

Govett Asian Recovery Trust PLC

Report and Accounts 31st March 2001



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Welcome to the March 2001
Report and Accounts for Govett
Asian Recovery Trust PLC. The Trust
aims to achieve capital growth through
investment in a broad range of
companies in the Asia Pacific region
including Japan, with an emphasis
on those with recovery potential.

Company Highlights

The net asset value per Ordinary share fell 32.97% over the year from 224.81p to 150.68p. This compares with a fall of 26.06% in the MSCI All Country Asia Pacific Index (cum Japan) and represents an underperformance of 6.91%.

720,000 Ordinary shares were bought back during the year. A resolution to renew the authority to purchase the Company's shares will be put to shareholders at the AGM.

Total expenses were contained at 1.3% of total assets.

Asian stock markets are likely to remain volatile in 2001. However, the sharp slowdown in economic and earnings growth has been largely discounted which, together with the changing global monetary environment, provides a better outlook.

Board of Directors

① David Price (53) Chairman

David Price is Chairman of F&C Management, Gartmore Absolute Growth & Income Trust and Iceland Group PLC and a Director of Mercury European Investment Trust and Scottish American Investment Trust. He joined SG Warburg in 1969 where he was a Director from 1982 to 1986. He was Deputy Chairman of MAM Group plc from 1985 to 1997.

② Keith Mackrell (68)

Keith Mackrell is Deputy Chairman of BG PLC, Chairman of Enterprise LSE and a Director of Standard Chartered Bank, Dresdner RCM Emerging Markets Trust and Net Profit Publications. He is a Governor of the London School of Economics. He retired as a Director of Shell International in 1991 after a career of 35 years, largely associated with the Far East.

③ Sir Robin McLaren (66)

Sir Robin McLaren is a Director of Invesco Asia Trust and of Fidelity Asian Values. He is also Chairman of the Council of Royal Holloway, University of London. 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 1980s.

④ Noel McEvoy (57)

Noel McEvoy is Group Chief Executive and Deputy Chairman of AIB Asset Management Holdings Limited and Chairman and Chief Executive of Govett Investment Management Limited. He was previously Strategic Development Director of AIB Investment Banking, Deputy Managing Director of AIB Capital Markets – Corporate Finance and a founding director of Goodbody Corporate Finance. He is a director of a number of investment companies including Govett Enhanced Income Investment Trust PLC.

All Directors are non-executive.

All directors except Mr. McEvoy are members of the Audit Committee.

Management

Govett Investment Management Limited is the Investment Manager of the Company and is advised by AIB Govett (Asia) Limited. The appointed fund manager is Christian Dangerfield.

Christian Dangerfield is Head of Asian Investments at Govett Investment Management Limited and Chief Investment Officer of Govett's Singapore Office. Prior to joining Govett, he held a number of investment positions at Cazenove & Co.

Christian is assisted by Yeoh Ying Khong and Kerry Goh on Japanese investment and Tan Choon Hoe, Benjamin Ho Loong and Tan Aik Chye on other Far Eastern investments.

Chairman's Statement

The last year has been a very difficult one for investors in Asian markets.

During the year ended 31st March 2001, your Company's net assets fell by 32.97%, while the share price fell by 36.05%. This compares with a fall in our benchmark MSCI AC Asia Pacific (cum Japan) Index of 26.06%.

This underperformance is particularly disappointing, given your Company's strong outperformance in the previous year. Following strong gains in 1999 and early 2000, Asian markets fell sharply as the outlook for global growth deteriorated in tandem with mounting fears of an economic downturn in the United States.

All Asian stockmarkets fell during this period. This weakness was particularly marked in a small number of sectors and it was your Company's relatively high exposure in these sectors, particularly information technology and telecommunications, which resulted in the underperformance compared with the benchmark.

This exposure was predominantly in stocks in the Japanese market where the Manager believed initially that the underlying businesses of these companies would not be affected by a downturn in the United States. Mounting evidence that the downturn in these sectors was becoming more global in nature resulted in sharp falls in a number of our core holdings. During the second half of the Company's year, the Manager restructured the investment portfolio to reflect a more cautious view towards all of the region's markets and towards technology and telecommunications stocks in particular.

Our relatively cautious approach towards the level of gearing was maintained during the year and we only began to reduce cash and increase gearing towards the year-end, as attractive opportunities appeared in the Japanese stock market and elsewhere. During the year, we acquired a holding in UK Treasury stock to offset the borrowing in Japanese Yen. Towards the end of 2000, the hedge we had in place to protect our equity portfolio against weakness in the Japanese Yen, the Korean Won, the New Taiwan Dollar and the Singapore Dollar was increased. This served us well as all of these currencies weakened during the year both against sterling and against the US Dollar.

The widening of the discount of your Company's share price to net asset value during the year reflected, in large part, the poor performance of Asian markets and the reduction in investors' appetite for risk. During the year, your Company repurchased a total of 720,000 shares at discounts ranging between 22.8% and 24.7%, enhancing the net asset value by 0.5%. We propose to renew the authority to buy back shares at the Annual General Meeting and will continue to use these powers as opportunities arise.

Looking forward, the series of interest rate cuts in both the United States and Asia has begun to create a more favourable environment for investment in equities. There is likely to be continuing volatility in the coming months, which I believe could provide attractive buying opportunities.

David Price
21st June 2001

Investment Manager's Report

This was a bad year for Asian stockmarkets and consequently a difficult year for Govett Asian Recovery Trust, not least because the region's recovery from the Crisis of 1997 has more or less evaporated barely eighteen months after it began.

In retrospect, the relatively sanguine view of markets expressed at the time of the Company's interim results has proved to be too optimistic. External factors have been impossible to withstand and it is now clear that the slowdown in the U.S. economy will have profound implications for Asia. Although the Asian market reaction to the U.S. Federal Reserve Bank's initial rate cut in January was very positive, the subsequent realisation that global economic activity will remain subdued for the balance of this year has resulted in continued market volatility.

The most obvious areas of global weakness during this period were the technology and telecommunications sectors. We believe that Asian companies in these areas will remain at the forefront of the region's long-term development and, as such, should be amongst the Company's core holdings. However, given the short-term risks, we trimmed a number of our positions during the second half of the year in favour of more defensive holdings.

It is still unclear whether the U.S. economy will or will not tip into recession this year. What is clear is that all Asian countries and many Asian companies are likely to see much slower growth and, in some cases, no growth at all during 2001.

Perhaps most importantly, the weakness in global demand has effectively stalled the recovery in the Japanese economy which began in 1998. The potential implications of a Japanese recession are clearly very serious, both for the rest of the World and, particularly, for the rest of Asia. For much of the year, Japan's political establishment appeared to be unaware of this. Unsurprisingly, in February 2001, the Nikkei 225 Index fell to a 15-year low.

On the face of it, this appears to have been the catalyst for some much-needed change in Japan. The Bank of Japan moved to inject liquidity aggressively into the economy, resulting in a sharp fall in the value of the Yen against both sterling and the U.S. Dollar. The protective currency hedge which we had in place effectively insulated the Company's Japanese assets from the impact of this fall and despite the recent weakness of sterling against global currencies, we believe that the Japanese Government's need to maintain loose liquidity will result in a structurally weaker Yen over the next year. We have, therefore, retained our hedge against Japanese currency weakness in the belief that monetary easing is one of the few tools available to mitigate the impact of a weaker domestic economy. The growing risk of a Japanese banking sector crisis also prompted the Government to allow banks to declare losses this year, which should enable them to write off non-performing loans more aggressively than the market had previously anticipated. This, in turn, will increase the urgency of restructuring activity within the financial and corporate sectors.

Mounting public dissatisfaction with continued political inertia finally culminated in the resignation of Prime Minister Mori after the Company's year-end. His replacement, Mr. Koizumi, is a strong advocate of radical restructuring of the Japanese economy. As such, his appointment has been greeted enthusiastically by Japan's electorate and also by the stockmarket. While Mr. Koizumi has not yet unveiled any specific reform measures, it is likely that his room for manoeuvre will be constrained by factors beyond his control, most significantly the weakness in the global economy.

The outlook for the market is probably negative in the short term but, given the Japanese Government's reformist intentions and the market's relatively inexpensive valuation level, it is possible that we are now fairly close to the bottom of its ten-year decline. Our weighting in Japan is significantly below its weighting in the MSCI benchmark but we will be watching closely over the course of the next year for signs that a recovery is imminent.

Investment Manager's Report continued

Weakness in the Japanese economy will only compound the slowdown in exports from the rest of Asia. Japanese banks are unlikely to be willing lenders outside Japan and a weaker Yen will increase competitive pressures for the rest of Asia.

Asia's stockmarkets outside Japan have also been affected by the prospect of a downturn in global economic growth and in many places have had to contend not only with economic worries but also with mounting political instability.

The Philippines, Indonesia and Thailand all saw leadership challenges which, in the case of the Philippines, culminated in the removal of President Estrada from office. Tension in Indonesia has increased in recent months as the ineffectiveness of President Wahid has become ever more apparent. It is likely that his probable removal from office will result in a period of short-term market strength, although the longer term outlook for Indonesia remains difficult. Politics – both domestic and international – has also been a recurrent concern for Taiwan.

The one Asian economy which is currently experiencing very robust growth is China. Its forthcoming accession to the World Trade Organisation, perhaps in the latter part of this year, has triggered a series of economic reforms which have liberalised and deregulated large areas of the Chinese economy. The Company has a significant weighting in both China and Hong Kong, which should also benefit from the development of the Chinese economy over the longer term.

In summary, there are clearly a number of risks on the horizon for Asian economies and companies over the coming year. It is nonetheless our view that markets have already discounted many of these risks and that valuations on some stocks in the region are beginning to look attractive. In an environment where regional and global liquidity is likely to be increasingly abundant, we are aiming to buy stocks which meet our criteria of providing sustainable growth at what we believe is the right price. We do this in the belief that these will provide the highest level of protection in an environment which is likely to remain volatile in the near term but which should then begin to stabilise and move forward over the coming year.

JAPAN

The Company experienced significant weakness in a number of its holdings in the Japanese market during the course of the year. This was particularly evident in both technology and telecommunications sectors. While we continue to believe that these areas will produce some of the highest returns to shareholders in the long term, they are likely to remain vulnerable to further weakness in global demand and we have therefore reduced our overall exposure to these areas.

We believe that stock selection in Japan will be more critical than ever in the coming year as, despite the downturn in the economy, certain areas are likely to experience growth as a result of structural change. A number of companies in the manufacturing sector to which the Company has exposure (of which Nissan Motor is the most obvious example) have already begun to demonstrate the benefits of lower costs and more efficient relationships with parts suppliers. We believe that the current difficult trading environment will make it ever more important for Japanese corporate management to focus on the bottom-line and that corporate restructuring is likely to become more apparent in a number of industries.

During the year, the Company also added to its holdings in the healthcare and pharmaceutical sector, in the belief that this area is likely to prove more robust in the face of weaker domestic and global demand. Kyorin Pharmaceutical and Takeda Chemical both have a very consistent record in the development of new drugs and, in our view, are likely to see continued growth this year despite weakness in the economy. A third holding in this area, Welfide, has begun to recover strongly after a poor year in 2000 and is currently poised to benefit from a pipeline of new drug developments and its probable merger with Mitsubishi Pharmaceutical.

The Company has also added to holdings in stocks related to basic consumption. Kao Corporation is one of Japan's leading producers of food-related products and is highly unusual in the Japanese context in that its management is incentivised to enhance shareholder returns, which they have done with considerable success over the years. Ajinomoto has a similarly strong share of the domestic market for basic food supplements.

HONG KONG

Hong Kong's economy has continued to suffer from a weak property market, despite the fact that residential property prices relative to income are now at their most affordable level in many years. The reduction in interest rates since the beginning of the year has not yet resulted in any pickup in activity but, in

Investment Manager's Report continued

our view, this is likely to become evident over the coming year. We retained our holdings in Sun Hung Kai and Cheung Kong throughout the year. The sharp compression in valuations of telecom companies around the world also affected a number of the largest stocks in the Hong Kong and Chinese markets, with Hutchison Whampoa, Pacific Century Cyberworks and China Mobile all being derated during the period. The Company had no exposure to the first two and reduced its holding in the third during the first half of the year. Since the year-end, we have re-entered the stock at approximately 50% below the level at which we sold. Our one holding in the interest-rate sensitive banking sector, HSBC, performed well during the year, in anticipation of falling interest rates. There have also been recent signs that restructuring activity in Hong Kong's banking sector may be accelerating.

CHINA

There have been a number of positive developments in China. Growth rates have been maintained at high levels despite the global slowdown, due largely to fiscal stimulus and significant deregulation across a range of industries, in anticipation of China's entry into the World Trade Organisation. Although this has been positive for China's stockmarkets in the short term, many Chinese listed companies have very low standards of corporate governance and we have therefore concentrated our exposure to Chinese growth through a high weighting in Hong Kong. Our only direct exposure to China, apart from China Mobile, has been Petrochina, which we acquired during the year and which has performed well on the back of firm oil prices. We expect to retain our weighting at least at the current level over the course of the coming year.

SINGAPORE

Our largest holding in Singapore, Govett Singapore Growth Fund (formerly The Singapore SESDAQ Fund), fell sharply during the year, reflecting the Fund's large exposure to some of the island's leading electronic contract manufacturers. The Company has had a stake in this Fund since inception and, although we have reduced our position slightly during the period, we view it as a core holding, believing that many of its underlying investments will continue to be among the Region's principal beneficiaries of global outsourcing trends. Since the end of the Company's year, there has been a bid for one of this Fund's largest holdings, Omni Industries. We believe that there is likely to be further activity of this nature going forward, which should unlock some of the latent value of Fund's holdings.

Our other significant holding in Singapore, United Overseas Bank, performed relatively well during the year due in large part to the Central Bank's recent directive to Singapore's banks to divest non-core assets by 2003, raising the possibility of more M&A activity.

Investment Manager's Report continued

AUSTRALIA

The Company had a reasonably significant weighting in the Australian market for much of the year, due in part to its relatively defensive qualities. While certain stocks within the Company's Australian portfolio fulfilled this requirement (most notably our holdings in the banking and resources sectors), the slowdown within the domestic economy and the resulting weakness of the Australian dollar eroded some of the value added by our holding in this market.

SOUTH KOREA

South Korea was one of the worst performing markets in Asia during the past 12 months. In addition to the impact of slower global growth forecasts, South Korea has continued to experience aftershocks originating from the Financial Crisis in 1997. The bankruptcy of the Daewoo Group and ongoing concerns over the possible default of many other leading companies, most visibly Hyundai, have caused a severe liquidity squeeze.

During the year we reduced our exposure to South Korea but still maintained a slightly overweight position, largely because the valuations of a number of our holdings were trading at historically low levels. However, we believe that the market is unlikely to bottom finally before world economic indicators begin to flatten out.

TAIWAN

Taiwan's market fell sharply in the latter half of 2000 due to its high correlation with NASDAQ. Taiwan's largest electronics companies will have a difficult year. We have, therefore, concentrated the bulk of our exposure to this market in niche companies which are benefiting from global outsourcing demand. We are also looking forward to the stockmarket impact of bank sector deregulation.

INDIA

The performance of the Indian market was very disappointing. India's software stocks were particularly vulnerable to global weakness in the technology sector. Towards the end of the Company's financial year, a Government corruption scandal and an investigation into stock market manipulation caused a market crash, completely overshadowing what was a very positive Budget.

Investment Manager's Report continued

MALAYSIA

We have been underweight Malaysia all year, maintaining only one holding, in Resorts World. Given its very high dependence on exports, Malaysia is naturally exposed to slowing global demand. In the second half of the year, there was an acceleration in capital flight, with many exporters retaining revenues offshore. Malaysia's deteriorating domestic political environment lies at the heart of this loss of confidence. While Prime Minister Mahathir's grip on power may be slipping, there is no immediate prospect of a resolution to this problem. Standards of corporate governance also remain low.

THE PHILIPPINES

The Philippines' political troubles have been the only issue of interest over the last year, with a series of increasingly lurid scandals culminating in the ousting of President Estrada. The Company has retained a minimal weighting in this market.

INDONESIA

The Company has a minimal weighting in Indonesia, on the basis that President Wahid's removal from office will result in a recovery in the currency and stock markets.

Christian Dangerfield
AIB Govett (Asia) Limited
21st June 2001

THAILAND

The recent election raised hopes that the restructuring of the economy and particularly the banking sector may now begin to accelerate. Following a prolonged slide for much of the year, Bangkok Bank rallied sharply towards the end of the year on hopes that it will be one of the principal beneficiaries of the new government's bank bail out plan. Our holding in Advanced Information Services (AIS) performed well, registering strong cellular subscriber growth despite intensification of competition from its principal domestic rival.

Portfolio Facts

Portfolio Movements

Country	Valuation 1st April 2000 £000s	Net Investment/ (Disinvestment) £000s	Appreciation/ (Depreciation) £000s	Valuation 31st March 2001 £000s	Portfolio Performance %	Change† in MSCI Indices %
Japan	45,436	1,537	(16,939)	30,034	(39.23)	(26.69)
Hong Kong	8,631	(2,154)	(867)	5,610	(8.35)	(14.33)
Australia	4,822	637	(1,171)	4,288	(16.47)	(2.91)
Taiwan	7,298	(833)	(2,771)	3,694	(52.54)	(36.93)
Singapore	6,493	(1,607)	(1,207)	3,679	(21.74)	(16.40)
South Korea	7,645	(1,589)	(2,941)	3,115	(43.42)	(40.63)
India	5,142	(1,227)	(1,388)	2,527	(33.97)	(35.49)
China	1,634	300	(133)	1,801	5.42	(14.92)
Malaysia	2,219	(626)	(709)	884	(47.20)	(26.39)
General Far East*	1,261	–	(403)	858	(31.97)	–*
Thailand	1,457	(716)	(285)	456	(26.29)	(30.87)
Indonesia	417	96	(195)	318	–*	(51.83)
Philippines	882	(391)	(223)	268	–*	(20.11)
Total Equities	93,337	(6,573)	(29,232)	57,532		
Fixed interest	–	4,140	69	4,209	–*	N/A
	93,337	(2,433)	(29,163)	61,741		
Net current liabilities	(9,947)			(7,191)		
Provision for liabilities and charges	(387)			–		
	83,003			54,550		

† Performance is appreciation or depreciation as a percentage of opening value plus or minus net investment on a monthly time-weighted basis and includes income receivable over the year.

†† The indices used (adjusted for exchange rates where appropriate) are the MSCI AC Asia Pacific indices.

Source: Govett Investments and Russell/Mellon Performance Attribution.

* A 12 month return is not available.

* Represents the holding in Govett Asian Smaller Companies Investment Trust Limited.

Analysis of Assets

	Japan	UK	Hong Kong	Taiwan	Singapore	South Korea	India	China	Malaysia	USA	Thailand	Indonesia	Philippines	Total
Japan	0.5	10.6	7.3	22.7	–	8.6	5.8	–	55.6	(21.8)	33.8	49.7		
UK	–	–	–	–	–	1.6*	–	7.7	9.3	5.2	14.5	(13.1)		
Hong Kong	–	1.7	1.8	4.2	–	2.6	–	–	10.3	(0.4)	9.9	9.6		
Taiwan	0.4	0.7	0.5	3.7	–	1.5	–	–	6.8	1.5	8.3	13.4		
Australia	0.3	–	0.9	2.5	0.3	2.6	1.3	–	7.9	–	7.9	5.8		
Singapore	–	–	–	–	–	6.7	–	–	6.7	–	6.7	8.4		
South Korea	–	0.9	1.3	1.3	1.1	1.1	–	–	5.7	–	5.7	9.3		
India	–	–	1.3	1.8	0.7	0.8	–	–	4.6	–	4.6	5.4		
China	–	–	0.9	–	2.4	–	–	–	3.3	–	3.3	2.0		
Malaysia	–	–	1.6	–	–	–	–	–	1.6	0.3	1.9	5.2		
USA	–	–	–	–	–	–	–	–	–	1.5	1.5	1.1		
Thailand	–	–	0.4	–	–	0.4	–	–	0.8	–	0.8	1.6		
Indonesia	–	–	0.2	0.5	–	–	–	–	0.7	–	0.7	0.5		
Philippines	–	–	0.2	0.2	–	–	–	–	0.4	–	0.4	1.1		
	1.2	13.9	16.3	36.9	4.5	25.9	7.1	7.7	113.7	(13.7)	100.0	100.0		

*Including hedging transactions

Portfolio Review

Holdings

Company	Market Value £000s	% of Net Assets	Principal Activity
Japan			
Toyota Motor Company	2,002	3.7	Automobiles
Nippon Tel & Tel Company	1,845	3.4	Telecommunications Services
Mizuho	1,634	3.0	Banks
East Japan Railway	1,458	2.7	Road & Rail
Nomura Securities	1,288	2.4	Diversified Financials
Canon Incorporated	1,175	2.2	Steel & Other Materials
Shin-etsu Chemical	1,062	1.9	Chemicals
Sekisui House	1,025	1.9	Building Products
Nintendo	1,025	1.9	Electronic Equipment & Instruments
Tokyo Electric Power	999	1.8	Commercial Services & Supplies
NEC Corporation	965	1.8	Consumer Products
Sony Corporation	954	1.7	Electrical Equipment
Matsushita Electric Industries	941	1.7	Building Products
Takeda	917	1.7	Pharmaceuticals
Toshiba Corporation	892	1.6	Electronic Equipment & Instruments
Nissan Motor Company	887	1.6	Automobiles
Hitachi	753	1.4	Electronic Equipment & Instruments
Honda Motor Company	661	1.3	Automobiles
Fujitsu	637	1.2	Electronic Equipment & Instruments
Bank of Tokyo-Mitsubishi	630	1.2	Banks
Mitsubishi Corporation	622	1.1	Miscellaneous
Murata Manufacturing Company	583	1.1	Electronic Equipment & Instruments
Fuji Photo Film Company	573	1.1	Hotels Restaurants & Hotels
Mitsui Fudosan	556	1.0	Real Estate
Sumitomo Bank	534	1.0	Banks
Ito-Yokado Company	512	0.9	Multiline Retail
Taisho Pharmaceuticals	510	0.9	Pharmaceuticals
Ajinomto Co. Incorporated	506	0.9	Food Producers
Secom Company	478	0.9	Miscellaneous
Kyorin Pharmaceuticals	455	0.8	Pharmaceuticals
Nippon Express Company	428	0.8	Airlines
Kao Corporation	408	0.7	Healthcare Equipment & Supplies
Sakura Bank	387	0.7	Banks
Rohm Company	325	0.6	Electrical Equipment
Kyocera Corporation	320	0.6	Electronic Equipment & Instruments
SMC Corporation	289	0.5	Machinery
Wellfide	266	0.5	Health
Omron Corporation	192	0.4	Electronic Equipment & Instruments
NTT Docomo Incorporated	183	0.3	Telecommunications Services
Orix Corporation	177	0.3	Diversified Financials
Funai Electrical	132	0.2	Electronic Equipment & Instruments
Tokio Marine & Fire	127	0.2	Insurance
	30,313	55.6	
Hong Kong			
HSBC Holdings	1,417	2.6	Banks
Cheung Kong Holdings	1,216	2.2	Real Estate
Sun Hung Kai Properties	1,070	2.0	Real Estate
Yue Yuen Industrial Holdings	929	1.7	Leisure Entertainment & Products
New World Infrastructure	509	0.9	Transportation Infrastructure
Smartone Telecom	469	0.9	Wireless Telecomm Services
	5,610	10.3	
Australia			
BHP Limited	677	1.3	Containers & Packaging
News Corporation	610	1.1	Media
National Australia	585	1.1	Banks
Westpac Banking Corporation	555	1.0	Banks
Telstra Corporation	478	0.9	Diversified Telecomm Services
Resmed Incorporated	471	0.9	Healthcare Equipment & Supplies
AMP Limited	288	0.5	Diversified Financials
Billabong International	279	0.5	Speciality Retailers
Integrated Research Limited	179	0.3	Computers & Peripherals
WMC	166	0.3	Metals & Mining
	4,288	7.9	
Taiwan			
Via Technologies	771	1.4	Semi Conductor Equipment & Products
United Micro Electronics	660	1.1	Semi Conductor Equipment & Products
Chinatrust Commercial Bank	444	0.8	Speciality & Other Finance
Taishin International Bank	360	0.7	Banks

Portfolio Review continued

Holdings

Company	Market Value £000s	% of Net Assets	Principal Activity
Taiwan (continued)			
D Link	355	0.7	Electronic Equipment & Instruments
Far East Textile	316	0.6	Textiles & Apparel
Taiwan Cellular	277	0.5	Wireless Telecomm Services
Asustek Computer	192	0.4	Computers & Peripherals
President Chain Store	161	0.3	Food & Drug Retailing
Siliconware Precis	158	0.3	Semi Conductor Equipment & Products
	3,694	6.8	
Singapore			
Govett Singapore Growth Fund	2,005	3.7	Diversified Financials
United Overseas Bank	1,394	2.5	Banks
Singapore Exchange Ltd	280	0.5	Diversified Financials
	3,679	6.7	
South Korea			
Samsung Electronic	714	1.3	Semi Conductor Equipment & Products
Hyundai Motor Company	454	0.9	Automobiles
Hana Bank	440	0.8	Banks
Korea Electric Power	396	0.7	Electricity
SK Telecom	374	0.7	Telecommunications Services
Korea Telecom	353	0.6	Telecommunications Services
Pohang Iron & Steel	211	0.4	Metals & Mining
H and CB	173	0.3	Banks
	3,115	5.7	
India			
Ranbaxy Labs	563	1.0	Pharmaceuticals
ICICI Ltd	429	0.8	Diversified Financials
Hindalco Industrial	371	0.7	Metals & Mining
Satyam Computer	369	0.7	IT Consulting & Services
Infosys Technology	330	0.6	IT Consulting & Services
Hindustan Le Demat	237	0.4	Household Products
ITC	228	0.4	Tobacco
	2,527	4.6	
China			
Petrochina 'H' Shares	1,336	2.4	Oil & Gas
China Mobile	465	0.9	Wireless Telecomm Services
	1,801	3.3	
Malaysia			
Resorts World	884	1.6	Hotels Restaurants & Hotels
	884	1.6	
United Kingdom			
Govett Asian Smaller Companies Investment Trust	858	1.6	Investment Company
	858	1.6	
Thailand			
Bangkok Bank	236	0.4	Banks
Advanced Information Services	220	0.4	Wireless Telecomm Services
	456	0.8	
Indonesia			
PT Telekomunikasi Series	100	0.2	Diversified Telecomm Services
PT Infood Sukses Maktbk	93	0.2	Food & Drug Retailing
Ramayana Lestari	88	0.2	Miscellaneous
PT Astra International	37	0.1	Auto Components
	318	0.7	
Philippines			
Philippine Long Distance	135	0.2	Diversified Telecomm Services
SM Prime Holdings	133	0.2	Real Estate
	268	0.4	
Total Equity Portfolio	57,811	106.0	
UK Treasury 5% 07/06/2004	4,209	7.7	Fixed Interest
Total Investments	62,020	113.7	
Hedging transaction (Japan)	(279)	(0.5)	
Net Current Liabilities	(7,191)	(13.2)	
Total Net Assets	54,550	100.0	

Report of the Directors

The Directors submit their Report and Accounts of the Company for the year ended 31st March 2001, which were approved by the board on 21st June 2001.

Principal activity and business review

The principal activity of the Company is that of an Investment Trust Company. A review of the business and future policy of the Company is contained in the Chairman's Statement on pages 4 and 5 and in the Investment Manager's Report on pages 6 to 10. The Company has revoked its status as an investment company within the terms of section 266 of the Companies Act 1985 (see note 28).

Tax status

In the opinion of the Directors, the Company has conducted its affairs so as to be able to seek approved investment trust status from the Inland Revenue under section 842 of the Income and Corporation Taxes Act 1988 for the accounting year ended 31st March 2001. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year. However, under Corporation Tax Self Assessment, which applies to accounting periods ended after 30th June 1999, the Inland Revenue will no longer be obliged to give written approval. Instead the Inland Revenue has 12 months after the return filing date in which to give notice that they intend to enquire into the return but, if no such notice is given, then approval may be assumed to have been obtained. Written approval of investment trust status has been received for the year ended 31st March 1999.

Assets

At 31st March 2001 total net assets attributable to Ordinary shares amounted to £54.6m.

The net asset value per Ordinary share was 150.68p (2000: 224.81p), a decrease of 32.9% from the previous year end.

Revenue and dividend

The gross revenue of the company for the year increased from £840,000 to £1,233,000.

The return on ordinary activities after taxation for the year was £96,000, compared with a net loss of £468,000 in the previous year.

The Directors do not propose the payment of a dividend for the year ended 31st March 2001.

Directors

All the Directors listed on page 2 served throughout the year.

Directors' interests

The Directors' interests in the Ordinary shares of the Company as at 31st March 2001 and 2000 are set out below:

	2001 Beneficial Interest	2000 Beneficial Interest
D. W. J. Price	26,420	26,420
Sir Robin McLaren	1,542	1,542
K. A. V. Mackrell	6,862	6,862
N. J. McEvoy	10,000	10,000

On 22nd May 2001, Mr Price's interest increased by 3,855 shares.

There have been no other changes between the end of the year and 21st June 2001.

There were no service contracts in existence between the Company and any of its Directors during or at the end of the year.

Secretary

AIB Govett Secretaries Limited, a member of the same group as Govett Investment Management Limited, provided company secretarial services to the Company during the year.

Management and administration

The Company has a management contract with Govett Investment Management Limited ("Govett") whereby Govett acts as the Manager of the Company and supplies secretarial and accounting services. In consideration of these services, the Manager receives a fee paid quarterly in arrears of 0.75% per annum (plus VAT) of the assets under management (excluding funds managed or advised by Govett). In addition, to the extent that the Company outperforms (in terms of its Net Asset Value) its benchmark, the MSCI All Country Asia Pacific (cum Japan) Index, Govett will be entitled to a performance fee at the rate of 5% of that outperformance, capped at 0.25% per annum (plus VAT) of the Net Asset Value. No fee will be paid in any year unless the outperformance for that year exceeds the highest level of outperformance for which the Manager has been paid a performance fee during the three years immediately preceding the year in question. The auditors of the Company will confirm the amount of any performance fee due to the Manager. The contract is terminable on 12 months' notice, except in certain specified circumstances where it may be terminated by less than 12 months' notice.

The management fee for the year ended 31st March 2001 was £527,000 (2000: £832,000 including a performance fee of £209,000).

Report of the Directors continued

Substantial share interests

At 21st June 2001 notification had been received of the following interests in 3% or more of the voting capital of the Company:

	Holding	%
Bank of England Pension Fund	2,100,000	5.80
Britannic Investment Managers Limited	4,340,515	11.99
Exeter Asset Management Limited	1,500,000	4.14
National Farmers Union	2,634,314	7.27
Wesleyan Assurance	2,154,034	5.95

Authority to make market purchases of the Company's own shares

During the year the Board has used the authority granted by shareholders to buy back 720,000 shares. The Board is now seeking shareholder approval to take authority to purchase on the London Stock Exchange up to 14.99% of the Company's issued share capital as at the date of the AGM (equivalent to 5,426,691 Ordinary shares at the date of this report). The authority being sought will create additional potential demand for the Company's shares, and because shares will only be purchased at a price below the prevailing net asset value per Ordinary share, the effect of any such purchases will be to increase the net asset value of the remaining Ordinary shares.

Under UK Listing Authority rules, the maximum price to be paid on any exercise of the authority must not exceed 105 per cent of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase. Purchases will be made at the discretion of the Board. The minimum price paid will be 10 pence per share (being the nominal value).

The purchase of shares will involve a stamp duty cost to the Company of approximately 0.5 per cent of the purchase price.

The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising benefit to shareholders.

The authority to purchase shares will last until the date of the AGM in 2002, or until the whole of the 14.99% has been utilised, whichever is the earlier. The authority may be renewed by shareholders at any time.

Creditor payment policy


It is the Company's policy to settle all its investment transactions within the time frames operating in the markets in which it operates. Other expenses are paid on a timely basis in the normal course of business.

At 31st March 2001, trade (brokers) creditors were £nil (2000: £2,770,000) and creditor days were nil (2000: 11).

Auditors

RSM Robson Rhodes have expressed their willingness to continue in office, and a resolution proposing their re-appointment will be proposed at the Annual General Meeting.

By order of the Board


AIB Govett Secretaries Limited
Secretary
21st June 2001

Corporate Governance & Directors' Responsibilities

Corporate Governance Disclosure under the Financial Services Authority Combined Code on Corporate Governance.

The Board has carried out a full review of the principles of good governance and code of best practice (the 'Combined Code'). To ensure that the appropriate level of corporate governance is attained, the Board has confirmed that arrangements are in place to enable compliance with the Combined Code.

The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 31st March 2001 except as disclosed below.

The directors acknowledge that they are responsible for the internal controls of the company and for reviewing their effectiveness. It is important to recognise that any system of internal control can provide only a reasonable, and not an absolute, assurance against material misstatement or loss. The controls can only manage, rather than eliminate, the risk of failure to achieve business objectives and are designed to provide reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or would be detected within a timely period.

The Board as a whole has taken responsibility for risk management, and has identified risks in the areas of investment objectives, investment administration, accounting, investment custody, secretarial and registration. The risks have been evaluated by the Board following the receipt of reports from the Company's Manager, Custodian and Registrar. The risks are managed through appropriate procedures.

- Limits of authority are set out in the agreements with third party service providers.
- Investment guidelines and other requirements are notified to the investment manager and other providers (as appropriate) in writing.

- Reports are received from the Manager, Custodian and Registrar on all aspects of internal control, including financial, operational and compliance controls, risk management and relationships with external service providers.
- The Board reviews investment performance against stock market indices, and income and expenses against forecasts and budgets.

In monitoring and reviewing the Company's system of internal control the Board has taken account of the Guidance Notes prepared by the Association of Investment Trust Companies.

The Company does not have its own internal audit function but places reliance on the internal audit, compliance and other control functions of its service providers.

The Board considers twice a year the effectiveness of the system of internal control. It takes account of any risk management problems or compliance breaches identified previously and receives reports from the Manager's Compliance Officer. At the conclusion of that formal review it makes a formal decision as to whether any changes to the internal control system are required.

The Board thus has in place an ongoing process for identifying, evaluating and managing the significant risks faced by the company. This process was in place throughout the financial year under review and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board and accords with the guidance in "Internal Control: Guidance for directors on the Combined Code" (the Turnbull report).

The principles of the Combined Code relevant to an investment trust company are applied as follows:

Directors

The Board consists of four members, all of whom are non-executive and, with the exception of Mr McEvoy, independent of the Company's manager. Particulars of the Directors are set out on page 2 of this Report. The Board has considered the need to appoint a senior independent director but believes this is not necessary as the majority of the Directors, including the Chairman, are independent.

Corporate Governance & Directors' Responsibilities continued

The Directors normally meet as a Board six times a year and at other times as necessary. The Board lays down guidelines within which the Manager implements investment policy and has a schedule of matters reserved for the resolution of the Directors. The Board has contractually delegated to external parties the management of the investment portfolio, the custodian and registrar services, and the day to day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration by the Board of the quality and cost of services offered, and are monitored by the Board.

Full reports are received from the Manager at Board meetings on the investment holdings and performance. The Manager also reports regularly to the Board on the Company's financial position and the custody of its assets.

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting and all Directors are subject to re-election at intervals of no more than three years.

Directors' remuneration

The Board as a whole fulfils the function of a remuneration committee as the specific appointment of such a committee is not required for an investment trust company. The level of Directors' fees is reviewed on a regular basis relative to other comparable companies.

Shareholder relations

The Company, through the investment manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors and has implemented the provisions of the Combined Code in this report for the forthcoming Annual General Meeting.

Accountability and audit

The Company's Audit Committee, which comprises all the independent Directors, meets representatives of the Manager and its Compliance Officer, who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. The Company's external Auditors also attend the Committee at its request, at least once a year, and report on their work procedures, the quality of the Company's accounting procedures and their findings in relation to the

Company's statutory audit. The responsibilities of the Audit Committee include review of the internal financial controls, accounting policies, financial statements, the management contract, the Auditor's appointment and remuneration and the value of any unquoted investments.

Directors' responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the return of the Company for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards, and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' 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.

Independent professional advice

There is an agreed procedure for the Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts, as the assets of the Company consist mainly of securities which are readily realisable.

Analysis of Shareholders

Ordinary shares

	No. of holders	% of holders	% of Issued Share Capital
Institutional & Nominee Companies*	899	17	74
Individual	4,428	83	26
Total	5,327	100	100

*Nominee companies will often include the investments of individual investors.

Company Information

Govett Asian Recovery Trust PLC began operations in September 1998.

The investment objective of Govett Asian Recovery Trust is to achieve capital growth through investment in a broad range of companies in the Asia Pacific region including Japan, with an emphasis on those with recovery potential. The portfolio comprises equity holdings in companies selected on the basis of an analysis of each market sector across the region which is aimed at identifying the strongest companies with the greatest potential for long term growth.

The Company's shares are listed on The London Stock Exchange and investors can deal in them through a

stockbroker directly or by asking their bank manager, solicitor, accountant or other professional adviser to act on their behalf. Shares may also be purchased through the Govett Investment Trust Savings Scheme. The price of the ordinary shares and ISAs appear daily in the leading national newspapers.

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

The Company's unaudited net asset value is announced daily on The London Stock Exchange and is displayed on page 44601 of the "Topic 3" screen, whilst a weekly updated geographical analysis can be found on page 44603.

Financial Calendar

Annual General Meeting	24th July 2001
Interim Results for the six months to 30th September 2001 announced	November 2001
Final Results for the year to 31st March 2002: Preliminary announcement	May 2002

Independent Auditors' Report

to the Shareholders of Govett Asian Recovery Trust PLC

We have audited the financial statements on pages 20 to 33.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements 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 financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

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

We read the information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31st March 2001 and of its net revenue, total return and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors
London, England
21st June 2001

Statement of Total Return

(incorporating the revenue account*) for the year ended 31st March 2001

	Notes	Revenue* £000s	Year ended 31st March 2001 Capital £000s	Year ended 31st March 2001 Total £000s	Revenue* £000s	Year ended 31st March 2000 Capital £000s	Year ended 31st March 2000 Total £000s
Realised & unrealised (losses)/gains on investments	9	–	(29,541)	(29,541)	–	38,292	38,292
Net foreign currency exchange differences	2	–	2,032	2,032	–	(1,756)	(1,756)
Income from investments	3	908	–	908	817	–	817
Deposit interest		325	–	325	23	–	23
Management fee	4	(527)	–	(527)	(623)	(209)	(832)
Other (expenses)/income	5,18	(315)	97	(218)	(382)	(6)	(388)
Net return before finance costs and taxation		391	(27,412)	(27,021)	(165)	36,321	36,156
Interest payable	6	(209)	–	(209)	(221)	–	(221)
Return on ordinary activities before taxation		182	(27,412)	(27,230)	(386)	36,321	35,935
Taxation on ordinary activities	7	(86)	(103)	(189)	(82)	(1,026)	(1,108)
Return on ordinary activities after taxation	19	96	(27,515)	(27,419)	(468)	35,295	34,827
Return per Ordinary share	8	0.26p	(75.52)p	(75.26)p	(1.26)p	95.43p	94.17p

*The revenue column of this statement represents the revenue account of the company.

The notes on pages 23 to 33 form an integral part of these financial statements.

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

Balance Sheet

as at 31st March 2001

	Notes	2001 £000s	2000 £000s
Assets employed			
Fixed assets – investments			
Quoted – UK		5,133	1,261
Quoted – overseas		56,608	92,076
Total investments	9	61,741	93,337
Current assets			
Debtors	11	857	1,899
Cash at bank		3,615	7,259
		4,472	9,158
Creditors: amounts falling due within one year	12	(11,663)	(19,105)
Net current liabilities		(7,191)	(9,947)
Provisions for liabilities and charges	14	–	(387)
Total assets less current liabilities		54,550	83,003
Financed by			
Capital and Reserves			
Called-up share capital	15	3,620	3,692
Other Reserves			
Capital redemption reserve	16	112	40
Special capital reserve	17	31,881	32,915
Capital reserve – realised	18	21,985	22,261
Capital reserve – unrealised	18	(2,709)	24,530
Revenue reserve	19	(339)	(435)
Equity shareholders' funds	21	54,550	83,003
Net asset value per Ordinary share	20	150.68p	224.81p

The notes on pages 23 to 33 form an integral part of these financial statements.

The financial statements on pages 20 to 33 were approved by the Board of Directors on 21st June 2001 and were signed on its behalf by:



David Price:Chairman

Cash Flow Statement

for the year ended 31st March 2001

	Notes	2001 £000s	2000 £000s
Operating activities			
Cash received from investments		859	749
Interest received		325	22
Management fees paid		(786)	(320)
Directors' fees paid		(57)	(57)
Other net cash payments		(152)	(304)
Net cash inflow from operating activities	25	189	90
Returns on investments and servicing of finance			
Interest paid		(209)	(221)
Taxation			
Taxation paid		(490)	(639)
Capital expenditure and financial investment			
Purchases of investments		(86,932)	(94,600)
Sales of investments		87,758	89,965
Loss on disposal of hedging transactions		(377)	-
Capital income/(expenses)		97	(43)
Net cash inflow/(outflow) from investing activities		546	(4,678)
Financing			
Shares repurchased		(1,034)	(468)
(Decrease)/increase in loans	26,27	(2,682)	12,443
(Decrease)/increase in cash	26,27	(3,680)	6,527

The notes on pages 23 to 33 form an integral part of these financial statements.

Notes forming part of the Accounts

1 Accounting Policies

The accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. They have been prepared in accordance with applicable UK accounting standards, the statement of recommended practice (SORP) "Financial Statements of Investment Trust Companies", on the basis that all activities are continuing and on the assumption that the Company will continue to be approved by the Inland Revenue as an investment trust for the purpose of section 842 of the Income and Corporation Taxes Act 1988.

(a) Income

Dividends receivable from listed equity investments are brought into account on the ex-dividend date, or where no ex-dividend date is quoted, when 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.

Other interest receivable is dealt with on an accruals basis.

(b) Management fees and finance costs

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

(c) Taxation

Taxation shown in the accounts is based on the results for the period.

(d) Investments

Quoted investments are valued at closing middle market prices. Unquoted investments are valued by the Directors at cost or market value having regard to the latest available information.

(e) Foreign currencies

Transactions in foreign currencies are translated into £ sterling at the rates of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are expressed in £ sterling at the rates of exchange ruling at the balance sheet date. Profits or losses on foreign exchange are taken to the Capital Reserve.

(f) Capital reserves

Gains and losses on the realisation of investments are taken to Capital Reserve – realised, as are expenses of a capital nature and the costs associated with investment transactions. Unrealised increases and decreases in the valuation of investments as compared to their book cost are accounted for in Capital Reserve – unrealised. Profits and losses are calculated on an average cost basis.

2 Currency gains and losses

	2001 Unrealised £000s	2001 Realised £000s	2001 Total £000s	2000 Realised £000s
Gain/(loss) on revaluation of currency balances at bank	–	36	36	(15)
Gain/(loss) on bank loan	1,631	–	1,631	(448)
Surplus on translation of forward currency transactions	–	480	480	–
Exchange losses on settlements	–	(115)	(115)	(1,293)
	1,631	401	2,032	(1,756)

Notes forming part of the Accounts continued

3 Income from investments

	2001 £000s	2000 £000s
Quoted investments	873	817
Fixed interest investments	35	–
	908	817

4 Management fee*

	2001 £000s	2000 £000s
Charged to the revenue account	527	623
Performance related fee charged to the capital account	–	209
	527	832

*Details of the management arrangements are specified in the Report of the Directors on page 14.

5 Other Expenses

	2001 £000s	2000 £000s
(a) Directors' fees	47	47
(b) Auditors' fees		
For audit services	12	12
Non-audit services	11	4
	23	16
(c) Custodian and registrar fees	55	66
(d) Contribution to AITC Campaign	26	36
(e) Other administrative expenses	164	217
	315	382

6 Interest Payable

	2001 £000s	2000 £000s
Interest on bank loans and overdrafts		
Charged to the revenue account	209	221

Notes forming part of the Accounts continued

7 Taxation

	2001 £000s	2000 £000s
Deferred tax	1	(4)
Overseas taxation	85	86
Charged to Revenue	86	82
Capital gains tax on disposal of Indian equities	103	1,026
Charged to Capital	103	1,026

There was no corporation tax charge for the current year due to the availability of losses brought forward. The Company has £716,000 of losses available for offset against future profits at the year end.

8 Return per Ordinary share

		Revenue	Capital	2001 Total	Revenue	Capital	2000 Total
Return per Ordinary share	pence	0.26p	(75.52)p	(75.26)p	(1.26)p	95.43p	94.17p

Revenue return per Ordinary share is based on the net profit on ordinary activities after taxation of £96,000 (2000: Loss £468,000) and on the weighted average number of shares in issue during the year of 36,431,776 (2000: 36,981,093).

Capital return per Ordinary share is based on net capital loss of £27,515,000 (2000 Gain: £35,295,000) and on the weighted average number of Ordinary shares in issue during the year of 36,431,776 (2000: 36,981,093).

9 Fixed asset investments

	2001 £000s	2000 £000s
Opening book cost	67,957	41,666
Opening unrealised appreciation	25,380	9,336
Opening valuation	93,337	51,002
Purchases at cost	84,160	96,115
Sale proceeds	(86,593)	(92,072)
Realised gains	94	15,239
Net movement in unrealised (depreciation)/appreciation	(29,257)	23,053
	61,741	93,337
Closing book cost	65,618	67,957
Closing unrealised (depreciation)/appreciation	(3,877)	25,380
	61,741	93,337

Notes forming part of the Accounts continued

9 Fixed asset investments (continued)

	2001 £000s	2000 £000s
Realised and unrealised gains on investments		
Realised gain based on historical cost	94	15,239
Less: amount of (gain)/loss recognised as unrealised in the previous year	(19,654)	7,009
Realised (loss)/gain based on carrying value brought forward	(19,560)	22,248
Net movement in unrealised (depreciation)/appreciation	(9,603)	16,044
Loss on hedging transactions	(377)	–
Effective yield adjustment	(1)	–
Realised and unrealised (losses)/gains on investments	(29,541)	38,292

10 Subsidiary undertakings

	Net asset value at 31st March 2001	Principal activity	Country of incorporation and operation	Description of shares held	Percentage held
Mountain View Securities Limited	£2	Investment Holding Company	England and Wales	Ordinary £1 shares	100%

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

11 Debtors

	2001 £000s	2000 £000s
Settlements due from brokers	1	1,281
Dividends and interest receivable	263	334
Taxation recoverable	105	70
Prepayments and other debtors	8	214
Surplus on forward currency transactions	480	–
At 31st March	857	1,899

12 Creditors: amounts falling due within one year

	2001 £000s	2000 £000s
Bank loans	11,478	15,791
Settlements due to brokers	–	2,770
Other creditors and accruals	185	544
At 31st March	11,663	19,105

Notes forming part of the Accounts continued

13 Borrowing Facilities

The Company has arranged the use of a £20.0 million (2000: £20.0 million), unsecured multi-currency revolving credit facility from Allied Irish Banks, p.l.c. taken out in March 2000.

	2001 £000s	2000 £000s
Utilised		
2,045 million Japanese Yen at rate of 0.815% pa (2000: 637.5 million Japanese Yen at rate of 0.6875% pa)	11,478	3,896
Nil (2000: £7.5 million at rate of 6.5% pa)	–	7,500
Nil (2000: £3.895 million at rate of 6.5625% pa)	–	3,895
Nil (2000: £500,000 at rate of 6.625% pa)	–	500
At 31st March	11,478	15,791

All interest rates are those prevailing as at the balance sheet date and are based on LIBOR plus 0.5% pa.

14 Provision for liabilities and charges

	2001 £000s	2000 £000s
At 1st April	(387)	4
Taxation deferred from previous year	1	(4)
Movement in provision for Indian Capital Gains Tax	386	(387)
Carried forward at 31st March	–	(387)

15 Share capital

	2001 Authorised Number	2001 Authorised £000s
Ordinary 10p shares	600,000,000	60,000
	Number	2001 Issued and fully paid £000s
At 1st April 2000	36,922,077	3,692
Purchase of own shares	(720,000)	(72)
Carried forward at 31st March 2001	36,202,077	3,620

During the year to 31st March 2001 the Company bought in for cancellation 720,000 Ordinary shares for a total consideration of £1,034,000.

Notes forming part of the Accounts continued

16 Capital Redemption Reserve

	2001 £000s
At 1st April	40
Par value of Ordinary shares bought back	72
At 31st March	112

17 Special Capital Reserve

	2001 £000s
At 1st April 2000	32,915
Purchase of own shares	(1,034)
Carried forward at 31st March 2001	31,881

18 Capital Reserve

	2001 Unrealised £000s	2001 Realised £000s
Sterling		
At 1st April	24,530	22,261
Loss realised on investment sales	–	(19,560)
Transfer on disposal of investments	(19,654)	19,654
Movement in unrealised appreciation of investments	(9,603)	–
Loss on hedging transactions	–	(377)
Net foreign currency exchange differences	1,631	401
Capital expenses	–	(2)
Sundry commission	–	99
Effective yield adjustment	–	(1)
Capital gains tax on disposal of Indian equities	387	(490)
Carried forward at 31st March	(2,709)	21,985

19 Revenue reserve

	2001 £000s
At 1st April	(435)
Retained net revenue for the year	96
Carried forward at 31st March	(339)

Notes forming part of the Accounts continued

20 Net asset value per share

The net asset value per share and the net asset value attributable to the Ordinary shareholders at the year end were as follows:

	2001	2000
Net assets attributable	£54.6m	£83.0m
Net asset value per Ordinary share	150.68p	224.81p

The net asset value per Ordinary share is based on the Company's net assets and on 36,202,077 (2000: 36,922,077) Ordinary shares in issue at the year end.

21 Reconciliation of movements in shareholders' funds

	2001 £000s	2000 £000s
At 1st April	83,003	48,495
Revenue return for the financial year	96	(468)
Capital return for the financial year	(27,515)	35,295
Purchase of shares for cancellation	(1,034)	(319)
Carried forward at 31st March	54,550	83,003

22 Contingent Liabilities

The Company had no contingent liabilities at 31st March 2001 (2000: nil).

23 Related party transactions

Details of the management contract are given on page 14.

Under the terms of the management contract Govett is reimbursed for certain office administration costs. These costs are contained within other administration expenses shown in note 5 to the accounts and amounted to £1,000 (2000: £7,000) for the year ended 31st March 2001. The Company was also a member of the Govett Investment Trust Savings Scheme to which it contributed £27,000 (2000: £21,000) for the year ended 31st March 2001.

There were no soft commission payments during the period.

Included within creditors at the year-end is an accrual of £120,873 relating to management fees (2000: £171,102).

Throughout the period the Company held an investment in Govett Singapore Growth Fund Limited (formerly The Singapore Sesdaq Fund Limited) which is managed by AIB Govett Management (Jersey) Limited, and Govett Asian Smaller Companies Investment Trust Limited, which is managed by Govett Investment Management Limited. The value of these holdings at 31st March 2001 is disclosed on page 13.

Notes forming part of the Accounts continued

24 Derivatives and other financial instruments

Management of risk

The Company's financial instruments comprise equity shares and fixed interest stocks that are held in accordance with the Company's investment objective as set out on page 1; term 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.

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. The Company undertakes futures and options contracts on market indices in order to hedge against market risk.

Interest rate risk

In addition to the share capital and reserves arising from its operations, the Company finances its activities through term loans and bank overdrafts. The Board regularly reviews the level of borrowings in order to ensure an appropriate level of gearing.

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 31st March 2001 is shown below. 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 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.

Derivative transactions which the Company enters into comprise forward exchange contracts, the purpose of which is to manage currency risks arising from the Company's investing activities. The Company has borrowed in Japanese yen to hedge against adverse movements in the Japanese exchange rate.

Financial Assets

The Company's financial assets comprise equity investments, fixed interest securities and cash balances. The interest rate profile of those financial assets as at 31st March 2001 (excluding short term debtors, creditors and unrealised loss on option contracts) after taking into account the effect of the forward currency contracts, which change the currency exposure, was:

	2001 £000s	2000 £000s
Market Value		
By interest rate		
Floating rate	3,958	7,259
Fixed rate	4,209	–
Equities and other non-interest bearing	58,228	93,337
	66,395	100,596
Market Value		
£ Sterling	23,986	2,270
Japanese yen	15,120	45,652
Hong Kong dollar	7,411	10,335
US dollar	6,960	914
Australian dollar	4,293	4,834
Singapore dollar	2,475	6,634
Indian rupee	2,257	5,153
Other	3,893	25,804
	66,395	100,596

Notes forming part of the Accounts continued

24 Derivatives and other financial instruments (continued)

Floating interest rate financial assets

These comprise cash deposits or short term money markets deposits bearing interest at local prevailing rates.

	Market value	
	2001 £000s	2000 £000s
Currency		
£ Sterling	2,214	9
US dollar	803	914
Taiwan dollar	795	3,808
Malaysian ringgit	137	2,078
Other	9	450
	3,958	7,259

Fixed interest rate financial assets

These comprise fixed interest securities.

	Weighted average interest rate	Weighted average years for which rate is fixed	Market value	
			2001 £000s	2000 £000s
Currency				
£ Sterling	5%	3.19	4,209	–
			4,209	–

Equities and other non-interest bearing financial assets

	Equities £000s	2001 Other £000s	Market value £000s	Equities £000s	2000 Other £000s	Market value £000s
Currency – £ Sterling						
£ Sterling	858	16,705	17,563	1,261	–	1,261
Japanese yen	30,313	(15,193)	15,120	45,436	–	45,436
Hong Kong dollar	7,411	–	7,411	10,265	–	10,265
Australian dollar	4,288	–	4,288	4,822	–	4,822
Indian rupee	2,527	–	2,527	5,142	–	5,142
Singapore dollar	3,679	(1,209)	2,470	6,493	–	6,493
Other	8,735	114	8,849	19,918	–	19,918
	57,811	417	58,228	93,337	–	93,337

Notes forming part of the Accounts continued

24 Derivatives and other financial instruments (continued)

Financial Liabilities

The Company's financial liabilities comprise bank loans and overdraft balances. Details of the Company's bank loans are disclosed in note 13. The interest rate profile of those financial liabilities as at 31st March 2001 was:

	2001 £000s	2000 £000s
Market Value		
By interest rate		
Floating rate	11,821	15,791
	11,821	15,791
Market Value		
Japanese yen	11,627	3,896
Hong Kong dollar	194	–
£ Sterling	–	11,895
	11,821	15,791

Currency exposure –

The profile of the Company's net monetary assets/(liabilities), excluding forward currency contracts, by currency was:

	2001 £000s	2000 £000s
Currency		
US dollar	803	914
Taiwan dollar	795	3,808
Malaysian ringgit	137	2,078
Japanese yen	(38)	(479)
Other	(97)	(560)
	1,600	5,761

The futures and foreign currency borrowings have been excluded from the above because they are hedging the portfolio.

Fair value

The fair values of the financial assets and liabilities, (excluding short-term debtors, creditors and unrealised loss on option contracts) as at 31st March 2001 are shown in the table below:

	2001 Book Value £000s	2001 Fair Value £000s	2000 Book Value £000s	2000 Fair Value £000s
Sterling				
Financial Assets				
Investment portfolio	61,957	61,957	93,337	93,337
Value of foreign currency hedge	480	480	–	–
Cash at bank	3,958	3,958	7,259	7,259
Financial Liabilities				
Overdraft	343	343	–	–
Bank loan	11,478	11,478	15,791	15,791

The Company has purchased a put option and sold a call option on the Japanese index. These are due to expire on 30th June 2001. At the year end, the put option's unrealised gain was £206,645 and the call option's unrealised loss was £422,176.

The interest rate profile of the Company's financial liabilities is as stated in note 13 on page 27.

Notes forming part of the Accounts continued

25 Reconciliation of operating profit to net cash outflow from operating activities

	2001 £000s	2000 £000s
Return before interest payable and taxation	391	(165)
Decrease in debtors	242	17
(Decrease)/increase in creditors	(359)	324
Withholding tax on foreign income deducted at source	(85)	(86)
Net cash outflow from operating activities	189	90

26 Analysis of net debt

	1st April 2000	Cash flow	Exchange movement	31st March 2001
Cash at bank	7,259	(3,680)	36	3,615
Loans	(15,791)	2,682	1,631	(11,478)
Net debt at 31st March	(8,532)	(998)	1,667	(7,863)

27 Reconciliation of net cash flow to movement in net debt

	2001 £000s	2000 £000s
(Decrease)/increase in cash for the year	(3,680)	6,527
Repayment/(increase) of loan	2,682	(11,995)
Exchange movement	1,667	(448)
Movement in debt in the year	669	(5,916)
Net debt at 1st April	(8,532)	(2,616)
Net debt at 31st March	(7,863)	(8,532)

28 Investment Company Status

The Company is not an investment company within the meaning of section 266, Companies Act 1985 as the Articles of the Company do not absolutely prohibit the distribution of capital profits. However, it manages its affairs to enable it to qualify as an investment trust for taxation purposes under section 842 of the Income and Corporation Taxes Act 1988, and the Articles of the Company prohibit capital profits from being distributed by way of dividend. As such, the Directors consider it appropriate to present the accounts in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company.

The revenue column excludes the following capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account: loss on disposal of investments, calculated by reference to their previous carrying amount of £19,560,000 (2000: gain of £22,248,000) and net receipts of a capital nature of £97,000 (2000: net expenses of £215,000). In the opinion of the Directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits available to be distributable by way of dividend. The Directors therefore consider that this exclusion is necessary to give a true and fair view. The exclusion has no effect on total return, balance sheet totals or equity shareholders' funds.

Glossary of Terms

Asset Cover	The value of a Company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Gearing	The term applied to the effect produced by borrowing and prior charge share capital which will exaggerate the return on capital and revenue.
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 (the market cap)	The market capitalisation of a company is calculated by multiplying the market price per share by the number of shares in issue.
Net Asset Value	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Price/Earnings Ratio	<i>This ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a Company's prospects and profit growth potential.</i>
Prior Charge	The name given to either borrowings or any class of share which, in a winding-up of a company, ranks ahead of the final beneficiary of surplus assets, usually the Ordinary shares.
Redemption Reserves	The reserves established in a company's accounts to provide for the repayment of prior charge share capital, usually at the winding-up date.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Yield	The annual dividend expressed as a percentage of the share price. "Gross" yield increases this figure by recognising tax credits attributable to a dividend.

Notice of Annual General Meeting

Govett Asian Recovery Trust PLC

Notice is hereby given that the third Annual General Meeting of the members of Govett Asian Recovery Trust PLC will be held at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD, on 24th July 2001, at 12.00 noon to consider the following matters:

Ordinary Resolutions:

To receive the Directors' Report and the Accounts

To re-elect Mr Noel McEvoy as a Director of the Company

To re-appoint RSM Robson Rhodes as Auditors and authorise the Directors to determine their remuneration.

Special Resolution:

That the Company be authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases within the meaning of Section 163(3) of the Act on the London Stock Exchange of its Ordinary Shares of 10p each in the capital of the Company ("Shares").

PROVIDED ALWAYS THAT:

- (i) the maximum number of Shares hereby authorised to be purchased shall be 5,426,691;
- (ii) the minimum price which may be paid for a Share shall be 10 pence;
- (iii) the maximum price which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased;
- (iv) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 23rd July 2002 unless the authority is renewed at the Company's annual general meeting in 2002 or until the maximum number of Shares under the authority has been acquired whichever is the earlier; and
- (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority and make a purchase of Shares pursuant to any such contract notwithstanding such expiry.

By order of the Board

AIB Govett Secretaries Limited

Secretary

Dated this 21st day of June 2001

Only holders of Ordinary shares are entitled to attend the meeting. Any Ordinary shareholder is entitled to appoint another person (whether a shareholder or not) as his proxy to attend the meeting and, on a poll, vote instead of him. A form of proxy is enclosed which should be completed in accordance with the instructions thereon.

No director has any contract of service with the Company.

Directors and Administration

Directors	David Price (Chairman) Keith Mackrell Sir Robin McLaren Noel McEvoy	Banker	Allied Irish Banks, p.l.c. 12 Old Jewry London EC2M 2RP
Manager	Govett Investment Management Limited (formerly AIB Govett Asset Management Limited) Regulated by IMRO Shackleton House 4 Battle Bridge Lane London SE1 2HR Telephone: 020 7378 7979 Facsimile: 020 7638 3468 email: email@aibgovett.co.uk website: www.govett.co.uk	Brokers	Cazenove 12 Tokenhouse Yard London EC2R 7AN
		Investment Adviser	AIB Govett (Asia) Limited Regulated by MAS (represented by Christian Dangerfield) 250 North Bridge Road 36-01 Raffles City Tower Singapore 179101
		Auditors	RSM Robson Rhodes 186 City Road London EC1V 2NU
Secretary & Registered Office	AIB Govett Secretaries Limited (represented by Eleanor Cranmer) Shackleton House 4 Battle Bridge Lane London SE1 2HR	Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU Telephone: 020 8639 2000
Custodians	The Chase Manhattan Bank 125 London Wall London EC2Y 5AJ The Hongkong and Shanghai Banking Corporation Limited PO Box 81-359 Taipei 105 Taiwan	Lawyers	Linklaters & Alliance One Silk Street London EC2Y 8HR
		Registered Number	3582911

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