Securities Co., Ltd.	873,000	532,466
Sanyo Electric Taiwan Co., Ltd.	430,000	531,268
Chroma ATE, Inc.	281,000	527,255
Texwinca Holdings Ltd.	550,000	464,617
Zhuzhou CSR Times Electric Co., Ltd.	588,000	458,546
Zhaojin Mining Industry Co., Ltd.	987,000	455,350
Kinsteel Bhd	1,000,000	453,735
China Hongxing Sports Ltd.	3,200,000	410,994
Mingyuan Medicare Development Co., Ltd.	6,010,000	410,089
Huadian Power International Co.	1,850,000	401,547
Gujarat NRE Coke Ltd.	95,000	401,155
Ta Ann Holdings Bhd	183,000	390,722
WTK Holdings BHD	520,000	381,891
Ju Teng International Holdings Ltd.	962,000	373,027
PrimeAg Australia Ltd.	200,000	366,938
Del Monte Pacific Ltd.	708,000	352,399
ENE Technology, Inc.	106,000	335,495
Panoramic Resources Ltd.	70,000	323,321
Industrea Ltd.	660,000	315,715
Samling Global Ltd.	1,654,000	313,687
Rexcapital Financial Holdings Ltd.	12,000,000	312,239
Tang Eng Iron Works Co., Ltd.	200,000	312,055
Xiwang Sugar Holdings Co., Ltd.	680,000	309,161
Sydney Gas Ltd.	1,210,949	308,722
Tung Ho Steel Enterprise Corp.	156,000	306,719
Asia Environment Holdings Ltd.	850,000	304,835
CDL Hospitality Trusts	200,000	304,142
Bisi International PT	640,000	303,443
Global Voice Group Ltd.	4,643,000	301,528
China Farm Equipment Ltd.	886,000	300,734
Sunlink International Holdings Ltd.	2,800,000	298,784
Raffles Medical Group Ltd.	680,000	292,692
Highwealth Construction Corp.	262,000	280,999
Dah Sing Financial Holdings Ltd.	38,000	258,209
Shihlin Electric & Engineering Corp.	180,000	255,692
Chia Hsin Cement Corp.	280,000	253,567
Duta Graha Indah Tbk PT	12,500,000	248,507
Jaya Holdings Ltd.	250,000	247,978
Swiber Holdings Ltd.	130,000	234,430

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Statements of Changes in Composition of Portfolio (unaudited) (continued)

<b>Major Sales for the period ended 31 December 2008</b>	<b>Shares or Principal Amount or Par</b>	<b>Proceeds USD</b>
Ambassador Hotel/The	341,000	588,192
Sino Gold Mining Ltd.	216,400	585,591
Goldsun Development & Construction Co., Ltd.	998,000	573,222
Polaris Securities Co., Ltd.	873,000	554,491
Huaku Development Co., Ltd.	308,000	543,858
Sanyo Electric Taiwan Co., Ltd.	430,000	490,751
Sydney Gas Ltd.	1,210,949	482,837
Kinsteel Bhd	1,000,000	431,725
Chaoda Modern Agriculture Holdings Ltd.	788,000	429,319
Ju Teng International Holdings Ltd.	962,000	399,038
Chroma ATE, Inc.	286,390	374,807
Highwealth Construction Corp.	262,000	373,147
Texwinca Holdings Ltd.	550,000	368,979
Sumalindo Lestari Jaya Tbk PT	2,137,500	336,280
Gujarat NRE Coke Ltd.	95,000	316,020
Panoramic Resources Ltd.	70,000	304,936
CDL Hospitality Trusts	200,000	280,639
ENE Technology, Inc.	106,000	278,700
Zhaojin Mining Industry Co., Ltd.	397,000	267,400
Dah Sing Financial Holdings Ltd.	38,000	265,354
Xiwang Sugar Holdings Co., Ltd.	680,000	264,660
China Everbright International Ltd.	1,150,000	263,610
Bisi International PT	640,000	262,081
Ta Ann Holdings Bhd	183,000	260,790
Jaya Holdings Ltd.	250,000	255,744
WTK Holdings BHD	520,000	254,549
Midas Holdings Ltd.	884,000	254,285
PrimeAg Australia Ltd.	200,000	212,695
Tang Eng Iron Works Co., Ltd.	200,000	209,500
Del Monte Pacific Ltd.	594,000	204,054
Tung Ho Steel Enterprise Corp.	156,000	201,668
Asia Environment Holdings Ltd.	850,000	198,451
Chia Hsin Cement Corp.	280,000	195,484
Shihlin Electric & Engineering Corp.	180,000	190,358
Swiber Holdings Ltd.	130,000	188,459
Sunlink International Holdings Ltd.	2,800,000	186,594
Univanich Palm Oil PCL	85,000	183,660
Lion Diversified Holdings BHD	500,000	180,975
Duta Graha Indah Tbk PT	12,500,000	173,584
Industrea Ltd.	660,000	171,370
Khon Kaen Sugar Industry PCL	397,900	167,985
See Hup Seng Ltd.	725,000	166,129
Sino-Environment Technology Group Ltd.	265,000	162,092
Hannstar Board Corp.	160,000	155,705
Gold Circuit Electronics Ltd.	262,000	143,307

# Prusik Asian Smaller Companies Fund Plc

Annual Report and Audited Financial Statements

## Directors and Other Information

### BOARD OF DIRECTORS

David Hammond  
Heather Manners  
Richard Hayes

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