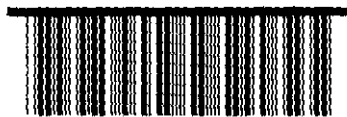


Gartmore Asia Pacific Trust PLC

Report and Accounts for the year to 31 March 2006

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The Company

Investment Objective

The Company seeks to generate capital growth from a concentrated portfolio of companies domiciled, operating or generating revenue in the Asia Pacific region, including Japan.

Owing to the concentration of investments the performance of the Company's investment portfolio may deviate significantly from the benchmark from time to time.

Investment Policy

The investment portfolio will comprise companies of any market capitalisation, regardless of sector or country weightings, which show potential for outstanding growth. A sizeable weighting in Japan will normally be maintained as it represents a significant proportion of the benchmark.

It is the Company's policy to invest no more than 15% of its gross assets in other listed investment companies (including investment trusts).

Benchmark Index

Performance is measured against the MSCI All Countries ("AC") Asia Pacific (cum Japan) Index (in sterling terms).

Shareholders' Funds (Net Assets)

£43,179,000 at 31 March 2006 (2005, restated: £28,125,000)

Market Capitalisation

£40,090,000 at 31 March 2006 (2005: £26,157,000)

Capital Structure

The Company is an investment trust whose share capital at 31 March 2006 comprised 16,686,767 Ordinary shares of 10p each.

Voting Rights

Ordinary shareholders are entitled on a poll at a general meeting to one vote in respect of each Ordinary share held.

Management Company

The Company's investments are managed by Gartmore Investment Limited under an agreement that provides for six months' notice of termination to be given by either party.

Management Fee

Calculated monthly in arrears at 0.0625% (0.75% per annum), of Total Assets less Current Liabilities other than borrowings for the purpose of investment (plus VAT). The Manager will rebate to the Company fees earned on investments in other investment vehicles managed by the Gartmore Group.

A performance related incentive fee is also in place. Details are given in the Report of the Directors on page 16.

Discount Management

Details of the Board's discount management policy is given in the Report of the Directors on page 15.

ISA Status

Maximum investment of £7,000 in an Individual Savings Account in 2006/2007 tax year and, subject to consultation, subsequent tax years up to 2009/2010.

PEP Status

The Company's Ordinary shares will continue to qualify for retention in Personal Equity Plans.

AITC

The Company is a member of The Association of Investment Trust Companies.

Registered Office

Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

Registered Number

3582911, England and Wales.

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Performance since
inception

Net Asset Value

Share Price

Discount

* The Gartmore Management agreement, incorporating the Company's revised investment policy, was signed 23 December 2003

Highlights

- Net Asset Value per Ordinary share increased by 53.5%, to 258.76p, over the year to 31 March 2006, compared with an increase of 42.8% in the MSCI AC Asia Pacific (cum Japan) Index (in sterling terms)
- Mid-market price per Ordinary share increased by 53.3% over the year
- Discount to Net Asset Value of 7.2% at 31 March 2006

The Board of Directors

The Board comprises four non-executive Directors. All of the Directors are independent of the Company's Manager. With the exception of Mr David Price, all Directors are members of the Audit Committee.

David Price (Chairman)

Age: 59

Length of Service: Appointed a director on 10 August 1998

Experience: Joined SG Warburg in 1969 and served as a director there from 1982 to 1986. He was Deputy Chairman of MAM Group plc from 1985 to 1997. He has also held a number of other positions including the chairmanship of F&C Asset Management plc and directorships of The Big Food Group PLC and of other investment trust companies.

Current Appointments: Non-executive director of Melchior Japan Investment Trust and of Scottish American Investment Trust.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shareholding in Company: 30,275 Ordinary shares

Neil Gaskell

Age: 57

Length of Service: Appointed a director on 31 March 2004

Experience: Formerly Treasurer of the Royal Dutch Shell Group and a Director of Shell International. During the course of his career he was Shell's finance manager in Brunei and its representative Director in Showa Shell KK, Japan.

Current Appointments: Non-executive director of Integra Group.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shareholding in Company: 3,500 ordinary shares

Keith Mackrell

Age: 73

Length of Service: Appointed a director on 10 August 1998

Experience: He recently stepped down as Deputy Chairman of BG PLC. He retired as a Director of Shell International in 1991 after a career of 35 years, largely associated with the Far East.

Current Appointments: He is a Governor of the London School of Economics and a Director of Duke Ltd.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shareholding in Company: 6,862 Ordinary shares

Sir Robin McLaren

Age: 71

Length of Service: Appointed a director on 10 August 1998

Experience: Among other appointments he was Chairman of the Council of Royal Holloway, University of London from 1999 to 2004. He retired from the Diplomatic Service in 1994 after a career of 36 years, much of which was spent in or dealing with the Far East and Pacific regions. His last post was as Ambassador to China; he was also Ambassador to the Philippines in the mid 1980's.

Current Appointments: He is a Director of Invesco Asia Trust and of Fidelity Asian Values.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shareholding in Company: 1,542 Ordinary shares

Chairman's Statement

Performance

Asia Pacific markets rose very strongly over the year to 31 March 2006. I am pleased to report that your company did well in these testing though welcome conditions. Net asset value per Ordinary share rose 53.5% over the year compared with a gain over the same period, in sterling terms, of 42.8% in the MSCI Asia Pacific (cum Japan) Index, which is our benchmark.

The Company's share price reflected the rise in net asset value, trading at a discount of 7% to net asset value at the start and at the end of the period, having traded at a modest premium at one stage during February.

The Company's good performance over the 12 month period was largely generated by our exposure to South Korea and Japan. Not only were we overweight at a time when these markets performed well relative to their peers, but also our Manager's stock selection skills further enhanced returns. As highlighted in previous reports, the Company has favoured a bias towards 'growth' stocks over recent years, in the belief that global growth prospects had been underrated. This view is one that appears to have been justified and growth stocks continue to gain favour.

The level of the Company's borrowing fluctuated between 8% and 17% during the year and for much of the year was near the top of this range reflecting a positive outlook, especially for Japan.

Strategy and outlook

A major element of the Company's strategy over the past year has been to move from an underweight to an overweight in Japan, where economic recovery now appears to be firmly established and whose stock market reflects this. We have also reduced our overweight in South Korea, although it remains a favoured market where we aim to profit from a revival in domestic consumption. The Company's investments will continue to be focused; they are currently concentrated in the financial, industrial and energy sectors.

Since the end of the financial year, the Asia Pacific markets have been seriously affected by recent world-wide market weakness. There is concern that the past benign conditions, characterised by low interest rates and low inflation with strong economic growth, may be coming to an end. We do not at present share these concerns for the long-term health of the region's economies and stock markets. We are continuing to use gearing opportunistically, while keeping a careful watch on how conditions develop.

Board

The Board has a defined plan for retirement and succession of Directors and in accordance with this plan Mr Keith Mackrell will retire at the end of this calendar year. I would like to take this opportunity to thank Mr Mackrell for his invaluable contribution to the Board and the Company since its inception in 1998.

Gartmore

Following the announcement of the sale of Gartmore Investment Management plc to Hellman & Friedman LLC and members of Gartmore's senior staff, the Board has been informed that Philip Ehrmann, who jointly manages the Company's portfolio with Chris Burling, will be leaving Gartmore in July. The Board is grateful to Philip for his work on the Company's behalf and will review carefully with Gartmore their proposed future arrangements for the management of the Company.

David Price
Chairman
2 June 2006

The Manager

Gartmore Investment Limited, a subsidiary of Gartmore Investment Management plc, acts as Manager and Secretary to the Company.

It was announced on 25 May 2006 that Nationwide Mutual Insurance Company had agreed to sell Gartmore Investment Management plc to Hellman & Friedman LLC and members of Gartmore's senior staff. This transaction demonstrates the commitment and belief of those staff in the Gartmore brand, its methods and its workforce.

During the year to 31 March 2006 the principal fund managers responsible for the day-to-day management of the Company's portfolio were Philip Ehrmann and Chris Burling, supported by an experienced team of investment professionals.

Although Philip Ehrmann will be leaving Gartmore in July 2006 the team, under the lead of Chris Burling, will continue to apply the same investment process and focused approach that has been the basis of the performance generated by Gartmore since the end of 2003.

Chris Burling joined Gartmore as an investment manager on the Global Portfolio Team in 1993 and has been a Japanese specialist on Gartmore's International Team for the last 9 years. Chris began his career at Norwich Union as an investment analyst and moved to managing portfolios after gaining Associate Membership of the Society of Investment Analysts in 1986.

At their regular meetings, the Directors and the Managers review the Company's activities and performance, and determine investment strategy.

Gartmore Investment Limited is authorised and regulated by the Financial Services Authority.

Manager's Review

Economic Background

The period under review was characterised by robust economic growth across the region, despite further strength in the oil price. To combat the potential inflationary impact of oil price rises, the Federal Reserve steadily tightened monetary policy over the period, with rates rising from 2.75% to 4.75%. Nevertheless, US economic growth remained relatively strong (2005 GDP came in at 3.2%) although towards the end of the review period economic data began to soften slightly and the inverted US yield curve possibly suggests that weaker times lie ahead.

Within the region, China's economy posted another year of exceptional growth in 2005, with GDP up by 9.9% over the year, while the Chinese authorities also revised upwards the size of its economy by 17% for the year ended December 2004. In Japan, meanwhile, the equity market rose by more than 40% for the year 2005 as economic recovery began to broaden. Consumers and corporates alike are fuelling a rise in domestic demand; employment is on the increase and rising price levels signal an end to deflation. Significantly, the Bank of Japan announced the end of their quantitative monetary easing, and although it is likely to be some time before they begin to actively tighten monetary policy, sustainable economic recovery appears to be underway.

Market Background

Pacific region equity markets delivered strong returns over the 12 month period ended 31 March 2006, well ahead of the developed market universe as measured by the MSCI World Index. Japan's stock market made steady gains over the period as investors were tempted by the appealing valuations on offer and by the prospect of solid economic growth. South Korea offered the best returns across the region, driven by a recovery in domestic consumption, while India came in a close second. Malaysia and Taiwan were among the weaker markets in the region, dented by their dependence on oil imports and, in the case of Taiwan, by poor performance in the dominant technology sector and strained relations with mainland China.

Strategy

The strategy over the period focused on increasing exposure to Japan and South Korea. We moved from an underweight to an overweight in Japan as accelerating economic recovery fed through to drive strong performance in the stock market. We focused on domestic plays, adding positions in a range of companies – from construction company JGC to electronic component manufacturer TDK – which we felt would tap into the country's economic revival and offered potential upside above market expectations.

We rotated away from Taiwan, which was a persistent laggard during the period, deterred by the country's weak earnings momentum and uncertain relations with mainland China and by poor performance in the semiconductor industry in the latter half of the period. To that end, we sold out of underperforming positions in technology stocks such as Advanced Semiconductor and AU Optronics.

In the second half of the year we implemented a shift in the Japanese portfolio away from financials and towards industrials, where we particularly favoured stocks that we felt would allow us to exploit a revival in capital expenditure. Among our purchases were diversified chemicals firm Asahi Glass, building company Kajima Corp and construction machinery manufacturer Hitachi Construction Machinery. Notwithstanding this rotation, the fund maintains a substantial overweight in the financial industry, where we focus heavily on Japanese stocks such as real estate firms Diamond City and Mitsui Fudosan, on the basis of a property market revival, and Nomura Holdings and Mitsubishi UFJ on the back of a surge in investment banking and increased equity trading volume.

Managers' Review continued

Outlook

Since the end of the review period, global markets have undergone a correction. This has been driven by concerns over the strength of US economic growth, inflationary pressures and the likelihood of further rises in US interest rates. Despite this turbulence and the potential for further short-term volatility, we remain optimistic in our outlook for Asia Pacific economies and stock markets. We continue to believe that there are good prospects for domestically-driven economic growth, while economic expansion in the regional powerhouses of China and Japan should further underpin the markets. The portfolio is currently modestly overweight in Japan, favouring a number of carefully-selected financial and industrial stocks, and South Korea, where we continue to focus on a revival in domestic consumption. We expect to increase our Japanese weighting once current volatility subsides. We remain underweight in Taiwan given uninspiring earnings expectations, although we are keeping a watchful eye on this market so as to identify in a timely manner the point at which it begins to look interesting on a valuation basis. At the sector level, this strategy translates to an overweight in the industrials and financials sectors, while we remain underweight in the more defensive areas of the market, such as health care and utilities. The Company currently has modest gearing, but we expect that this will be increased again as investment opportunities arise.

GARTMORE INVESTMENT LIMITED

Managers
2 June 2006

Financial Statistics

| | At 31 March 2006 | At 31 March 2005 (Restated)* | Change % |
|---|-----------------------------|--|-------------|
| Shareholders' Funds: | | | |
| Net Assets (£'000) | 43,179 | 28,125 | +53.5 |
| Net Asset Value per Ordinary share | 258.76p | 168.55p | +53.5 |
| Share Price: | | | |
| Market Capitalisation (£'000) | 40,090 | 26,157 | +53.3 |
| Mid-market Price per Ordinary share | 240.25p | 156.75p | +53.3 |
| Discount | 7.2% | 7.0% | |
| Benchmark Index: | | | |
| MSCI AC Asia Pacific (cum Japan) Index (in sterling terms) | 75.50 | 52.88 | +42.8 |
| Gearing: | | | |
| Potential Gearing | 16.2% | 17.8% | |
| Actual Gearing | 13.8% | 10.3% | |
| Total Return per Ordinary share: | | | |
| | Year to 31 March 2006 | Year to 31 March 2005 (Restated)* | |
| Revenue | (0.74)p | (0.28)p | |
| Capital | 90.96p | (9.26)p | |
| | 90.22p | (9.54)p | |

Historical Performance Record

| Year ended 31 March | Net asset value per Ordinary share | Market price per Ordinary share | Share price discount | Revenue (loss)/return after taxation £000s | Revenue (loss)/earnings per Ordinary share |
|------------------------|--|---------------------------------------|-------------------------|---|---|
| 1999 | 130.64p | 98.00p | 25.0% | 33 | 0.09p |
| 2000 | 224.81p | 183.75p | 18.3% | (468) | (1.26)p |
| 2001 | 150.68p | 117.50p | 22.0% | 96 | 0.26p |
| 2002 | 163.33p | 134.50p | 17.7% | 72 | 0.20p |
| 2003 | 109.22p | 95.00p | 13.0% | (2) | (0.01)p |
| 2004* | 178.08p | 165.00p | 7.3% | (158) | (0.52)p |
| 2005* | 168.55p | 156.75p | 7.0% | (46) | (0.28)p |
| 2006 | 258.76p | 240.25p | 7.2% | (124) | (0.74)p |

Financial Calendar

| | |
|--|---------------|
| Annual General Meeting 2006 | 26 July 2006 |
| Interim Results for 30 September 2006 - announcement | November 2006 |
| Final Results for 31 March 2007 - preliminary announcement | June 2007 |
| Annual General Meeting 2007 | July 2007 |

*Please refer to note 25 on pages 46 and 47 with respect to restated values

Portfolio

| Company | Principal Activity | Valuation £'000 | % of Net Assets |
|---------------------------------------|-------------------------------------|--------------------|-----------------|
| Japan | | | |
| Mitsubishi UFJ Financial Group | Banking | 2,102 | 4.9 |
| Toyota Motor | Automobiles and Parts | 1,854 | 4.3 |
| Sumitomo Mitsui Financial | Banking | 1,582 | 3.7 |
| Hitachi Construction Machine | Industrial Engineering | 1,527 | 3.5 |
| Nomura Holding Inco. | General Financial | 1,368 | 3.2 |
| Diamond City | Real Estate | 1,356 | 3.1 |
| Mitsui Fudosan | Real Estate | 1,348 | 3.1 |
| Orix | General Financial | 1,307 | 3.0 |
| Nomura Research Institute | Software and Computer Services | 1,304 | 3.0 |
| Asahi Kasei | Chemicals | 1,230 | 2.9 |
| Rohm | Technology Hardware and Equipment | 1,217 | 2.9 |
| Sumitomo Metal Industries | Industrial Metals | 1,202 | 2.8 |
| JGC | Industrial Engineering | 1,154 | 2.7 |
| Asahi Glass | Construction and Materials | 1,117 | 2.6 |
| Kajima | Construction and Materials | 1,006 | 2.3 |
| Sumitomo Trust and Banking | Banking | 1,005 | 2.3 |
| Sumitomo Electric Industries | Electronic and Electrical Equipment | 995 | 2.3 |
| Daito Trust Construction | Construction and Materials | 963 | 2.2 |
| TDK | Electronic and Electrical Equipment | 914 | 2.1 |
| Komeri | General Retailers | 901 | 2.1 |
| Nippon Mining | Oil and Gas Producers | 868 | 2.0 |
| Nikko Cordial Corp. | General Financial | 867 | 2.0 |
| Fuji Television Network | Media | 866 | 2.0 |
| Shin-Etsu Chemical | Chemicals | 796 | 1.8 |
| Tokyo Electron | Technology Hardware and Equipment | 635 | 1.5 |
| JFE Holdings | Industrial Metals | 627 | 1.5 |
| Mitsui and Company | Support Services | 615 | 1.4 |
| Total Japan | | 30,726 | 71.2 |
| Republic of Korea | | | |
| Hana Financial Holdings | Banking | 776 | 1.8 |
| Samsung Electronics | Technology Hardware and Equipment | 746 | 1.7 |
| Hite Brewery | Beverages | 706 | 1.6 |
| Lotte Shopping | General Retailers | 681 | 1.6 |
| Korea Zinc | Industrial Metals | 676 | 1.6 |
| Daishin Securities | General Financial | 609 | 1.4 |
| SK Corporation | Oil and Gas Producers | 551 | 1.3 |
| Kumho Electric | Household Goods | 550 | 1.3 |
| Macquarie Korea Infrastructure | General Financial | 464 | 1.0 |
| Total Republic of Korea | | 5,759 | 13.3 |

The Japanese investments in bold typeface above comprise the ten largest holdings within the investment portfolio.

Portfolio

| Company | Principal Activity | Valuation £'000 | % of Net Assets |
|--|-----------------------------------|--------------------|--------------------|
| Singapore | | | |
| City Developments | Travel and Leisure | 991 | 2.3 |
| Singapore Telecommunications | Fixed Line Telecommunications | 836 | 1.9 |
| Noble Group | Industrial Metals | 709 | 1.7 |
| Total Singapore | | 2,536 | 5.9 |
| Taiwan | | | |
| Asustek Computer | Technology Hardware and Equipment | 782 | 1.8 |
| Shin Kong Financial Holding | General Financial | 569 | 1.4 |
| Inventec Appliances Corp | Leisure Goods | 536 | 1.2 |
| Hon Hai Prec Industries Co | Technology Hardware and Equipment | 536 | 1.2 |
| Total Taiwan | | 2,423 | 5.6 |
| Hong Kong | | | |
| Kingboard Chemicals | Chemicals | 774 | 1.8 |
| Cheung Kong Holding | Real Estate | 733 | 1.7 |
| Cosco Pacific | Industrial Transportation | 574 | 1.3 |
| Total Hong Kong | | 2,081 | 4.8 |
| Malaysia | | | |
| Bumiputra Commerce | Banking | 1,076 | 2.5 |
| Scomi Group | Industrial Engineering | 568 | 1.3 |
| Total Malaysia | | 1,644 | 3.8 |
| Australia | | | |
| Babcock & Brown Limited | General Financial | 680 | 1.6 |
| Jubilee Mines | Mining | 653 | 1.5 |
| Total Australia | | 1,333 | 3.1 |
| India | | | |
| Bharti Televentures Participatory Note | Technology Hardware and Equipment | 667 | 1.5 |
| Morgan Stanley Allahabad Bank Participatory Notes | Banking | 465 | 1.1 |
| Total India | | 1,132 | 2.6 |
| Thailand | | | |
| Italian-Thai Development | Construction and Materials | 618 | 1.4 |
| KasikornBank | Banking | 500 | 1.2 |
| Total Thailand | | 1,118 | 2.6 |
| China | | | |
| China Petroleum & Chemical | Oil and Gas Producers | 535 | 1.2 |
| Total China | | 535 | 1.2 |
| Total Investments at Fair Value | | 49,287 | 114.1 |
| Net Current Liabilities | | (6,108) | (14.1) |
| Net Assets | | 43,179 | 100.0 |

With the exception of the Participatory Notes, all securities are equity investments.

Analysis of Net Assets and Shareholders' Funds

| | Valuation at 31.03.05 (Restated)* | | Net Appreciation/ Transactions (Depreciation) | | Valuation at 31.03.06 | |
|--------------------------------|--------------------------------------|---------------|--|---------------|--------------------------|---------------|
| | £'000 | % | | | £'000 | % |
| Country | | | | | | |
| Japan | 18,056 | 64.2 | 1,828 | 10,842 | 30,726 | 71.2 |
| Republic of Korea | 2,303 | 8.2 | (118) | 3,574 | 5,759 | 13.3 |
| Singapore | 458 | 1.6 | 1,791 | 287 | 2,536 | 5.9 |
| Taiwan | 2,989 | 10.6 | (155) | (411) | 2,423 | 5.6 |
| Hong Kong | 2,827 | 10.1 | (326) | (420) | 2,081 | 4.8 |
| Malaysia | 668 | 2.4 | 973 | 3 | 1,644 | 3.8 |
| Australia | – | 0.0 | 1,063 | 270 | 1,333 | 3.1 |
| India | 1,580 | 5.6 | (1,078) | 630 | 1,132 | 2.6 |
| Thailand | 1,149 | 4.1 | (31) | – | 1,118 | 2.6 |
| China | 640 | 2.3 | (1,165) | 1,060 | 535 | 1.2 |
| Philippines | 245 | 0.9 | (276) | 31 | – | 0.0 |
| Total Investments | 30,915 | 110.0 | 2,506 | 15,866 | 49,287 | 114.1 |
| Net Current Liabilities | (2,790) | (10.0) | (3,318) | – | (6,108) | (14.1) |
| Net Assets | 28,125 | 100.0 | (812) | 15,866 | 43,179 | 100.0 |
| Attributable to | | | | | | |
| Ordinary Shareholders | 28,125 | | – | 15,054** | 43,179 | |

* See note 25 on pages 46 and 47

** Represents Total Return

Geographical Breakdown of Investments at 31.03.06

Portfolio Weightings

| Country Assets | Consumer Discretionary % | Consumer Staples % | Energy % | Financials % | Healthcare % | Industrials % | Utilities % | Materials % | Telecom Services % | Information Technology % | 2006 Total Investments % | 2006 Index % |
|----------------|--------------------------|--------------------|------------|--------------|--------------|---------------|-------------|-------------|--------------------|--------------------------|--------------------------|--------------|
| Australia | - | - | - | 1.4 | - | - | - | 1.3 | - | - | 2.7 | 12.1 |
| China | - | - | 1.1 | - | - | - | - | - | - | - | 1.1 | 1.9 |
| Hong Kong | - | - | - | 1.5 | - | 1.1 | - | - | - | 1.6 | 4.2 | 5.3 |
| India | - | - | - | 2.3 | - | - | - | - | - | - | 2.3 | 2.5 |
| Indonesia | - | - | - | - | - | - | - | - | - | - | - | 0.6 |
| Japan | 9.3 | - | 1.7 | 22.2 | - | 13 | - | 7.8 | - | 8.3 | 62.3 | 60.8 |
| Rep. of Korea | 1.4 | 1.4 | 1.2 | 3.8 | - | 1.1 | - | 1.4 | - | 1.4 | 11.7 | 7.0 |
| Malaysia | - | - | 1.1 | 2.2 | - | - | - | - | - | - | 3.3 | 1.1 |
| New Zealand | - | - | - | - | - | - | - | - | - | - | - | 0.4 |
| Pakistan | - | - | - | - | - | - | - | - | - | - | - | 0.1 |
| Phillipines | - | - | - | - | - | - | - | - | - | - | - | 0.2 |
| Singapore | 2.0 | - | - | - | - | 1.5 | - | - | 1.7 | - | 5.2 | 2.0 |
| Taiwan | 1.1 | - | - | 1.1 | - | - | - | - | - | 2.7 | 4.9 | 5.3 |
| Thailand | - | - | - | 1 | - | 1.3 | - | - | - | - | 2.3 | 0.7 |
| Total | 13.8 | 1.4 | 5.1 | 35.5 | - | 18.0 | - | 10.5 | 1.7 | 14.0 | 100.0 | |
| Index† | 15.3 | 5.0 | 2.9 | 27.5 | 3.5 | 14.1 | 3.7 | 10.4 | 3.6 | 14.0 | | 100.0 |

Source: Gartmore

Source: Gartmore

† MSCI AC Asia Pacific (cum Japan) index (in sterling terms)

Please note that when attributed on a per share basis these market exposures will be geared by the Company's borrowing. However, in the case of Japan the currency exposure on the additional investments financed by borrowing will effectively be neutralised by the Company's policy for a proportionate amount of borrowings to be denominated in Yen.

Report of the Directors

The Directors submit their Report and the Accounts for the year ended 31 March 2006.

Business Review (prepared in accordance with the Accounting Standards Board Reporting Statement: Operating And Financial Review)

Nature and Status

The Company is an investment trust company and is a member of The Association of Investment Trust Companies. It is registered as a public limited company and is an investment company as defined by section 266 of the Companies Act 1985.

The Company was last approved by HM Revenue & Customs as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 31 March 2005. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has been approved as an investment trust for all previous years. Since 31 March 2005, the Company has directed its affairs so as to be able to continue to qualify for approval by the Inland Revenue as an investment trust for tax purposes.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Investment Objective

The Company seeks to generate capital growth from a concentrated portfolio of companies domiciled, operating or generating revenue in the Asia Pacific region including Japan.

Investment Policy

Investments are not limited as to market capitalisation, sector or country weightings within the region although a sizeable weighting in Japan will normally be maintained since it represents a significant proportion of the benchmark. It is the Company's policy to have a focused portfolio comprising around 50 stocks. There were 55 holdings at 31 March 2006.

Gearing

The Managers are authorised to borrow money to make additional investment on top of shareholders' funds (gearing) and a flexible borrowing facility is available for that purpose. The current limit of this facility is £7 million, providing a potential gearing level of 16.2% of shareholders' funds at 31 March 2006. Borrowings were 13.8% of shareholders' funds at the year-end and ranged between 8% and 17% during the year. The current facility limit may be fully utilised, or a higher limit negotiated, if the Managers and the Directors believe this to be warranted on the basis of market circumstances and investment opportunities. Alternatively all borrowings could be repaid if the view on the region became negative. The Company also has a £1 million overdraft facility which is intended to be used for normal business purposes and short term settlement mismatches.

Performance

The Directors consider that the most important measure of the Company's performance is the movement of the net asset value per Ordinary share compared with the movement of the MSCI All Countries Asia Pacific (cum Japan) Index (in sterling terms). This is reflected by the terms of the investment management agreement which provides an incentive fee to the Manager based on the degree to which net asset value performance exceeds that of the Index. However, for the purpose of calculating the performance fee the total return index is used, whereas the capital return index is considered to be a more appropriate comparator at other times because the Company does not usually generate revenue returns, as noted below. Net asset value per share, before deducting the incentive fee payable, increased by 54.8% in the year under review (2005, restated: fall of 5.5%) compared with an increase in the capital return index of 42.8% (2005: 0.1%). Particular contributors to the year's performance were stock selection in Japan and South Korea, most notably overweights in Hynix Semiconductor, Mitsui Fudosan, LG Card and Sumitomo Trust. Performance also benefited from an underweight stance in the underperforming Australian market. At the sector level, the biggest contributor to performance was our Manager's choice of stocks in the financial sector, particularly in Japanese real estate.

Report of the Directors

The Directors also monitor the Company's share price performance, the level of discount to net asset value at which the Company's shares trade and performance relative to selected peer companies. The mid-market price of the Company's Ordinary shares increased by 53.3% (2005: fall of 5.0%) with the level of discount at the year-end virtually unchanged from 31 March 2005 at 7.2% (2005: 7.0%). The discount is further discussed below.

Since investment in an investment trust company is generally considered to be for longer-term returns it is also relevant to consider performance over a longer period. The Company's current investment policy and management contract became effective in December 2003. In the period since 31 December 2003 net asset value per share has increased by 64.4% compared with an increase in the index of 55.0%. The mid-market price of the Company's Ordinary shares increased by 72.8%.

Future Trends

Japanese economic recovery remains a key theme for the region. Growth trends for Asia generally remain sound, driven primarily by growth in domestic demand within the region, although external demand from the United States and Europe will remain an important influence.

Principal Risks and Uncertainties

Since the Company is an investment company performance will always be dependent on the performance of the companies and stock markets in which it invests and will also be affected by the strength of the currencies in the regions it invests in relative to sterling. The principal risks following from these are summarised in note 24 to the accounts on pages 42 to 45. It should also be noted that emerging markets tend to be more volatile than more established stock markets and therefore present a greater risk. Additionally, owing to the concentration of investments in the Company's investment portfolio, performance may deviate significantly from the benchmark.

As mentioned above, the Manager is able to "gear" the portfolio by borrowing. Gearing will magnify portfolio returns per share, be they positive or negative. The potential for this to have a negative impact is limited by the short-term revolving (usually weekly) nature of drawings on the loan facility combined with the liquidity of the investments in the portfolio. It is the Board's current policy to borrow in Japanese yen and US dollars proportionate to the value of investments in Japan and in the rest of the region to reduce the currency risk of borrowing.

Like most other investment trust companies the Company has no employees other than the non-executive directors. The Company therefore relies on services provided by 3rd parties, including, in particular, the fund manager, Gartmore. It was recently announced that Hellman & Friedman LLC, a leading private equity firm, together with members of Gartmore's senior fund management and executive team, had agreed to acquire Gartmore from Nationwide Mutual Insurance Company. The Directors will keep the situation under review and take appropriate action should they become concerned that investment performance might be affected.

Discount Management

The Company's Articles of Association contain a continuation vote provision. Under the provision, if the average discount to net asset value at which the Ordinary shares trade during the last 90 days of each financial year of the Company exceeds 12%, the Directors will, at the following Annual General Meeting, present an ordinary resolution for the continuation of the Company. If that resolution is not passed the Directors will, within three months thereafter, convene an extraordinary general meeting at which a special resolution for winding up will be proposed. During the last 90 days of the financial year ending 31 March 2006, the average discount was 2%. Therefore, no continuation vote will be proposed at the forthcoming annual general meeting.

Financial Position and Revenue

Net Assets at 31 March 2006 amounted to £43,179,000, compared with £28,125,000 (as restated) at 31 March 2005. All of the Company's investments are listed on recognised exchanges and are readily realisable.

Report of the Directors

Short-term borrowings at 31 March 2006 amounted to £5,942,000 (2005: £2,900,000). Of this total 62% was borrowed in Japanese yen and 38% in US dollars, all maturing 7 April 2006). The major covenants that apply to the loan facility are that the Company's assets, in countries with long-term foreign currency sovereign ratings by Standard & Poors higher than A-, less liabilities, must be greater than £17 million and total borrowings cannot exceed 35% of such adjusted net assets. At 31 March 2006 such adjusted net assets amounted to £38,750,000 and total borrowings amounted to 15.3% of that figure.

The Company's issued share capital comprises 16,686,767 Ordinary shares (2005: 16,686,767 Ordinary shares). There is no long-term debt. No shares were issued or repurchased during the year.

Net revenue for the year, after expenses and taxation, amounted to negative £124,000, compared with negative £46,000 for the previous year. Investments in the Pacific region are typically low yield and so it is expected that in most years operating costs will exceed revenue. The Company's ratio of annual expenses to average net assets (TER) for the year was 1.5% (2005: 1.4%). The following costs are excluded from the annual expenses used to calculate the TER: transaction costs of £305,000 (2005, restated: £318,000); management incentive fee of £387,000 (including irrecoverable vat thereon) (2005: £nil); interest on borrowings of £117,000 (2005: £150,000) and tax. The Directors do not recommend a dividend for the year.

Management and Administration

The Company's investments are managed by Gartmore Investment Limited under an Investment Management Agreement dated 23 December 2003. The notice period to be given by either party is six months. The management fee is calculated monthly in arrears at 0.0625% (0.75% per annum), plus value-added tax, on the value of Total Assets, less Current Liabilities other than borrowings for the purpose of investment. This Agreement is reviewed by the Board annually.

A performance related incentive fee is also in place. The performance fee comprises 15% of the outperformance of the Company relative to the MSCI AC Asia Pacific (cum Japan) Total Return Index (in sterling terms). In the event that the Company outperforms this benchmark but the year-end Net Asset Value per Ordinary share is less than at the previous year-end, the performance fee is capped at 0.25% of year-end Net Asset Value. The performance fee is only payable where the final net asset value on which the fee is calculated exceeds the net asset value on which any performance fee was paid in the previous three years.

Gartmore Investment Limited also provides the accounting, company secretarial and administrative services required by the Company in connection with its business and operation under a Company Secretarial and Administration Agreement dated 23 December 2003.

Continuing Appointment of the Manager

In accordance with the Listing Rules published by the Financial Services Authority, the Management Engagement Committee has reviewed the performance of the Manager in managing the Company's portfolio. The review considered the Company's investment performance over the current financial year and since Gartmore became Managers of the Company in November 2003, together with the quality and adequacy of other services provided by Gartmore Investment Limited including company secretarial, accounting and marketing. The Committee also reviewed the appropriateness of the terms of the Investment Management Agreement, in particular the length of notice period and the management fee structure.

Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

However, in light of the recently announced change of ownership of Gartmore the Directors will keep the Manager's continued performance under close scrutiny.

Report of the Directors

Supplier Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the equity markets in which it operates. All other creditors are settled by the due date for payment.

Directors

The Directors of the Company who served throughout the year are listed on page 4. All Directors are non-executive and are independent of the Managers.

All Directors, with the exception of Mr Price, are members of the Audit Committee.

Mr R N Gaskell retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

In accordance with The Association of Investment Trust Companies' Code of Corporate Governance, Sir Robin McLaren, who is 71 years of age, retires and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Mr Mackrell will retire as Chairman of the Audit Committee at the conclusion of the Annual General Meeting, and from the Board at the end of the calendar year.

Mr Gaskell will succeed Mr Mackrell as Chairman of the Audit Committee.

The Directors held the following beneficial interests in the Ordinary shares of the Company at 1 April 2005 and 31 March 2006. There have been no changes since 31 March 2006.

| | Ordinary shares of 10p 31 March 2006 | 1 April 2005 |
|-------------------|---|-----------------|
| D W J Price | 30,275 | 30,275 |
| R N Gaskell | 3,500 | 3,500 |
| K A V Mackrell | 6,862 | 6,862 |
| Sir Robin McLaren | 1,542 | 1,542 |

No Directors hold non-beneficial interests.

No Director has a contract of service with the Company; nor has any Director had such a contract during the year. The Directors are covered under a policy of directors' liability insurance arranged by the Company at its own expense.

Save as aforesaid, there were no contracts or arrangements existing at any time during the year, or since, in which a Director of the Company was materially interested, either directly or indirectly.

Substantial Shareholders

At the date of this report, the Directors were aware of the following interests in 3% or more of the Company's voting capital:

| | Number | Percent |
|--------------------------------------|-----------|---------|
| Bank of England Pension Fund | 1,125,000 | 6.7 |
| NCL Smith & Williamson | 777,620 | 4.7 |
| Jupiter Asset Management | 721,600 | 4.3 |
| Wesleyan & General Assurance Society | 706,768 | 4.2 |

Going Concern

The Directors believe that it is appropriate to continue to prepare the accounts on a going concern basis as the Company's assets are readily realisable and the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Report of the Directors

Personal Equity Plans

The Directors intend to ensure that the Company's shares continue to qualify for retention in Personal Equity Plans in existence at 5 April 1999. Details of Gartmore's range of savings schemes are set out on page 54.

Audit Information

The Directors confirm that, so far as they are aware having made such enquiries and having taken such steps as they consider they reasonably should, the auditors have been provided with all the information necessary for them to be able to prepare their report.

Auditors

RSM Robson Rhodes LLP have expressed their willingness to continue in office as Auditors and a resolution proposing their re-appointment and authorising the Directors to fix their remuneration will be submitted at the Annual General Meeting.

Special Business of the Annual General Meeting

Five items of Special Business are proposed in the Notice of Meeting on pages 48 and 49. The first will be proposed as an Ordinary Resolution, while others will all be proposed as Special Resolutions.

First, for the purposes of Section 80 of the Companies Act 1985, the Directors are seeking general authority to allot relevant securities up to an aggregate nominal amount of £556,225 of the Company's issued share capital, being one-third of the issued Ordinary share capital of the Company as at the date of this Report.

Second, The Directors seek authority to disapply the pre-emption provisions of Section 89 of the Companies Act 1985 in respect of equity securities of an aggregate nominal amount up to £166,860 equal to just under 10% of the Company's issued Ordinary share capital as at the date of this Report, in addition to any equity securities which may be allotted in connection with rights issues. This authority will also cover, within the aggregate limit, the sale of treasury shares for cash.

The authorities being sought in the first and second items, which will expire at the conclusion of the next Annual General Meeting or, if earlier, on expiry of 15 months from the passing of the resolution, will give the Board flexibility to take advantage of any opportunities to issue new shares within a shorter period than would otherwise be the case. The Directors will exercise this authority only if the new shares are issued at a price greater than Net Asset Value per share, thereby enhancing value for existing Ordinary shareholders.

Third, the Company's Articles of Association permit the Company to redeem or purchase its own shares out of capital profits. Under the Financial Services Authority Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99% of the Ordinary shares expires at the conclusion of the forthcoming Annual General Meeting.

The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary shares for cancellation or to be held as treasury shares. The Board is therefore seeking to renew its power to make market purchases of Ordinary shares which it has the option either to cancel or to hold as treasury shares. Accordingly, a Special Resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary share capital at the date of the Annual General Meeting is proposed. The authority will be limited to 2,501,346 Ordinary shares representing 14.99% of the Company's issued Ordinary share capital at the date of this Report.

There are no warrants or options to subscribe for Ordinary shares outstanding at the date of this Report.

Report of the Directors

Any purchase of shares will only be made at a discount to the prevailing Net Asset Value and hence would enhance the Net Asset Value of the remaining shares. The Company will also be better positioned to address any imbalance between supply and demand for its shares. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions.

The resolution will restrict the price payable to the effect that it could not be less than the 10p nominal value of the shares and not more than 5% above the average of the mid-market quotations for the five business days immediately preceding the day of purchase. No dividends will be paid on shares whilst held in treasury and no voting rights will attach to the treasury shares. Whilst in treasury, the shares are treated as if cancelled.

The authority will expire at the conclusion of next year's Annual General Meeting or if earlier, on expiry of 15 months from the passing of the resolution.

The final two resolutions are to amend the Memorandum of Association and adopt new Articles of Association (the "New Articles") to reflect a number of legislative, regulatory and best practice developments since the Articles of Association were last amended in December 2003. These changes are summarised below (references to Article numbers are to those contained in the New Articles):

- Following the enactment of the Companies (Audit, Investigations and Community Enterprise) Act 2004, companies have wider powers to indemnify directors in respect of any proceedings brought by third parties, covering both the legal costs and financial costs of any adverse judgment. This does not include legal costs of the unsuccessful defence of criminal proceedings, fines imposed in criminal proceedings or penalties imposed by regulatory bodies. Companies are also permitted to fund a director's defence costs although if the defence is unsuccessful the director will be liable to repay these costs. An amendment is proposed to clause 4.19 of the Company's Memorandum of Association along with the adoption of Article 141 in the New Articles to reflect these wider powers.
- In respect of the retirement of directors at Annual General Meetings, the Combined Code now states that each director shall retire every three years from first election and in respect of non-executive directors, every year after serving nine years. Article 80 has been drafted to incorporate these changes. Further, the requirement for one-third of the Directors to retire by rotation each year has been removed from the New Articles.
- The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 allows companies to hold qualifying shares which are bought back out of distributable profits to be held and dealt with as treasury shares rather than treated as cancelled. Certain provisions are included in the New Articles to reflect this, including Article 6.2 which deals with the rights attaching to treasury shares.
- Certain other provisions are included in the New Articles to reflect changes made by the Electronic Communications Act 2000 and the introduction of the CREST Proxy Voting Service in 2003. These proposed changes will allow the Company to communicate electronically with their shareholders (for example, by allowing websites to be used to publish notices). The Company will also be able to make use of the Electronic/CREST proxy voting system which is designed to facilitate announcements of company meetings, permit appointments, give instructions to proxies and publish voting results.

Report of the Directors

- Other changes in the New Articles allow the Company to archive documents electronically as well as clarifying the provisions relating to the payment of dividends via CREST.

The Directors consider that the above are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the Directors intend to in respect of their own beneficial holdings of Ordinary shares amounting in aggregate to 42,179 shares.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
13 June 2006

A handwritten signature in black ink, appearing to be 'N. G.', is written over the company name and secretaries' names.

Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the revenue for the year then ended.

In preparing those accounts, the Directors are required to:

- select accounting policies which they consider suitable, and then apply them consistently;
- make judgements and estimates which they believe are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements.

The Directors are responsible for ensuring that the Directors' Remuneration Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company, and for maintaining adequate systems of internal control, which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the Company's assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

The accounts are published on www.gartmore.co.uk, which is the website maintained by the Company's Managers. The work undertaken by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

Corporate Governance Statement

Introduction

The Board is accountable to Shareholders for the governance of the Company's affairs.

The Company is committed to maintaining the highest standards of corporate governance and to the principles of good governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the Code). Pursuant to the Listing Rules of the Financial Services Authority, the Company is required to provide Shareholders with a statement on how the main and supporting principles set out in Section 1 of the Code have been applied and whether the Company has complied with the provisions of the Code.

The Board has established corporate governance arrangements that it believes are appropriate to the business of the Company as an investment trust company.

Statement of Compliance

The Board believes that the Company has complied with the provisions of the Code throughout the financial year ended 31 March 2006 except as noted below.

The Investment Trust Industry Code of Corporate Governance (the Industry Code) was also published in July 2003. The Company follows the principles and recommendations of the Industry Code, except to the extent that the Board believes that adherence to, or compliance with, any particular principle or recommendation would not be appropriate to the Company's circumstances, in which case the reasons for non-compliance are explained in the Annual Report to Shareholders.

The following statement describes how the Principles of Good Corporate Governance have been applied and the Code and the Industry Code have been followed.

Independence and Age of Directors

The Board consists of four non-executive Directors all of whom are independent of the Company's Managers.

Although the Company's Articles of Association do not preclude a director from continuing in office after having attained the age of 70, the Directors consider that, in accordance with the Industry Code, any Director over the age of 70 wishing to continue in office should be required to submit themselves for re-appointment annually.

Accordingly, Sir Robin McLaren will seek re-election at the forthcoming Annual General Meeting.

Senior Independent Director

In view of the size and composition of the Board, it is not considered necessary to appoint a Senior Independent Director.

Appointment and Re-appointment of Directors

The appointment of new Directors is considered by a Nomination Committee, which comprises the whole Board. New Directors are offered access to external training facilities to assist the process of induction, and relevant information is provided in a Letter of Appointment. Ongoing training requirements are dealt with on an ad hoc basis. No Director has a contract of service with the Company or its subsidiary. Directors appointed by the Board are subject to appointment by Shareholders at the first Annual General Meeting following their appointment.

In accordance with the Company's existing Articles of Association, the number nearest to, but not exceeding, one-third of the Directors are required to retire and submit themselves for re-appointment on the occasion of each Annual General Meeting. However, in line with the Code, each Director is required to retire and, if desired, be submitted for re-appointment at least every three years or, in the case of directors over the age of 70, every year.

Corporate Governance Statement

Performance of the Board

The Board has conducted a review of its own performance, together with that of the Chairman and of each individual Director, and has concluded that in each case this has been satisfactory. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and that Directors seeking re-appointment at the Company's forthcoming Annual General Meeting merit re-appointment by Shareholders.

The Directors seek to ensure that the Board has an appropriate balance of skills, experience, ages and length of service. The biographies of the Directors shown on page 4 of this Annual Report demonstrate the wide range of investment, commercial and professional experience that they contribute to the Board's deliberations. The size and composition of the Board is considered adequate for the effective governance of the Company.

Responsibilities of the Board

The Board has contracted the management of the investment portfolio, custodian and registrar services, and the day-to-day accounting and company secretarial services to external providers under contracts entered into after proper consideration by the Board of the quality and cost of the services offered.

There is a formal schedule of matters specifically reserved for decision by the Board and guidelines within which the Manager is required to implement investment policy. At each Board Meeting, the Directors follow a formal agenda, which includes review of the Company's net asset value, share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions, and any other relevant business matters to ensure that control is maintained over the affairs of the Company. Further reports on the quality and effectiveness of investment controls, accounting records and management information maintained on behalf of the Company, and other relevant matters that should be brought to the Board's attention, are reviewed periodically. The Board regularly reviews investment strategy.

The Board meets formally five times a year. The Directors have regular contact with the Manager and Secretary in the periods between formal meetings. Additional Board meetings and Committee meetings are arranged as and when required.

The number of meetings of the Board and its Committees held during the year to 31 March 2006 and the attendance of individual Directors are shown in the table below.

All Directors endeavour to attend the Annual General Meeting.

| | Scheduled Board Meetings | Ad hoc Board and Committee Meetings | Audit Committee Meetings | Management Engagement Committee Meetings | Nominations Committee Meetings | Remuneration Committee Meetings |
|--------------------|--------------------------------|--|--------------------------------|---|--------------------------------------|---------------------------------------|
| Number of Meetings | 6 | 3 | 3 | 2 | 2 | 2 |
| David Price* | 4 | 1 | 2 | 1 | 1 | 1 |
| Neil Gaskell | 6 | 3 | 3 | 2 | 2 | 2 |
| Keith Mackrell | 6 | 3 | 3 | 2 | 2 | 2 |
| Sir Robin McLaren | 6 | 2 | 3 | 2 | 2 | 2 |

*Mr Price was unable to attend some meetings in the earlier part of the financial year due to illness. He is not a member of the Audit Committee, but attends by invitation.

Corporate Governance Statement

Exercise of Voting Rights in Investee Companies

The Company has delegated the responsibility for voting on its behalf at investee company meetings to the Manager, Gartmore Investment Limited, on the basis that, subject to an overriding requirement to pursue the best economic interests of the Company and its Shareholders, the Manager should take account of social, environmental and ethical factors in using the voting powers conferred by such investments.

Relationship with the Manager

The day-to-day management of the Company's portfolio has been delegated under contract to the Manager, Gartmore Investment Limited. A representative of the Manager attends each Board meeting to report on portfolio transactions and performance during the period since the last Board meeting. Under the terms of the Investment Management Agreement, the Manager is required to follow specific investment objectives and restrictions. The Board reviews annually the controls in place to ensure compliance with the Company's investment objectives and restrictions and the Manager's policy statements on voting and corporate governance observance.

The Manager maintains ongoing communications with the Directors in the periods between Board meetings and contacts the Board for guidance on specific issues as required.

Relationship with Shareholders

The Board recognises the importance of communication between the Company and its Shareholders, who are encouraged to attend and vote at the Company's Annual General Meeting. The Annual General Meeting provides private Shareholders with a valuable opportunity to meet the Directors and the portfolio managers, to convey their views on the Company's performance and to discuss issues affecting their investment. Shareholder concerns should be addressed to the Board by writing to the Company at its Registered Office or by telephoning the Manager, who reports such communications to the Board.

Representatives of the Manager meet with institutional Shareholders on a regular basis and report to the Board on matters raised at such meetings.

The Directors will be available at the Annual General Meeting to answer any questions raised by Shareholders. At Annual General Meetings, each substantive issue is dealt with in a separate resolution and, where a vote is decided on a show of hands, the Chairman will subsequently report on the number of proxy votes lodged, including any abstentions. The Notice of the Annual General Meeting is contained in the Company's Annual Report that is sent to Shareholders at least 20 working days before the Meeting.

A detailed list of Shareholders is regularly reviewed by the Board and the Directors receive reports from the Manager's shareholder relations officer who is in regular direct contact with investors.

The Company's Interim and Annual Reports are designed to provide a full and readily understandable review of performance. Copies are despatched to Shareholders by mail and are also available for downloading from Gartmore's website, www.gartmore.co.uk. The Company's Net Asset Value is released daily to the Regulatory Information Service and can be viewed on the London Stock Exchange website, www.londonstockexchange.com. The Board is directly responsible for all statements regarding corporate activity involving the Company.

Company Secretary

The Directors have direct access to the advice and services of the corporate Company Secretary, Gartmore Investment Limited, which is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met.

Corporate Governance Statement

Independent Professional Advice

Procedures are in place for individual Directors to seek independent professional advice on any matter concerning them in the furtherance of their duties at the Company's expense.

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance cover is provided at the expense of the Company.

Board Committees

The Board has established an Audit Committee with defined terms of reference and duties, which are available on request from the Company Secretary. With the exception of Mr Price, the Chairman of the Board, the Audit Committee comprises all the Directors of the Company and is chaired by Mr Mackrell. The Audit Committee meets three times a year, twice with the external Auditors present. There are formal arrangements for considering accounting policies, financial statements, the Annual Report and Accounts, the Interim Report and internal controls, which are detailed below. The Audit Committee also reviews the appointment and remuneration of the Company's Auditors, maintains an appropriate relationship with them to ensure independence and objectivity and reviews the effectiveness of the audit process. The provision of non-audit services by the Company's Auditors is approved by the Audit Committee on a case by case basis having given consideration to the cost effectiveness of the services and the potential impact on the independence and objectivity of the auditors.

The Code recognises that investment companies may find some of its standard provisions inappropriate in their particular circumstances. In this regard, the whole of the Company's Board of Directors continues to fulfil the responsibilities of the undermentioned committees, each of which meets twice a year. Each committee has defined duties and responsibilities and is chaired by the Chairman of the Board:

- the Management Engagement Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both the short and longer terms, is in the best interests of the Company and its Shareholders, and also the performance and cost effectiveness of other service providers;
- the Nomination Committee is responsible for the nomination of new directors through an established formal procedure; and
- when meeting as the Remuneration Committee the Board is responsible for monitoring the remuneration of the Directors. The level of Directors' fees is reviewed by reference to the work involved, the level of responsibility and the fees paid by comparable investment trust companies.

Internal Control

The Directors are responsible for the Company's systems of internal control.

The Code requires the Directors to review the effectiveness of the Company's systems of internal control, covering all controls including business, operational, compliance and financial risk.

Unlike the boards of most other listed companies, the boards of investment trust companies obtain the majority of their evidence as to whether internal controls are operating effectively from third party suppliers to whom investment management, custody, accounting and secretarial matters have been delegated. This means that an appreciation of the internal controls for an investment trust company requires directors to consider information from a number of independent sources, rather than from a consolidated single source covering a typical listed company's systems of internal control.

Corporate Governance Statement

In particular, Gartmore Investment Limited is responsible for the provision of investment management, accounting and company secretarial services, under the terms of the Investment Management Agreement and the Company Secretarial and Administration Agreement, referred to on page 16, and JPMorgan Chase Bank provides custodian services under a separate Custody Agreement.

Gartmore's systems of internal control include organisational arrangements with clearly defined lines of responsibility and delegated authority, as well as control procedures and systems which are regularly evaluated and internally audited and which include control of delegated functions. Gartmore has delegated the provision of accounting, bookkeeping, valuation and trade processing services to HSBC Global Fund Services Limited, but remains responsible to the Company for these functions. The Directors review reports from Gartmore on a regular basis concerning those aspects of Gartmore's systems relevant to the provision of services to the Company.

A clearly defined investment strategy is set for the Managers and monitored by the Board, which regularly reviews the Company's investments, liquid assets and liabilities, investment transactions, and revenue and expenditure. The Managers are responsible for day-to-day monitoring of the Company's investments and for exercising voting rights effectively and responsibly, but overridingly in the best economic interests of the Company and its Shareholders.

On behalf of the Board of Directors, the Audit Committee reviews internal control reports, prepared to the standard set out in the ICAEW's technical release FRAG 21/94, from Gartmore Investment Management plc, the Managers' immediate parent company, HSBC Securities Services, to whom the Manager has delegated accounting and administrative duties, and from JPMorgan Chase Bank.

Since the Company's only employees are the non executive directors and its operational functions are outsourced the Company does not have an internal audit department. Instead, the Audit Committee relies on FRAG and other reports received from its service providers, particularly the Managers, to satisfy itself as to the controls exercised.

Twice a year, the Board formally considers the effectiveness of the systems of internal control. The Board takes account of any risk management problems, or compliance breaches identified previously, and receives reports from the Managers' compliance and operational risk officer. At the conclusion of that formal review the Board decides whether any changes to the systems of internal control are required.

The review covers the key business, operational, compliance and financial risks facing the Company in seeking to achieve its objectives. In arriving at its judgement of what constitutes a sound system of internal control, the Board considers the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming a reality;
- the Company's ability to reduce the incidence and impact on its performance; and
- the costs and benefits to the Company, or third parties, of operating the relevant controls.

Against this background, the Board has split the review of risk and associated controls into four sections reflecting the nature of the risks being addressed as follows:

- corporate strategy;
- published information, and compliance with laws and regulations;
- relationships with service providers; and
- investment and business activities.

Corporate Governance Statement

In assessing internal controls, the Board considered the following elements based on reports provided by third party suppliers:

- control environment;
- identification and evaluation of risks and control objectives;
- information and communication; and
- control procedures.

The Directors have reviewed the information provided to them. Whilst acknowledging their reliance in some respects on third parties as mentioned above, the Directors have reviewed the effectiveness of internal controls and are able to confirm that the internal controls in operation during the period from 1 April 2005 up to the date of this Annual Report are appropriate to the Company's business activities and methods of operation, and that they operate effectively.

As described above, the ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of approval of the Annual Report. Systems are in operation to safeguard the Company's assets and the Shareholders' investment, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's systems of internal control are designed to manage rather than eliminate risk and the system of internal control provides *reasonable, but not absolute, assurance against material misstatement or loss.*

The Company has complied fully throughout the year ended 31 March 2006, and up to the date of approval of the Annual Report and Accounts, with the provisions set out in the Turnbull guidance on Internal Control published in September 1999.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
13 June 2006



Directors' Remuneration Report

The Directors submit this Report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to Members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are so indicated. The Auditors' opinion is included in their report on pages 30 and 31.

Remuneration Committee

The Board is comprised solely of non-executive Directors. It is therefore exempt under the Financial Services Authority Listing Rules from appointing a separate Remuneration Committee. The Board as a whole accordingly fulfils the function of the Remuneration Committee.

For the year under review and for every year since the Company's launch in 1998 the Directors fees were set at £10,000 per annum and the Chairman's fee at £17,000 per annum. With effect from 1 April 2006, the annual level of fees has been increased. The Chairman's annual fee has been set at £19,000, the Audit Committee Chairman will receive £14,500 per annum and each of the other Directors will receive £13,000 per annum.

Policy on Directors' Fees

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £100,000 per annum or such higher amount as may, from time to time, be determined by an Ordinary resolution of the Company. Subject to this overall limit, the Board's policy is that remuneration of non-executive Directors should be set at a level sufficient to attract and retain directors of the calibre required to direct the Company. It is intended that this policy will continue for the year to 31 March 2007 and for subsequent years.

Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

Directors' Terms of Appointment

It is the Board's policy that none of the Directors should have a service contract. The terms of their appointment provide that a Director shall retire and be subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board, and be subject to re-appointment at least every third year thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Directors' Remuneration Report

Performance Graph

The Company's performance is measured against the MSCI All Countries Asia Pacific (cum Japan) Index in sterling terms.

The graph below compares the total shareholder return of the Company's Ordinary shares for the last five years with the capital return on the MSCI All Countries Asia Pacific (cum Japan) Index (in sterling terms) over the same period.

The return on net assets is also shown so as to remove from the comparison the effect of changes in the discount (or premium) between the share price and the Company's net asset value.

Directors' emoluments for the year (audited)

The Directors received the following emoluments in the form of fees:

| | 2006 £'000 | 2005 £'000 |
|-------------------|---------------|---------------|
| D W J Price | 17 | 17 |
| R N Gaskell | 10 | 10 |
| K A V Mackrell | 10 | 10 |
| Sir Robin McLaren | 10 | 10 |

No sums were paid to third parties in respect of Directors' services (2005: nil).



David Price
Chairman

Approved by the Board
on 13 June 2006

Report of the Independent Auditors

To the Shareholders of Gartmore Asia Pacific Trust PLC

We have audited the accounts on pages 32 to 47 which have been prepared under the accounting policies set out on pages 37 and 38. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited 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 accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited *have been properly prepared in accordance with the Companies Act 1985*. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company or its subsidiary is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. *We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.*

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. The other information comprises the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Managers' Review, the Corporate Governance Statement, the Financial Statistics and Portfolio analyses. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. *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 accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether

Report of the Independent Auditors

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 accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 March 2006 and of its profit for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the accounts.

RSM Robson Rhodes LLP.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
13 June 2006

Income Statement to 31 March 2006

| | Notes | Revenue Return £'000 | Year to 31 March 2006 Capital Return £'000 | Total Return £'000 |
|--|----------|----------------------------|---|--------------------------|
| Income and Capital Profits | | | | |
| Dividends and other income | 2 | 580 | – | 580 |
| Net profit/(loss) on investments | 3 | – | 15,870 | 15,870 |
| Return before Expenses, Finance Costs and Taxation | | 580 | 15,870 | 16,450 |
| Expenses | | | | |
| Management fee | 4 | (296) | (387) | (683) |
| Other fees and expenses | 4 | (225) | (305) | (530) |
| Total Expenses | | (521) | (692) | (1,213) |
| Return before Finance Costs and Taxation | | 59 | 15,178 | 15,237 |
| Finance Costs | | | | |
| Interest payable | 5 | (117) | – | (117) |
| Return on Ordinary Activities before Taxation | | (58) | 15,178 | 15,120 |
| Taxation | 6 | (66) | – | (66) |
| Return to/(from) Equity Shareholders after Taxation | | (124) | 15,178 | 15,054 |
| Total Return per Ordinary share | 7 | (0.74)p | 90.96p | 90.22p |

The total return column above represents the Profit and Loss Account of the Company. The revenue and capital items derive from continuing activities.

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

No operations were acquired or discontinued during the year.

The Notes on pages 37 to 47 form part of these Accounts.

Income Statement
to 31 March 2005
(Restated)

| | Notes | Revenue Return £'000 | Year to 31 March 2005 Capital Return £'000 | Total Return £'000 |
|--|----------|----------------------------|---|--------------------------|
| Income and Capital Profits | | | | |
| Dividends and other income | 2 | 551 | - | 551 |
| Net profit/(loss) on investments | 3 | - | (1,227) | (1,227) |
| Return before Expenses, Finance Costs and Taxation | | 551 | (1,227) | (676) |
| Expenses | | | | |
| Management fee | 4 | (230) | - | (230) |
| Other fees and expenses | 4 | (159) | (318) | (477) |
| Total Expenses | | (389) | (318) | (707) |
| Return before Finance Costs and Taxation | | 162 | (1,545) | (1,383) |
| Finance Costs | | | | |
| Interest payable | 5 | (150) | - | (150) |
| Return on Ordinary Activities before Taxation | | 12 | (1,545) | (1,533) |
| Taxation | 6 | (58) | - | (58) |
| Return to/(from) Equity Shareholders after Taxation | | (46) | (1,545) | (1,591) |
| Total Return per Ordinary share | 7 | (0.28)p | (9.26)p | (9.54)p |

The total return column above represents the Profit and Loss Account of the Company. The revenue and capital items derive from continuing activities.

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

No operations were acquired or discontinued during the year.

The Notes on pages 37 to 47 form part of these Accounts.

**Reconciliation of Movements
in Shareholders' Funds**
for the year to 31 March 2006

| | Share capital £'000 | Capital redemption reserve £'000 | Special capital reserve £'000 | Capital reserve realised £'000 | Capital reserve unrealised £'000 | Revenue reserve* £'000 | Total £'000 |
|--|---------------------------|---|--|---|---|------------------------------|----------------|
| At 31 March 2004 as originally reported | 1,669 | 2,063 | 2,961 | 16,782 | 6,718 | (427) | 29,766 |
| Restatements (see note 25) | - | - | - | (62) | 12 | - | (50) |
| At 31 March 2004 (restated) | 1,669 | 2,063 | 2,961 | 16,720 | 6,730 | (427) | 29,716 |
| Net capital return from ordinary activities | - | - | - | 5,396 | (6,941) | - | (1,545) |
| Net revenue return from ordinary activities | - | - | - | - | - | (46) | (46) |
| At 31 March 2005 (restated) | 1,669 | 2,063 | 2,961 | 22,116 | (211) | (473) | 28,125 |
| Net capital return from ordinary activities | - | - | - | 10,103 | 5,075 | - | 15,178 |
| Net revenue return from ordinary activities | - | - | - | - | - | (124) | (124) |
| At 31 March 2006 | 1,669 | 2,063 | 2,961 | 32,219 | 4,864 | (597) | 43,179 |

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

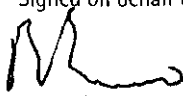
The Notes on pages 37 to 47 form part of these Accounts.

Balance Sheet

at 31 March 2006

| | Notes | At 31 March 2006 £'000 | At 31 March 2005 (restated) £'000 |
|--|-------|------------------------------|--|
| Fixed Assets | | | |
| Listed investments at fair value through profit or loss | 8 | 49,287 | 30,915 |
| Current Assets | | | |
| Debtors – amounts receivable within one year | 10 | 1,163 | 2,016 |
| Cash at bank | | 332 | 212 |
| | | 1,495 | 2,228 |
| Current Liabilities | | | |
| Creditors – amounts payable within one year | 11 | (7,603) | (5,018) |
| Net Current Liabilities | | (6,108) | (2,790) |
| Net Assets | | 43,179 | 28,125 |
| Capital and Reserves | | | |
| Called-up share capital | 12 | 1,669 | 1,669 |
| Capital redemption reserve | 13 | 2,063 | 2,063 |
| Special capital reserve | 14 | 2,961 | 2,961 |
| Capital reserve – realised | 15 | 32,219 | 22,116 |
| Capital reserve – unrealised | 16 | 4,864 | (211) |
| Revenue reserve | 17 | (597) | (473) |
| Equity Shareholders' Funds | | 43,179 | 28,125 |
| Net Asset Value per Ordinary share | 18 | 258.76p | 168.55p |

Signed on behalf of the Board of Directors



David Price
Chairman

The Accounts were approved by the Board on 13 June 2006

The Notes on pages 37 to 47 form part of these Accounts.

Cash Flow Statement to 31 March 2006

| | Notes | Year to 31 March 2006 £'000 | Year to 31 March 2005 £'000 |
|---|-------|--------------------------------------|--------------------------------------|
| Revenue Activities | | | |
| Dividends and interest received from investments | | 478 | 417 |
| Interest received on deposits | | 14 | 6 |
| Expenses paid | | (451) | (435) |
| | 19 | 41 | (12) |
| Servicing of Finance | | | |
| Interest paid | | (115) | (150) |
| | | (115) | (150) |
| Investment Activities | | | |
| Acquisitions of investments | | (118,111) | (111,022) |
| Disposals of investments | | 115,292 | 111,287 |
| Capital expenditure | | (36) | (131) |
| | | (2,855) | 134 |
| Cash Outflow before Management of Liquid Resources and Finance | | | |
| | | (2,929) | (28) |
| Finance | | | |
| Loans drawn/(repaid) | | 3,042 | (102) |
| Net Cash Inflow/(Outflow) | | | |
| | 20 | 113 | (130) |

The Notes on pages 37 to 47 form part of these Accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 31 March 2006 and are set out below.

Basis of preparation

For the accounting period beginning on 1 April 2005 the Company had the option to prepare its financial statements in accordance with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board. The Board has elected to continue to adopt UK Generally Accepted Accounting Principles ('UK GAAP'). A number of new Financial Reporting Standards have been issued as part of the programme to converge UK GAAP with IFRS. Compliance with these has affected the current year's accounts as summarised below and in note 25 and the comparative figures for the year ended 31 March 2005 have been restated accordingly.

The accounts have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice (SORP) for "Financial Statements of Investment Trust Companies" issued in December 2005. The SORP has been adopted early due to the implementation of Financial Reporting Standard 26 "Financial Instruments: Measurement".

The accounting policies used for the year ended 31 March 2005 have continued to be applied, with the following exceptions:

- (a) Investments have been designated as "financial assets at fair value through profit or loss" and valued at fair value (bid price, or last traded price where no bid price is available) rather than mid-market value. The effect of this has been to reduce the valuation of investments, and hence net assets, at 31 March 2006 by £86,000 and at 31 March 2005 by £21,000.
- (b) Incidental transaction costs incurred on the purchase of investments which were previously added to the recorded cost of the investments have been recognised separately and expensed. This has no effect on net assets or total return but credits capital reserve – unrealised and reduces capital reserve – realised by £95,000 at 31 March 2006 and by £76,000 at 31 March 2005.

Details of the restatement of prior year figures as a result of those changes are shown in note 25.

Revenue, Expenses and Interest Payable

Revenue includes dividends receivable from investments marked ex-dividend on or before the Balance Sheet date. Where no ex-dividend date is quoted, dividends are brought into account when the the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Where applicable, the dividend income is disclosed net of irrecoverable Malaysian and Singaporean taxes deducted at source.

Deposit and other interest receivable, expenses and interest payable are accounted for on an accruals basis.

Management fees and finance costs have been charged 100% to the Revenue account.

In accordance with the SORP, the performance fee is allocated to Capital as it is primarily based on the capital return of the Company.

Expenses which are incidental to the acquisition of an investment are expensed through the Income Statement. Expenses which are incidental to the disposal of an investment are deducted from the proceeds of the sale of the investment.

Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

Notes to the Accounts

1. Accounting Policies (continued)

Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid price, or last traded price where no bid price is available. Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

Rate of Exchange

The currency of the primary economic environment in which the Company operates (the functional currency) and in which its accounts are presented is pounds sterling.

Transactions in other ('foreign') currencies are translated into sterling at the rate of exchange ruling on the transaction date. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rate ruling on that date.

Realised profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are included in the Income Statement and allocated to capital or revenue as appropriate.

| 2. Dividends and Other Income | 2006 £'000 | 2005 £'000 |
|---------------------------------|---------------|---------------|
| <i>Income from investments:</i> | | |
| Unfranked dividends | 566 | 545 |
| Interest on deposits | 14 | 6 |
| | 580 | 551 |

| 3. Net Profit/(Loss) on Investments | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Net profit realised on disposal of investments | 10,791 | 5,747 |
| Amounts recognised as unrealised loss/(profit) in earlier years | 145 | (6,620) |
| Net realised profit/(loss) based on carrying value at previous balance sheet date | 10,936 | (873) |
| Net unrealised profit/(loss) arising during the year | 4,930 | (321) |
| Net foreign currency exchange differences | 4 | (33) |
| | 15,870 | (1,227) |

| 4. Expenses | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| <i>Allocated to Revenue:</i> | | |
| Management fees | 296 | 230 |
| Directors' fees | 47 | 47 |
| Auditors' remuneration – audit services | 15 | 16 |
| Auditors' remuneration – non-audit services | 7 | 3 |
| General expenses | 156 | 93 |
| | 521 | 389 |

Notes to the Accounts

| 4. Expenses continued | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| <i>Allocated to Capital:</i> | | |
| Performance fee | 387 | - |
| Custody fees | 38 | 46 |
| Transaction costs on investment purchases | 267 | 272 |
| | 692 | 318 |
| Total Expenses | 1,213 | 707 |

| 5. Interest Payable | 2006 £'000 | 2005 £'000 |
|---------------------------------------|---------------|---------------|
| Interest on bank loans and overdrafts | 117 | 150 |

6. Taxation

Analysis of charge in period:

| | 2006 £'000 | 2005 £'000 |
|----------------------------|---------------|---------------|
| Irrecoverable overseas tax | 66 | 58 |
| | 66 | 58 |

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Net income before taxation | (58) | 12 |
| Theoretical tax at UK Corporation Tax rate of 30% (2005: 30%) | (17) | 4 |
| Effects of: | | |
| Timing differences on taxation of income | (13) | (7) |
| Increase in excess management expenses | 153 | 34 |
| Expenditure which is not tax deductible | 85 | (3) |
| Expenses charged to capital | (208) | (16) |
| Non taxable income | - | (12) |
| Irrecoverable overseas tax suffered | 66 | 58 |
| Actual current revenue tax charge | 66 | 58 |

The Company is an investment trust and therefore is not taxable on capital gains.

Factors that may affect future tax charges

The Company has excess management expenses of £1,147,216 (2005: £866,407) that are available to offset future taxable revenue. A deferred tax asset has not been recognised in respect of those expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

7. Total Return per Ordinary Share

- The Total Return per Ordinary share is calculated on the positive return of £15,054,000 (2005: negative return of £1,591,000) and 16,686,767 (2005: 16,686,767) Ordinary shares, being the weighted average number of shares in issue during the year.
- The Revenue Return per Ordinary share is calculated on the negative return of £124,000 (2005: negative return of £46,000) and 16,686,767 (2005: 16,686,767) Ordinary shares, being the weighted average number of shares in issue during the year.
- The Capital Return per Ordinary share is calculated on the positive return of £15,178,000 (2005: negative return of £1,545,000) and 16,686,767 (2005: 16,686,767) Ordinary shares, being the weighted average number of shares in issue during the year.

Notes to the Accounts

| 8. Listed Investments at Fair Value through Profit or Loss | 2006 £'000 | 2005 £'000 |
|---|-----------------------|-----------------------|
| <i>Movements of investments held as fixed assets:</i> | | |
| Book cost brought forward | 31,126 | 25,788 |
| Acquisitions at cost (excluding transaction costs) | 116,915 | 112,615 |
| Proceeds of disposals (net of transaction costs) | (114,409) | (113,024) |
| Net gains realised on disposals | 10,791 | 5,747 |
| Book cost at 31 March | 44,423 | 31,126 |
| Unrealised appreciation/(depreciation) of investments | 4,864 | (211) |
| Valuation of investments at 31 March | 49,287 | 30,915 |

Book cost brought forward in each period has been restated to exclude transaction costs and the valuation of investments at 31 March 2005 has been restated. See notes 1 and 25.

The Company's investments are registered in the name of nominees of, and held to the order of, JPMorgan Chase Bank as custodians to the Company.

| | 2006 £'000 | 2005 £'000 |
|---|-----------------------|-----------------------|
| <i>The following transaction costs were incurred during the period:</i> | | |
| On acquisitions | 267 | 272 |
| On disposals | 313 | 318 |

9. Subsidiary Undertaking

Mountain View Securities Limited

At 31 March 2006 the share capital and net assets value of Mountain View Securities Limited was £1 (2005: £1).

In the opinion of the Directors, this wholly owned subsidiary, which has not traded in the year, is immaterial, hence consolidated accounts have not been prepared.

| 10. Debtors | 2006 £'000 | 2005 £'000 |
|--|-----------------------|-----------------------|
| <i>Amounts receivable within one year:</i> | | |
| Investments sold | 854 | 1,737 |
| Prepaid expenses and other debtors | 95 | 92 |
| Accrued income | 210 | 187 |
| Currency transactions | 4 | - |
| | 1,163 | 2,016 |

| 11. Creditors | 2006 £'000 | 2005 £'000 |
|---|-----------------------|-----------------------|
| <i>Amounts payable within one year:</i> | | |
| Bank loans | 5,942 | 2,900 |
| Investments purchased | 1,066 | 1,991 |
| Accrued expenses | 592 | 127 |
| Bank overdraft | 3 | - |
| | 7,603 | 5,018 |

The Company has an unsecured multi-currency revolving credit facility of up to £7,000,000 with ING Bank NV. Interest is charged at the prevailing Interbank market rates, plus an appropriate margin. Borrowings are repayable on demand.

Notes to the Accounts

| 12. Called-up Share Capital | 2006 £'000 | 2005 £'000 |
|--|-----------------------|-----------------------|
| Authorised: | | |
| 600,000,000 (600,000,000) Ordinary shares of 10p | 60,000 | 60,000 |
| Allotted, Called up and Fully-paid: | | |
| 16,686,767 (16,686,767) Ordinary shares of 10p | 1,669 | 1,669 |
| 13. Capital Redemption Reserve | 2006 £'000 | 2005 £'000 |
| Balance brought forward | 2,063 | 2,063 |
| Balance at 31 March | 2,063 | 2,063 |
| 14. Special Capital Reserve | 2006 £'000 | 2005 £'000 |
| Balance brought forward | 2,961 | 2,961 |
| Balance at 31 March | 2,961 | 2,961 |
| 15. Capital Reserve – Realised | 2006 £'000 | 2005 £'000 |
| Balance brought forward (restated as per note 25) | 22,116 | 16,720 |
| Net realised profit/(loss) based on carrying values at the previous balance sheet date | 10,936 | (873) |
| Transfer from capital reserve – unrealised, arising on disposal of investments | (145) | 6,620 |
| Net foreign currency exchange differences | 4 | (33) |
| Capital expenses | (305) | (318) |
| Performance fee | (387) | – |
| Balance at 31 March | 32,219 | 22,116 |
| 16. Capital Reserve – Unrealised | 2006 £'000 | 2005 £'000 |
| Balance brought forward (restated as per note 25) | (211) | 6,730 |
| Transfer to capital reserve – realised, arising on disposal of investments | 145 | (6,620) |
| Unrealised appreciation/(depreciation) during the year | 4,930 | (321) |
| Balance at 31 March | 4,864 | (211) |
| 17. Revenue Reserve | 2006 £'000 | 2005 £'000 |
| Balance brought forward | (473) | (427) |
| Net revenue loss for the year | (124) | (46) |
| Balance at 31 March | (597) | (473) |

Notes to the Accounts

18. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary share is calculated on Net Assets of £43,179,000 (2005: £28,125,000) and 16,686,767 (2005: 16,686,767) Ordinary shares in issue at the year-end.

| 19. Cash Flow from Revenue Activities | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Revenue return before finance costs and taxation | 59 | 162 |
| Decrease/(increase) in debtors | 30 | (104) |
| Increase/(decrease) in accrued expenses | 17 | (16) |
| Tax deductible at source from investment income | (65) | (54) |
| | 41 | (12) |

| 20. Reconciliation of Net Cash Flow to Movement in Net Debt | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Increase/(decrease) in cash | 113 | (130) |
| (Increase)/decrease in borrowings | (3,042) | 102 |
| Exchange movements | 4 | (33) |
| Change in net cash balances resulting from cash flows | (2,925) | (61) |
| Net debt brought forward | (2,688) | (2,627) |
| Net debt at 31 March | (5,613) | (2,688) |

| 21. Analysis of Net Debt | At 31 March 2005 £'000 | Cash Flow £'000 | Exchange movement £'000 | At 31 March 2006 £'000 |
|-----------------------------------|---------------------------------|--------------------|-------------------------------|---------------------------------|
| Cash at bank less bank overdrafts | 212 | 113 | 4 | 329 |
| Loans | (2,900) | (3,042) | – | (5,942) |
| | (2,688) | (2,929) | 4 | (5,613) |

22. Contingent Liabilities

Cash balances held in India amounting, at 31 March 2006, to the equivalent of £385,000 are currently blocked pending resolution of an action by an agency of the Indian Government in relation to a closed investment transaction. Additionally, as an extension of this action, regulatory action in India may be initiated against various parties including this Company which, *inter alia*, may seek to repatriate investment proceeds from the UK. These issues affect some 20 foreign institutional investors. The Company has ceased to recognise any value in these balances for the purpose of these accounts.

The Company is defending itself strenuously against this potential action. The Company has commenced proceedings in the Indian High Court seeking an order lifting the blocking order imposed on the Company's bank account and, as an interim protective measure, a direction that the blocked funds should not be taken arbitrarily. These proceedings are continuing.

The Company had no other contingent liabilities at 31 March 2006. (2005: as above, £372,000).

23. Related Party Transactions

There were no related party transactions during the year to 31 March 2006.

24. Derivatives and other financial instruments

Management of risk

The Company's financial instruments comprise equity and other investments that are held in accordance with the Company's investment objective as set out on the inside of the front cover and on page 14; bank loans and bank overdrafts, the main purpose of which is to raise finance for the Company's operations; and cash, liquid resources and short term debtors and creditors that arise directly from the Company's operations.

Notes to the Accounts

The main risks arising from the Company's financial instruments are due to fluctuations in market prices, interest rates, liquidity and foreign currency. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained constant throughout the year under review.

Market price risk

Market price risk arises mainly from uncertainty about future prices of the investments comprising the investment portfolio. The risk is the potential loss the Company may suffer through downward price movements of shares within that portfolio. It is the Board's policy to hold an appropriate spread of investments in order to reduce any risk arising from factors specific to particular sectors. In addition stock selection acts to reduce market price risk. The Board meets regularly to consider investment strategy when it also receives reports from the investment managers who actively monitor the portfolio.

Interest rate risk

In addition to the share capital and reserves arising from its operations, the Company finances its activities through bank loans and bank overdrafts; the interest thereon has a variable element which could affect the amount of interest paid. The Board regularly reviews the level of borrowings in order to ensure an appropriate level of gearing.

The carrying amount, by the earlier of contractual re-pricing or maturity date, of the Company's financial instruments was as follows:

| | 2006 In 1 year or less £'000 | 2006 Greater than one year £'000 | 2005 In 1 year or less £'000 | 2005 Greater than one year £'000 |
|---|---------------------------------------|---|---------------------------------------|---|
| Fair Value Interest rate risk | | | | |
| Financial assets at fair value through profit or loss | - | - | - | - |
| Financial assets at fair value through profit or loss consist entirely of equities and as such no interest rate risk is attached to these assets. | | | | |
| Financial Liabilities | | | | |
| Multi currency loan facility | (5,942) | - | (2,900) | - |
| Bank overdraft | (3) | - | - | - |

| | 2006 In 1 year or less £'000 | 2006 Greater than one year £'000 | 2005 In 1 year or less £'000 | 2005 Greater than one year £'000 |
|---|---------------------------------------|---|---------------------------------------|---|
| Cash Flow Interest rate risk | | | | |
| Financial assets at fair value through profit or loss | - | - | - | - |
| Non-current investments at fair value | - | - | - | - |
| Loans and Receivables | | | | |
| Cash at bank | 332 | - | 212 | - |
| Financial Liabilities | | | | |
| Multi currency loan facilities | (5,942) | - | (2,900) | - |
| Bank overdraft | (3) | - | - | - |

Notes to the Accounts

| | 2006 In 1 year or less £'000 | 2006 Greater than one year £'000 | 2005 In 1 year or less £'000 | 2005 Greater than one year £'000 |
|---|---------------------------------------|---|---------------------------------------|---|
| No interest rate risk | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Non-current investments at fair value | – | 49,287 | – | 30,915 |
| Current asset investments at fair value held for trading | 4 | – | – | – |
| Loans and Receivables | | | | |
| Short-term trade receivables | 854 | – | 1,737 | – |
| Financial Liabilities | | | | |
| Short-term trade payables | (1,066) | – | (1,991) | – |

As shown by the list of investments in the portfolio at 31 March 2006 on pages 10 and 11, the investments are equity based and are not therefore subject to interest rate risk.

Cash balances are held on call deposit and earn interest at the bank's daily rate.

Liquidity risk

The Company's assets comprise readily realisable securities that are available to meet any necessary funding commitment. A profile of the Company's borrowings at 31 March 2006 is described on page 16. Short term flexibility is achieved by the use of loan and overdraft facilities.

Foreign currency risk

The Company's total return and net assets can be significantly affected by currency translation movements as a significant portion of the Company's assets and revenues are denominated in currencies other than Sterling. The international spread of investments acts to reduce this risk.

Foreign currency borrowings are used where considered appropriate to assist the Company in meeting its objectives.

Financial Assets

The Company's financial assets comprise equity and other investments, short-term, trade receivables and cash balances.

The currency cash flow profile of those financial assets was as follows:

| 2006 | Sterling £'000 | Japanese yen £'000 | South Korea won £'000 | Taiwan dollar £'000 | Hong Kong dollar £'000 | Australian dollar £'000 | Other £'000 | Total |
|---|-------------------|--------------------------|--------------------------------|---------------------------|---------------------------------|-------------------------------|----------------|--------|
| Non-current investments at fair value through profit or loss | – | 30,729 | 4,614 | 2,423 | 2,615 | 1,333 | 7,573 | 49,287 |
| Current asset investments at fair value through profit and loss held for trading | 139 | (246) | – | – | 736 | – | (625) | 4 |
| Loans and receivables | 68 | 304 | – | 260 | – | – | 554 | 1,186 |
| | 207 | 30,787 | 4,614 | 2,683 | 3,351 | 1,333 | 7,502 | 50,477 |

Notes to the Accounts

2005

| | Sterling £'000 | Japanese yen £'000 | South Korea won £'000 | Taiwan dollar £'000 | Hong Kong dollar £'000 | Australian dollar £'000 | Other £'000 | Total |
|---|-------------------|--------------------------|--------------------------------|---------------------------|---------------------------------|-------------------------------|----------------|--------|
| Non-current investments at fair value through profit or loss | - | 18,056 | 2,303 | 2,989 | 3,466 | - | 4,101 | 30,915 |
| Current asset investments at fair value through profit and loss held for trading | - | - | - | - | - | - | - | - |
| Loans and receivables | 128 | 1,742 | - | - | - | - | 79 | 1,949 |
| | 128 | 19,798 | 2,303 | 2,989 | 3,466 | - | 4,180 | 32,864 |

Financial Liabilities

The Company's financial liabilities comprise bank loans and overdraft balances. Details of the Company's bank loans are disclosed in note 11 and on page 16.

The currency cash-flow profile of those financial liabilities was:

2006

| | £ Sterling £'000 | Japanese yen £'000 | US dollar £'000 | Hong Kong dollar £'000 | Other £'000 | Total £'000 |
|------------------------------|---------------------|--------------------------|--------------------|---------------------------------|----------------|----------------|
| Bank overdraft | 3 | - | - | - | - | 3 |
| Multi currency loan facility | - | 3,665 | 2,277 | - | - | 5,942 |
| Short-term trade payables | - | 298 | 768 | - | - | 1,066 |
| | 3 | 3,963 | 3,045 | - | - | 7,011 |

2005

| | £ Sterling £'000 | Japanese yen £'000 | US dollar £'000 | Hong Kong dollar £'000 | Other £'000 | Total £'000 |
|------------------------------|---------------------|--------------------------|--------------------|---------------------------------|----------------|----------------|
| Bank overdraft | - | - | - | - | - | - |
| Multi currency loan facility | - | 1,471 | 1,429 | - | - | 2,900 |
| Short-term trade payables | - | 1,636 | - | 313 | 42 | 1,991 |
| | - | 3,107 | 1,429 | 313 | 42 | 4,891 |

Fair Values of Financial Assets and Liabilities

The fair values for each class of financial assets and financial liabilities compared with the corresponding amount in the balance sheet were as follows (short-term receivables and short-term payables, are excluded from the comparison, as their carrying amounts are a reasonable approximation of their fair value).

| | 2006 Fair value £'000 | 2006 Balance sheet value £'000 | 2005 Fair value £'000 | 2005 Balance sheet value £'000 |
|--|--------------------------------|---|--------------------------------|---|
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Non-current investments | 49,287 | 49,287 | 30,915 | 30,915 |
| Loans and receivables | | | | |
| - Cash at bank | 332 | 332 | 212 | 212 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| - Bank overdraft | (3) | (3) | - | - |
| - Multi currency loan facility | (5,942) | (5,942) | (2,900) | (2,900) |

Notes to the Accounts

25. Restatement for the first time adoption of revised UK GAAP

As stated in note 1, the Board have elected to continue to follow UK Generally Accepted Accounting Principles (UK GAAP) rather than adopt International Financial Reporting Standards (IFRS). However, new Financial Reporting Standards have been issued as part of the programme to converge UK GAAP with IFRS and a number of figures as at 31 March 2004 and 2005 have consequently been restated. The impact of these restatements is shown below. The net effect of these changes has been to decrease the net assets at 31 March 2005 by £21,000 and at 31 March 2004 by £50,000.

Under FRS 26 'Financial Instruments: Recognition and Measurement', investments should be valued at their fair value which is deemed to be bid price, or last traded price where no bid price is available. Previously, listed investments were valued at mid market prices. The financial statements for the years to 31 March 2004 and 2005 have been restated to reflect investments at their fair value.

In addition, incidental transaction costs incurred on the purchase of investments which were previously added to the recorded cost of the investments have been recognised separately and expensed. This has no effect on net assets or total return, but credits capital reserve - unrealised and reduces capital reserve - realised by £76,000 at 31 March 2005 and £62,000 at 31 March 2004.

Reconciliation of Balance Sheet at 31 March 2004

| | Previously reported 31 March 2004 £'000 | Effect of change in policy £'000 | Restated 31 March 2004 £'000 |
|---|---|---|---------------------------------------|
| Fixed assets | | | |
| Listed investments at fair value through profit or loss | 32,568 | (50) | 32,518 |
| Current Assets | | | |
| Debtors - amounts receivable within one year | 179 | - | 179 |
| Cash at bank | 375 | - | 375 |
| | 554 | - | 554 |
| Current liabilities | | | |
| Creditors - amounts payable within one year | (3,356) | - | (3,356) |
| Net Current Assets | (2,802) | - | (2,802) |
| Net Assets | 29,766 | (50) | 29,716 |
| Capital and Reserves | | | |
| Called-up share capital | 1,669 | - | 1,669 |
| Capital redemption reserve | 2,063 | - | 2,063 |
| Special capital reserve | 2,961 | - | 2,961 |
| Capital reserve - realised | 16,782 | (62) | 16,720 |
| Capital reserve - unrealised | 6,718 | 12 | 6,730 |
| Revenue reserve | (427) | - | (427) |
| Equity Shareholders' Funds | 29,766 | (50) | 29,716 |

Notes to the Accounts

Reconciliation of Balance Sheet at 31 March 2005

| | Previously reported 31 March 2005 £'000 | Effect of change in policy £'000 | Restated 31 March 2005 £'000 |
|---|---|---|---------------------------------------|
| Fixed assets | | | |
| Listed investments at fair value through profit or loss | 30,936 | (21) | 30,915 |
| Current Assets | | | |
| Debtors – amounts receivable within one year | 2,016 | – | 2,016 |
| Cash at bank | 212 | – | 212 |
| | 2,228 | – | 2,228 |
| Current liabilities | | | |
| Creditors – amounts payable within one year | (5,018) | – | (5,018) |
| Net Current Assets | (2,790) | – | (2,790) |
| Net Assets | 28,146 | (21) | 28,125 |
| Capital and Reserves | | | |
| Called-up share capital | 1,669 | – | 1,669 |
| Capital redemption reserve | 2,063 | – | 2,063 |
| Special capital reserve | 2,961 | – | 2,961 |
| Capital reserve – realised | 22,192 | (76) | 22,116 |
| Capital reserve – unrealised | (266) | 55 | (211) |
| Revenue reserve | (473) | – | (473) |
| Equity Shareholders' Funds | 28,146 | (21) | 28,125 |

Reconciliation of the Income Statements

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|---|---|---|
| Total transfer (from)/to reserves per original reported Statement of Total Return | (1,620) | 19,214 |
| Investments held at fair value changed from mid to bid basis at 31 March 2004 | 50 | (50) |
| Investments held at fair value changed from mid to bid basis at 31 March 2005 | (21) | – |
| Net profit restated | (1,591) | 19,164 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighth Annual General Meeting of Gartmore Asia Pacific Trust PLC will be held at Gartmore House (see page 50), 8 Fenchurch Place, London EC3M 4PB, on Wednesday, 26 July 2006 at 11.00 a.m. for the following purposes:

Ordinary Business

1. to receive the Report of the Directors and the Accounts for the year ended 31 March 2006, together with the Report of the Auditors;
2. to approve the Directors' Remuneration Report for the year ended 31 March 2006;
3. to re-appoint Mr R N Gaskell as a Director;
4. to re-appoint Sir Robin McLaren, who is aged 71, as a Director; and
5. to re-appoint RSM Robson Rhodes LLP as Auditors and to authorise the Directors to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions. Number 6 will be proposed as an Ordinary Resolution and numbers 7 to 10 will be proposed as Special Resolutions.

6. THAT, pursuant to Section 80 of the Companies Act 1985, the Directors be and they are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £556,225 such authority to expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Directors may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the powers and authorities hereby granted had not expired.
7. THAT, subject to the passing of resolution number 6 set out in the notice convening the meeting at which this resolution is proposed, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority given by the said resolution number 6 as if Section 89(1) of the Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:
 - (a) to the allotment of equity securities in connection with rights issues in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £166,860.The authority contained in this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers and authorities hereby granted had not expired.
8. THAT, the Company be and is hereby generally and unconditionally authorised, in accordance with Section 166 of the Companies Act 1985 (the "Act"), to make one or more market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 10p each in the capital of the Company provided that:
 - (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's issued Ordinary share capital at 26 July 2006, the date of the Annual General Meeting equivalent to approximately 2,501,346 Ordinary shares at 31 March 2006;
 - (b) the minimum price which may be paid for an Ordinary share shall be 10p;

Notice of Annual General Meeting

- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than the lower of (i) net asset value per share and (ii) 5% above the average of the mid-market quotations for an Ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary shares are purchased;
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 15 months from the passing of this resolution;
 - (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; and
 - (f) any Ordinary shares so purchased shall be cancelled or, if the Directors so determine and subject to the provision of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and any applicable regulations of the United Kingdom Listing Authority, held as Treasury Shares.
9. THAT sub-clause 4.19 of the Company's Memorandum of Association be amended by the insertion of the following after the words "from any such liability".
- "and (iii)(a) to provide a director with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under those provisions of the Companies Act 1985 referred to in Section 337A(2) of that Act and (b) to do anything to enable a director to avoid incurring such expenditure".
10. THAT the new Articles of Association produced to the meeting and initialled by the chairman for the purpose of identification be adopted as the new Articles of Association of the company in substitution for, and to the exclusion of, the existing Articles of Association, and the directors be authorised to do all such acts and things as they consider necessary or desirable to give effect to this.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretaries
21 June 2006



NOTES:

- (1) A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. Such proxy need not be a Member of the Company. A Form of Proxy is enclosed. To be effective, the Form of Proxy must be deposited at the offices of the Company's Registrar not less than 48 hours before the time fixed for the Meeting.
- (2) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of Ordinary Shares registered on the Company's Register of Members at 11.00 a.m. on 24 July 2006 shall be entitled to attend and vote at the Meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the Register of Members after 11.00 a.m. on 24 July 2006 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (3) The Register of Directors' Interests in the capital of the Company will be available for inspection at the Meeting.
- (4) No Director has a contract of service with the Company.
- (5) Members are requested to notify the Company's Registrar of any change of address. This Report is forwarded to the address at present registered for communications.

Annual General Meeting

The Annual General Meeting will be held at:

Gartmore House
8 Fenchurch Place
London EC3M 4PB

on Wednesday, 26 July 2006 at 11.00 a.m.

How to Find Us

The entrance to Gartmore House is to the left of Fenchurch Street Railway Station on Fenchurch Place.

In the event of queries regarding your holding, please contact the Company's Registrars on 020 8639 2000 or write to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Useful Information for Shareholders

Annual General Meeting

This year's Annual General Meeting of the Company will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Wednesday, 26 July 2006 at 11.00 a.m.

Price and Performance Information

The Company's Ordinary shares are listed on the London Stock Exchange and the closing mid-prices are published in the Financial Times under 'Investment Companies'.

The share price, together with the Company's Net Asset Value per Ordinary share, which is calculated daily, can be viewed on the London Stock Exchange web site at www.londonstockexchange.com

Real-time share price information is available on the FT Cityline by dialling:

0906 003 2391 for the Ordinary shares.

Calls are charged at 60p/min at all times.

The Company's Net Asset Value is calculated daily and can be viewed on the London Stock Exchange website at www.londonstockexchange.com. Further information can be obtained from Gartmore as follows:

| | |
|--------------------------|--|
| Free Investor Help Line: | 0800-289 336 |
| Internet address: | www.gartmore.co.uk |
| email address: | helpline@gartmore.com |

Share Dealing

Investors wishing to purchase Ordinary shares in the Company, or sell all or part of their existing holdings, may do so through a stockbroker. Most banks also offer this service. See also pages 54 and 55 for investing in Gartmore investment trusts.

Share Register Enquiries

The Company's Registrars, Capita Registrars, maintain the share register. In the event of queries regarding your holding, please contact the Registrars on 020 8639 2000. Changes of name or address must be notified in writing to the Registrar.

ISAit, PEPit and SAVEit Enquiries

Details of the Gartmore Savings Plan, **SAVEit**, and the Gartmore tax-free Individual Savings Account, **ISAit**, are set out on page 54 of this Report. These enable individuals to buy shares in the Company in a straightforward and accessible way, or, in the case of **PEPit**, to transfer into an existing Personal Equity Plan.

Enquiries about **ISAit**, **PEPit** and **SAVEit** should be directed to:

| | |
|--------------------------|--|
| Investor Help Line | – Call free on 0800-289 336 |
| Administration Help Line | – Call on 0870-601 6133 |
| Administration Fax | – 0870-888 3033 |
| email | – helpline@gartmore.com |

Useful Information for Shareholders

FastFacts

A FastFacts booklet, which contains statistics for the whole range of Gartmore managed investment trusts, is published regularly and is also available on request from Gartmore Investment Limited, Gartmore House, 8 Fenchurch Place, London EC3M 4PB, or call free on 0800-289 336.

Capital Gains Tax

For the 2005/2006 tax year, the annual capital gains of private individuals in excess of £8,500, after any tapering relief, are usually added to taxable income and charged to tax accordingly. For the 2006/2007 tax year, this annual allowance has been increased to £8,800. Investment trust companies are able to switch investments without liability to capital gains tax.

The Association of Investment Trust Companies

The Company is a member of The Association of Investment Trust Companies, which produces monthly publications of detailed information on the majority of investment trusts. This information is also available on The Association's internet site, www.aite.co.uk. The Association of Investment Trust Companies can be contacted by telephone on 020-7282 5555, or by post at 9th Floor, 24 Chiswell Street, London EC1Y 4YY.

Corporate Information

Manager and Company Secretary

Gartmore Investment Limited
Gartmore House
8 Fenchurch Place
London EC3M 4PB
Tel: 020-7782 2000

Stockbroker

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Registered Office

Gartmore House
8 Fenchurch Place
London EC3M 4PB

Auditor

RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2TU

Registrar and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 020 8639 2000

Custodian

JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Registered No. 3582911

England and Wales

Investing in Gartmore Investment Trusts

Your Manager, Gartmore Investment Limited, offers a range of savings schemes that provide a simple and cost-effective means of buying shares. You can use these schemes to invest on a regular savings basis, for lump sum investments or a combination of each. Details of these products are listed below.

You can also buy Gartmore Global Trust shares through a stockbroker or indirectly via a lawyer, accountant or other independent financial adviser.

SAVEit, a low-cost, easy to use and flexible savings scheme

Regular savings from £50 per month

Lump sum investments from £1,000

SAVEit is the savings scheme for a number of investment trusts managed by Gartmore. There is the choice to invest in the UK or overseas, and to invest for income or capital growth. Any income can be reinvested or, alternatively, paid to your bank or building society account.

There is a dealing fee on share purchases of just 1% and no annual or exit fees. Moreover, you may switch from one Gartmore trust to another within the scheme at a cost of only 1% of the repurchase value. There is no maximum investment level.

ISAit – a tax-efficient way to invest

Regular savings from £100 per month

Lump sum investments from £3,000

ISAit is the Individual Savings Account (ISA) for a number of investment trusts managed by Gartmore. An ISA is a tax-efficient savings account.

Investments held within ISAit are not subject to capital gains tax.

ISAit allows you to invest, via a Maxi-ISA, up to a maximum of £7,000 per person each tax year. It is also available as a 'stocks and shares' Mini-ISA, with a maximum investment of £4,000 per annum.

There is an initial charge of 3% and an annual fee of 0.5% (plus VAT). Switches from one Gartmore trust to another within the scheme are available at a cost of only 1% of the repurchase value.

PEPit Transfers – available for the transfers of existing schemes

The minimum transfer value from another PEP provider is £3,000

PEPit is the Personal Equity Plan (PEP) for a number of investment trusts managed by Gartmore. Although PEPs are now closed to new investment, existing plans can continue indefinitely.

If you are an existing PEPit investor, you may switch from one Gartmore trust to another within the scheme, at a cost of 1% of the repurchase value.

If you have a PEP with another Plan Manager, you may transfer existing schemes from previous tax years to PEPit.

For PEP transfers, there is an initial charge of 3%. For all plans there is an annual fee of 0.5% (plus VAT).

How to receive further information

Write to: Gartmore Investor Services, Gartmore House, 8 Fenchurch Place, London EC3M 4PB
Call free: 0800-289 336 E-mail: helpline@gartmore.com Internet: www.gartmore.co.uk

Telephone calls may be recorded for monitoring and training purposes.

Important Information

The value of investment trust shares and the income from them may go down as well as up and you may not get back your original investment. Past performance is not a guide to future performance. Investment trust shares may trade at a discount or a premium to the value of the investment trust's assets. Funds investing in overseas securities are exposed to and can hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase. Emerging markets tend to be more volatile than more established stockmarkets and therefore your money is at greater risk. Other risk factors such as political and economic conditions should also be considered. Smaller companies are riskier and less liquid than larger companies which means their share price may be more volatile. Investment Trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If these investments fall in value, gearing will magnify the negative impact on performance. Particular share classes may also be structurally geared by other share classes that have earlier entitlements to the Company's assets up to a predetermined limit. If an investment trust incorporates a large amount of gearing its value may be subject to sudden and large falls in value and you could get back nothing at all. Where investment trust companies are involved in corporate activity, this may change the risk profile of individual shares, as well as impacting on the portfolio strategy, capital structure and duration of the overall Company. The value of current tax relief depends on individual circumstances. If you have doubts about your tax position you should seek professional advice. The level of yield may be subject to fluctuation and is not guaranteed. Some or all of the annual management fee may be currently charged to the capital of the Company. Whilst this increases the yield, it will restrict the potential for capital growth. Net Asset Value ("NAV") performance is not the same as share price performance and investors may not realise returns the same as NAV performance. Where a fund holds a limited number of investments and one or more of those investments declines or is otherwise adversely affected, it may have a more profound effect on the Fund's value than if a larger number of investments were held. If you choose to reinvest dividends to buy more shares in the same investment trust that paid the dividend, you should be aware that this will increase your investment risk exposure to the investment performance of that Company. Funds which specialise investing in a particular region or market sector are more risky than those which hold a very broad spread of investments. ISAs were introduced on 6th April 1999 for an initial ten year period. ISAs and PEPs are subject to government legislation and as such their tax treatment may be changed in the future.

Issued by Gartmore Investment Limited (GIL), which is authorised and regulated by the Financial Services Authority, Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

Investing in Gartmore Investment Trusts

The aims of Gartmore's investment trusts are as follows:

Gartmore European Investment Trust p.l.c.**

Long term capital growth from investment in Continental Europe, with a focus on larger companies.

Gartmore Fledgling Trust plc**

Long term growth in capital and dividends from investment in the constituents of the FTSE Fledgling (ex Investment Companies) Index.

Gartmore Global Trust PLC**

Capital growth from active investment on a worldwide basis.

Gartmore Growth Opportunities plc**

Capital appreciation from investment in a diverse portfolio of UK smaller companies.

Gartmore High Income Trust PLC*

A high level of income, plus the potential for capital growth, from investments in UK equities and fixed income securities.

Gartmore Irish Growth Fund PLC**

Long term capital growth from investment in companies incorporated in the Republic of Ireland or Northern Ireland.

Gartmore Smaller Companies Trust p.l.c.**

Long term capital and income growth from a focused portfolio of smaller UK companies.

*Split capital investment trusts, with different classes of shares that provide a variety of investment returns.

**Available through the Gartmore savings schemes (see page 54 for further information).

Glossary of Terms

Discount

The amount by which the mid-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.

Gearing

The term applied to the effect produced by borrowings and prior charge securities which tends to exaggerate the return attributable to shareholders. This is often expressed as a percentage indicating the extra amount by which shareholders' funds would rise or fall if the total assets, before deducting borrowings and prior charges, were to rise or fall. This is calculated by dividing total assets, before deducting borrowings and prior charges, by Net Asset Value, expressed as a percentage. A figure of 100 would indicate that a company had no gearing.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation (Market Cap)

The market value of a company as calculated by multiplying the mid-market price per share by the number of shares in issue.

Net Asset Value

Also described as Shareholders' Funds, Net Asset Value is the value of total assets less liabilities. Liabilities for this purpose include borrowings and prior charge securities as well as current liabilities.

Net Asset Value per share (NAV)

Net Asset Value per share is calculated by dividing the Net Asset Value by the number of shares in issue.

Premium

The amount by which the mid-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 charge

The term given to either borrowings or any class of security which, in a winding-up of the company, ranks ahead of the final beneficiary of surplus assets, usually ordinary or capital shares.

Total Expense Ratio

The total expenses (excluding interest) incurred by the Company, as a percentage of the average net assets.

Yield

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

Gartmore Asia Pacific Trust PLC

Registered Office:

Gartmore House
8 Fenchurch Place
London EC3M 4PB

Telephone: 020 7782 2000

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