

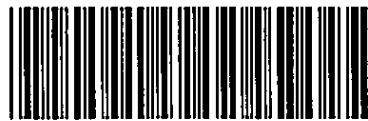
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Annual Report **2012**

JPMorgan Russian Securities plc

Annual Report & Accounts for the year ended 31st October 2012

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COMPANIES HOUSE

J.P.Morgan
Asset Management

Features

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Objective

To provide capital growth from investment in Russian securities

Investment Policies

- To maintain a diversified portfolio of investments in quoted Russian securities and Russian pre-IPO stocks (up to 10% of the gross assets of the Company) or other companies which derive the majority of their revenue or gains from operating in Russia
- To use gearing when appropriate to increase potential returns to shareholders
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts)

Benchmark

The MSCI Russian 10/40 Equity Indices Index in sterling terms

Capital Structure

At 31st October 2012, the Company's share capital comprised 53,827,112 ordinary shares of 1p each

Continuation Vote

A resolution that the Company continue as an investment trust will be put to Shareholders at the Annual General Meeting in 2017 and every five years thereafter

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or 'the Manager') to manage its assets

Financial Results

Total returns (includes dividends reinvested)

-6.2%

Return to shareholders¹
(2011: -16.7%)

-1.6%

Return on net assets²
(2011: -17.0%)

-5.8%

Benchmark³
(2011: -2.9%)

Long Term Performance

for periods ended 31st October 2012

	Return to shareholders ¹	Return on net assets ²	Benchmark return ³
3 Year Performance	19.7%	19.5%	16.7%
5 Year Performance	-25.2%	-23.0%	-4.7%
Performance since listing in December 2002	426.5%	429.7%	447.7%

A glossary of terms and definitions is provided on page 52

¹Source: Morningstar

²Source: J.P. Morgan

³Source: MSCI/CSFB. The Benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. Prior to 1st November 2006, the benchmark was the CSFB Russian ROS Index in sterling terms.

Chairman's Statement

During the year under review Russian equities fared somewhat better when compared with 2011. Nonetheless the market remained volatile and ended the year lower than at the start, a disappointing outcome in the context of positive performances from other major emerging markets. Although your Company's net asset value ('NAV') also fell in this period, I am pleased to announce that performance exceeded that of its benchmark by a strong margin. In the financial year to 31st October 2012, the Company's NAV total return was -1.6%, representing a 4.2% outperformance against the Company's benchmark, which fell by 5.8%. The return to shareholders was -6.2%, reflecting a widening of the discount at which the Company's shares trade relative to net asset value. The discount to NAV was 10.3% at year end compared with 5.9% the previous year, in line with a widening of discounts in the emerging markets investment trust sector in general. Stock prices fell across key sectors with the highest benchmark weightings including energy, utilities and materials. In contrast the consumer, telecoms and financials sectors performed well, but not enough to counter the poor performance by the rest of the market. Some high quality companies did perform well, although stocks with weak balance sheets continued to struggle.

The Board's risk control investment guidelines, which were implemented to help to eliminate excessive volatility of the Company's returns versus its benchmark, have now been in place for a year. Shareholders will recall that these guidelines limited the deviation from the benchmark for sector positions and also introduced a maximum overweight position for stocks against their benchmark weighting. The guidelines represent a sensible risk mitigation approach and continue to allow the investment management team to operate with a high degree of conviction. The major change in terms of portfolio construction has been the reduction of the Company's underweight position in the energy sector which is now the lowest it has been for seven years. This significant shift reflects the investment managers' outlook for production growth, increased dividends and attractive current valuations in this sector.

Discount Control

During the year the Company repurchased 1,297,200 shares for cancellation at an average discount to net asset value of 10.9%. The Board's objective remains to use the share repurchase authority to assist in managing any imbalance between supply and demand for the Company's shares, thereby reducing the volatility of the discount. The Board operates a policy under which the Company intends, subject to market conditions, to buy shares at discounts above 8% to achieve this. The market capitalisation and liquidity of the shares are of paramount importance to our Shareholders and the Board believes that active management of the discount via share buybacks is the best mechanism to achieve this.

The Board will only repurchase shares at a discount to their prevailing net asset value, and issue shares when they trade at a premium to their net asset value, so as not to prejudice existing shareholders. The Board will seek authority to renew the Company's share issuance and buyback powers at the forthcoming Annual General Meeting.

Board of Directors

In compliance with corporate governance best practice, all Directors will be standing for re-election at the forthcoming Annual General Meeting. Further to the Company's annual evaluation of the Directors, the Chairman, the Board and its Committees, the Board recommends to Shareholders that all Directors be re-elected.

With two members recently appointed to the Board it was decided that the Directors should visit Moscow to increase their knowledge of the Russian market. In December 2012 the Board spent three days in Moscow and met 11 companies as well as four stock analysts and market commentators. This provided the Board with an insight into the very different opportunities and challenges faced by Russian companies, and how our investment managers evaluate the prospects for these companies.

Revenue and Earnings

Income after expenses was positive for the year to 31st October 2012. An increase in the payment of dividends by Russian companies is a major positive development and hopefully signals a trend of improving corporate governance across the Russian market. Greater attention to shareholder returns and increased dividend distributions by quoted companies would be good news for the Russian market and investors. In addition the lower management fee paid to JPMAM this year made a significant contribution to a reduction in expenses, indeed the Company's newly defined 'ongoing charges' have fallen to 1.51%, from 1.82% in 2011. Please refer to the glossary of terms and definitions on page 52 for more details on this calculation.

Despite the Company generating positive current year revenues, it still has a revenue reserve deficit and therefore Directors are not proposing the payment of a dividend this year. Although the Company's investment policy is aimed at maximising capital growth and does not focus on income generation, your Board believes that investors would welcome an income stream from their shares. The payment of dividends to investors will in turn depend on an increased number of Russian companies making sustained dividend distributions to their shareholders. The Board expects to report further to shareholders in the Company's half-year results on this matter.

Annual General Meeting and General Meeting

The Company's tenth Annual General Meeting will be held on Monday, 4th March 2013 at 12.00 noon, at Holborn Bars, 138-142 Holborn, London EC1N 2NQ. In addition to the formal part of the meeting, there will be a presentation from the Investment Managers who will be available to answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the Investment Managers and representatives of JPMAM. I look forward to seeing as many of you as possible at this meeting. Shareholders are asked to submit in writing any detailed or technical questions that they wish to raise at the AGM in advance to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Alternatively you can lodge questions on the Company's website at www.jpmmrussian.co.uk.

Outlook

Our investment managers believe that despite the risk that much-needed economic reforms will be slow to materialise, the Russian market continues to provide a good risk/reward proposition for long-term investors. This applies in particular within the area of investing in medium sized companies which our investment managers specialise in. The flexibility which the Investment Managers have in investing in smaller, high-growth opportunities remains one of the key advantages that your Company has over competing open-ended investment vehicles. As with any emerging market, Russia is not immune from market inefficiencies which our active investment managers believe they can use to the Company's advantage.

Lysander Tennant
Chairman

30th January 2013

Investment Managers' Report

Oleg I Biryulyov

The Russian stockmarket began 2012 with an enthusiastic rally, which lasted until mid-March, when it lost ground on the back of global uncertainty over Greece and concerns about the slowdown in China. The political background in Russia also contributed to a deterioration in market sentiment. Although the outcome of the presidential election was as predicted with an overwhelming majority voting for Mr Putin, there was nevertheless the usual associated drama. From June the market moved up in a very choppy manner but at least in a positive direction. The market then weakened in October on the back of concerns about rates of sustainable worldwide economic growth. Overall, during the financial year to 31st October 2012, our benchmark index, the MSCI Russian 10/40 Equities Indices Index fell by 5.8% in sterling terms. Your Company's NAV fell by a more modest 1.6%, producing an outperformance of 4.2% over the benchmark index.

The Russian economy continued to grow at the relatively modest rate of 3% per annum, which is below its potential, although this represents a strong performance in comparison with many other major markets worldwide. Inflation declined and remained in the range of 6% to 6.5%. The ruble appreciated by 4.5% versus the US dollar in nominal terms despite relatively higher inflation, reflecting the strength of the current account in the light of continued high energy prices.

Performance Attribution

Vitaly N Kazakov

The Company's performance benefited from its minimal exposure to the utilities sector. Utilities are highly regulated businesses in Russia within a generally poorly regulated economic environment. The process for setting tariffs is still not based on economic parameters and the cross-subsidisation of consumer tariffs by business charges is a highly politicised issue. In addition the State would like to see a substantial level of capital investment across infrastructure projects, which makes the utility sector in Russia different to other markets through the absence of free cash flow generation and large/stable dividends. The portfolio's underweight in Rushydro was one of key positive contributors to relative performance.

Another underweight position to highlight was VTB Bank of Russia. This Bank has a significant exposure to investment banking. This area is highly cyclical and dependent on the overall equity market. In years of weak equity market performance such as 2012, such exposure represents a costly liability rather than an asset, as it has minimum revenue from a relatively high fixed cost base. This distortion of the business model deterred us from taking a position in VTB and the Company's performance relative to its benchmark was rewarded accordingly since VTB's stock price underperformed the market.

Our position in Kalina continued to benefit the Company in the reporting year. Elsewhere other industrial names such as Sollers and Eurasia Drilling finally appreciated as the market realised that their operations were intact when valuations looked too low. In addition O'Key, a new position within the retail sector, performed strongly.

Performance attribution for the year ended 31st October 2012		
	%	%
Contributions to total returns		
Benchmark		-5.8
Stock selection	+5.5	
Gearing/net cash	+0.3	
Investment manager contribution		+5.8
Portfolio total return		0.0
Management fee/other expenses	-1.8	
Portfolio total return net of fees and expenses		-1.8
Share buybacks	+0.2	
Total of other effects		-1.6
Return on net assets		-1.6
Effect of movement in discount over the year		-4.6
Return to Ordinary shareholders		-6.2
Source: FactSet, JPMAM and Morningstar		
All figures are on a total return basis.		
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.		
A glossary of terms and definitions is provided on page 52.		

In contrast, holdings in Bank Saint Petersburg and Alliance Oil were hit by operational disappointments. We still see fundamental value in both companies and believe that the current minor delays and setbacks operationally will not substantially reduce the long term fair value of these businesses. However, it may take some time for the potential upside to be delivered. In the reporting period these positions were major detractors in the relative performance of the Company.

One further disappointment for us was an underweight allocation to Transneft, the state-owned oil transportation company which in our view is an unpredictable business. However this year, the market suddenly decided to give it credit for a potential change in corporate governance and the potential conversion of this stock to a high yielding asset. We disagreed with this view and had to eat humble pie on the back of it. However we believe that this company is not managed in the interests of minority shareholders and is very unlikely to generate free cash flow any time soon, so this underweight position will be maintained.

Investment Philosophy

There are no changes to our investment philosophy. We ask ourselves two fundamental questions about any investment opportunity in Russia:

1. Do we like the business? This includes our views on the following components to this question:
 - The long-term sustainability of the business. The quality of management, the company's product and its position in the competitive landscape and regulatory matters affecting the company's prospects.
 - Duration. The quality of corporate governance, share capital structure and key shareholders' attitude/actions towards minorities.
 - Economics. Industry outlook, taxation and forecast returns on investment.

If the combined answer for the first question is 'Yes', then we move to next question. If 'No' then we avoid such investment opportunities as quite simply, they do not meet our risk/reward criteria.
2. Do we like the business at its current price?

We use our internal research to derive a fair valuation of individual stocks, and based on the expected returns level between the current market price and fair value we will make an investment decision to buy or sell an individual stock. Valuation techniques may vary for different sectors, but the output of our investment analysis is standardised. We believe that there are four major sources of potential return from any investment on the market: earnings growth, dividends, investment multiple change and currency impact. The first two are earned by the company and represent the prime focus for our financial modelling. The last two sources are provided by the market and we can use them to our benefit. However, we also need to be aware of the potential risks related to them, i.e. the investment multiple for a particular market or sector may change due to risk appetite, and currency may fluctuate based on inflation differentials.

Investment Managers' Report continued

To sum up if we like a business and its current price you will see the company in our portfolio, although over time its absolute and relative position will change in line with stock price changes and our view of its return prospects

Market Developments

We would like to highlight two significant developments which may impact our returns in the foreseeable future. 2012 was the first year to witness a dividend yield of 3+% for the Russian market, putting it on a par with other global emerging markets for the first time in history. This provides an important source of returns for investors and represents a major first step in the improvement of corporate governance standards. The reason for the increase mainly stems from pressure exerted by the state, which as a large shareholder in some major stocks has finally insisted on a specific level of payout on its investments. This has made significant difference. If this policy is sustained we should see a re-rating of investment multiples for the market, as higher company valuations will be supported with a reasonable level of yield. Dividends are a sign of maturity in certain sectors, such as mobile telephony companies, and it is pleasing to see that management in such sectors is acting prudently by releasing part of their capital back to shareholders via dividends.

Another development is an expansion of the valuation gap between large cap at the higher end of the valuation spectrum and small cap companies at the lower end. The same differential applies to companies included in the index which enjoy a higher valuation than non-index names. This is not unique to 2012, but more a continuation of the previous year's changes. The driver for this is clearly that fund flows to the market are increasingly via exchange traded funds (ETFs), most of which track a market index. We believe that this trend is not sustainable and at some stage the closure of this gap will create substantial outperformance for this Company. In the meantime this development will continue to distort the market picture.

Politics

The result of the presidential elections came as no surprise, as there was little doubt that Vladimir Putin would return to office. However, the level of protest showed by activists did come as a surprise for both the political establishment and the majority of the population. The new Russian middle class is demanding a bigger role in state management and better control over how public money is spent by bureaucrats. The protest movement is not well organised and certainly lacks clear leadership, but it is beginning to influence the authorities given that they now have to be alert to public dissatisfaction. Nonetheless we do not expect any speedy or radical reforms to take place immediately. For now external pressures on government from a fall in commodity prices is likely to be more powerful than local protests. The government's major task for this year will be implementation of a budget code and oil price function for the calculation of budget revenue. It has been based on the average price for an extended period, so this should normalise volatility and prevent any enthusiasm for extravagant spending.

We do not expect major changes in the current uncertain global economic environment and we believe that the Russian story may be more exposed to domestic growth and reform. Investments in infrastructure and a state push on savings and investments may accelerate growth substantially as we have witnessed in other countries, so there is considerable potential upside for economic growth, subject to delivery by the authorities. Unfortunately however, market expectations for such delivery are extremely low.

Conclusion

We believe that Russia will continue to surprise us with a variety of reforms at state and corporate levels. We know that current valuations do not reflect the potential of businesses in a 'normal' environment, but of course whether Russia becomes a 'normal' market is a key question for all investors. Timing the Russian market never was and never will be easy, so as investors we have to adapt to its internal level of volatility and adopt a long-term approach to help smooth the extremes of the market. Seeking out less prominent investment opportunities and non-consensual names is the prime strategy for a closed-ended structure such as your Company. The Company may not outperform the benchmark index for every reporting period, but through a disciplined investment approach it should deliver compelling positive deviation over the longer term. Currently we believe that the risk/reward profile of the market is advantageous for investors.

Oleg I. Biryulyov
Vitaly N. Kazakov
Investment Managers

30th January 2013

Summary of Results

	2012	2011	
Total returns for the year ended 31st October			
Return to shareholders	-6.2%	-16.7%	
Return on net assets	-1.6%	-17.0%	
Benchmark ¹	-5.8%	-2.9%	
			% change
Net asset value, share price and discount at 31st October			
Shareholders' funds (£'000)	298,835	311,107	-3.9
Net asset value per share	555.2p	564.4p	-1.6
Share price	498.0p	531.0p	-6.2
Exchange rate (US\$: £1)	1.61	1.61	0.0
Exchange rate (Ruble : £1)	50.44	47.94	+5.2
Share price discount to net asset value per share	10.3%	5.9%	
Shares in issue	53,827,112	55,124,312	
Revenue for the year ended 31st October			
Gross revenue return (£'000)	8,589	7,550	+13.8
Net revenue return/(loss) on ordinary activities after taxation (£'000)	2,754	(350)	
Revenue return/(loss) per share	5.03p	(0.63)p	
Dividend per share	—	—	
Gearing/(net cash) at 31st October ²	(0.1)%	(2.1)%	
Ongoing Charges ³	1.51%	1.82%	

A glossary of terms and definitions is provided on page 52

¹Source: MSCI. The benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms

²Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount so calculated is negative this is shown as a 'net cash' position.

³Ongoing Charges represents the management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies (the 'AIC') in May 2012 and replaces the Total Expense Ratio published in previous years. The comparative figure represents the expenses calculated as above, expressed as a percentage of the average month-end net asset values during the year, in line with TER Methodology.

Performance

Performance since launch

Figures have been rebased to 100 at 20th December 2002 (first day of trading)

Source: Morningstar/MSCI/CSFB

- JPMorgan Russian Securities - share price
- JPMorgan Russian Securities - net asset value per share
- ■ ■ Benchmark

Performance Relative to Benchmark

Figures have been rebased to 100 at 20th December 2002 (first day of trading)

Source: Morningstar/MSCI/CSFB

- JPMorgan Russian Securities - share price
- JPMorgan Russian Securities - net asset value per share
- ■ ■ The benchmark is represented by the grey dotted horizontal line

Financial Record

Year ended 31st October	2002 ¹	2003 ²	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total net assets (£'m)	60.6	89.7	116.0	164.3	265.0	403.5	142.7	260.0	376.1	311.1	298.8
Net asset value per share (p)	100.9	156.9	206.5	292.5	473.1	721.4	255.1	464.9	680.3	564.4	555.2
Share price (p)	91.5	138.0	183.5	269.0	436.8	665.5	257.0	416.0	637.5	531.0	498.0
(Discount)/premium (%)	(9.3)	(12.0)	(11.1)	(8.0)	(7.7)	(7.7)	0.7	(10.5)	(6.3)	(5.9)	(10.3)
Gearing/(net cash) ³ (%)	97.7	10.8	6.3	3.6	2.8	5.1	(7.0)	0.5	(3.0)	(2.1)	(0.1)
Ongoing Charges ⁴ (%)	N/A	1.80	1.86	1.69	1.89	1.78	2.53	1.85	1.71	1.82	1.51
Year ended 31st October											
Gross revenue (£'000)	N/A	2,493	2,119	2,841	4,388	7,469	9,632	950	6,034	7,550	8,589
Revenue/(loss) per share (p)	N/A	0.97	(0.18)	(1.55)	(1.34)	(1.32)	0.95	(4.11)	(0.69)	(0.63)	5.03
Dividends per share (p)	N/A	0.90	—	—	—	—	—	—	—	—	—
Returns rebased to 100 at 31st October 2002											
Return to shareholders ⁵	100.0	145.1	194.1	284.5	462.0	703.9	271.8	439.9	674.0	561.3	526.5
Return on net assets ⁵	100.0	148.4	196.3	278.0	451.1	688.0	243.3	443.3	649.2	538.5	529.7
Benchmark return ⁶	100.0	136.6	175.1	240.8	389.3	574.6	276.1	469.3	598.4	581.1	547.7

A glossary of terms and definitions is provided on page 52

¹First day of trading on 20th December 2002

²Period from first day of trading on 20th December 2002 to 31st October 2003

³Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount so calculated is negative this is shown as a 'net cash' position

⁴Ongoing Charges represents the management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies (the AIC) in May 2012 and replaces the Total Expense Ratio published on previous years. The comparative figure represents the expenses calculated as above, expressed as a percentage of the average month-end net asset values during the year, in line with TER Methodology

⁵Source: Morningstar

⁶Source: MSCI/CSFB. The benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. Prior to 1st November 2006, the benchmark was the CSFB Russian ROS Index in sterling terms

Ten Largest Equity Investments

at 31st October

Company	Sector	2012 Valuation		2011 Valuation	
		£'000	% ¹	£'000	% ²
Lukoil ADR	Energy	34,725	11.6	10,783	3.5
Sberbank Rossii ³	Financials	30,224	10.1	40,760	13.1
Mobile Telesystems ⁴	Telecommunications Services	17,778	6.0	17,731	5.7
Dixy	Consumer Staples	12,788	4.3	14,347	4.6
Gazprom ADR ⁵	Energy	11,924	4.0	—	—
Magnit	Consumer Staples	11,296	3.8	33,724	10.8
MMC Norilsk Nickel ADR ⁶	Materials	11,108	3.7	10,013	3.2
Mostotrest	Industrials	10,947	3.7	10,412	3.4
Tatneft ADR	Energy	10,900	3.6	18,461	5.9
Novatek GDR ⁵	Energy	9,840	3.3	—	—
Total⁷		161,530	54.1		

¹Based on total assets less current liabilities of £298.8m

²Based on total assets less current liabilities of £311.1m

³Includes ADR valued at £21,194,000

⁴Includes ADR valued at £15,008,000

⁵Not held in the portfolio at 31st October 2012

⁶Not included in the ten largest equity investments at 31st October 2011

⁷At 31st October 2011, the value of ten largest equity investments amounted to £192.3m representing 61.8% of total assets less current liabilities

Sector Analysis

	31st October 2012			31st October 2011		
	Portfolio % ¹	Benchmark %	Active Position %	Portfolio % ¹	Benchmark %	Active Position %
Energy	32.0	41.2	(9.2)	12.4	39.8	(27.4)
Consumer Staples	16.6	4.7	11.9	31.4	5.1	26.3
Materials	14.5	15.1	(0.6)	11.5	21.7	(10.2)
Financials	13.1	15.0	(1.9)	17.4	14.4	3.0
Telecommunications Services	10.6	12.9	(2.3)	9.1	8.8	0.3
Consumer Discretionary	5.6	—	5.6	6.6	—	6.6
Industrials	3.7	—	3.7	3.3	—	3.3
Health Care	2.3	—	2.3	3.2	—	3.2
Utilities	1.2	11.1	(9.9)	2.6	10.2	(7.6)
Information Technology	—	—	—	0.3	—	0.3
Liquidity Fund	0.7	—	0.7	2.5	—	2.5
Net current liabilities	(0.3)	—	(0.3)	(0.3)	—	(0.3)
Total	100.0	100.0		100.0	100.0	

¹Based on total assets less current liabilities of £298.8m (2011: £311.1m)

List of Investments

at 31st October 2012

Company	Valuation £'000	Company	Valuation £'000
Energy		Telecommunications Services	
Lukoil ADR	34,725	Mobile Telesystems ⁶	17,778
Gazprom ADR	11,924	Sistema ⁷	7,907
Tatneft ADR ¹	10,900	Rostelekom ²	5,929
Novatek GDR	9,840	Total Telecommunications Services	31,614
Eurasia Drilling GDR	7,931		
Alliance Oil	7,849	Consumer Discretionary	
Surgutneftegaz ³	7,472	Sollers	7,380
Global Ports Investments GDR	2,701	CTC Media	5,490
TNK-BP ²	2,412	World Trade Centre Moscow	3,862
Total Energy	95,754	Total Consumer Discretionary	16,732
Consumer Staples			
Dixy	12,788	Industrials	
Magnit	11,296	Mostotrest	10,947
Okey	7,339	Total Industrials	10,947
Cherkizovo GDR	7,191		
X5 Retail GDR	4,302	Health Care	
Oriflame Cosmetics SDR	3,333	Veropharm	3,825
ROS Agro GDR	3,295	Pharmacy Chain 36.6	3,006
Total Consumer Staples	49,544	Total Health Care	6,831
Materials			
MMC Norilsk Nickel ADR	11,108	Utilities	
Novolipetsk Iron & Steel GDS	9,191	IDGC	3,196
Uralkali GDR	7,537	Lenenergo	549
OAO Severstal GDR	7,368	Total Utilities	3,745
Magnitogorsk Iron & Steel	2,853		
Mechel ³	2,807	Liquidity Fund	
Highland Gold Mining	1,419	JPM US Dollar Liquidity Fund	2,172
Polymetal International	934	Total Liquidity Fund	2,172
Total Materials	43,217	Total Investment Portfolio	299,786
Financials			
Sberbank Rossii ⁴	30,224	¹ Includes preference shares valued at £3,402,000	
Bank Saint Petersburg ⁵	4,697	² Comprises preference shares entirely	
Etalon GDR	3,876	³ Includes ADR valued at £1,063,000 and preference shares valued at £1,744,000	
Hals-Development GDR	433	⁴ Includes ADR valued at £21,194,000	
Total Financials	39,230	⁵ Includes preference shares valued at £3,525,000	
		⁶ Includes ADR valued at £15,008,000	
		⁷ Includes GDR valued at £5,411,000	

Board of Directors

Lysander Tennant (Chairman)†

A Director since 2002

Last reappointed to the Board 2012

Remuneration £31,000

He is an employee at Tamar Energy, a renewable energy business focusing on anaerobic digestion. He was formerly a fund manager at BZW Investment Management Limited, and portfolio manager at American Express Asset Management Limited investing in Russian securities

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 5,700

Alexander Easton*†

A Director since 2010

Last reappointed to the Board 2012

Remuneration £22,000

He was formally the head of European equities at UBS Investment Bank and managing director responsible for UBS Brunswick (Russia)

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 10,000

Robert Jeens (Audit Committee Chairman)*†

A Director since 2011

Appointed to the Board 2012

Remuneration £26,000

Following 12 years with Touche Ross & Co where he was audit partner, Mr Jeens moved to Kleinwort Benson Group plc, becoming Finance Director in 1992, before becoming Group Finance Director of Woolwich plc for three years until 1999. Since then he has developed a significant knowledge of closed-end funds having previously been on the board of Gartmore Fledgling Trust plc until this year and his current appointments as a director of TR European Growth Trust PLC since 2002 and Henderson Group plc since July 2009.

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 5,000

George Nianias*†

A Director since 2008

Last reappointed to the Board 2012

Remuneration £22,000

He is the founder and Group Chairman of Denholm Hall Group Limited. He has also been financial adviser to several eastern European cities including Krakow, St. Petersburg and Moscow.

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company Nil

Gill Nott (Nomination Committee Chairman)*†

A Director since 2011

Appointed to the Board 2012

Remuneration £22,000

Mrs Nott spent the majority of the first 27 years of her career working in the energy sector. In 1994 she became CEO of ProShare. Due to her work in the retail savings sector, she spent six years on the Board of the FSA from 1998 to 2004. Mrs Nott has held a portfolio of non-executive positions, particularly in the closed-end fund sector, over the last 15 years. She is currently chairman of Witan Pacific Investment Trust plc and a non-executive director of Martin Currie Global Portfolio Trust plc and BlackRock Smaller Companies Investment Trust plc. Mrs Nott is also Deputy Chairman of the Association of Investment Companies.

Connections with Manager None

Shared directorships with other Directors None

Shareholding in Company 3,000

* Member of the Audit Committee

† Member of the Nomination Committee

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st October 2012

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 for the year ended 31st October 2011. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify as an investment trust under the HM Revenue & Customs' Qualifying rules.

Approval for the year ended 31st October 2011 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 and 3, and in the Investment Managers' Report on pages 4 to 7.

Objective

The Company's objective is to provide capital growth from investment in Russian securities.

Investment Policies and Risk Management

In order to achieve the investment objective and manage risk, the Company invests in a diversified portfolio of investments in quoted Russian securities and Russian pre-IPO stocks or other companies which derive the majority of their revenue or gains from operating in Russia. The number of investments in the portfolio will normally range between 30 and 60. The investment portfolio is managed by two Russian fund managers, one based in Moscow and one based in London, both of whom are fully supported by a global emerging markets team, including sector specialists. The Board also discusses in depth the economy and political developments of Russia at Board meetings and considers the possible implications for the investment portfolio.

Investment Limits and Restrictions

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- No more than 10% of the Company's gross assets are to be invested in pre-IPO stocks
- The Company will not normally invest in unlisted securities apart from pre-IPO stocks
- The Company will not normally invest in derivatives
- The Company will utilise liquidity and borrowings in a range of 90% to 115% invested in typical market conditions. There is currently no loan facility in place.
- No more than 15% of gross assets are to be invested in other UK listed investment companies (including investment trusts)

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

These limits and restrictions may be varied by the Board at any time at its discretion.

Performance

In the year ended 31st October 2012, the Company produced a total return to shareholders of -6.2% and a total return on net assets of -1.6%. This compares with the return on the Company's benchmark of -5.8%. As at 31st October 2012, the value of the Company's investment portfolio was £299.8 million. The Investment Managers' Report on pages 4 to 7 includes a review of developments during the year.

Total Return and Revenue

Gross return for the year totalled £203,000 (2011: £56,297,000 loss) and net loss after deducting management fee, administrative expenses, finance costs and taxation, amounted to £5,632,000 (2011: £64,197,000). Net revenue return after taxation for the year amounted to £2,754,000 (2011: £350,000 loss). No dividend has been proposed (2011: nil).

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark**
The principle objective is to achieve capital growth. However, the Board also monitors performance against a benchmark index.

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 20th December 2002 (first day of trading)

Source: Morningstar/MSCI/CSFB

- JPMorgan Russian Securities – share price
- JPMorgan Russian Securities – net asset value per share
- The benchmark is represented by the grey dotted horizontal line

Performance since launch

Figures have been rebased to 100 at 20th December 2002 (first day of trading)

Source: Morningstar/MSCI/CSFB

- JPMorgan Russian Securities – share price
- JPMorgan Russian Securities – net asset value per share
- Benchmark

- **Performance against the Company's peers**
The Board also monitors the performance relative to a broad range of competitor funds
- **Performance attribution**
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative

to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection

- **Share price discount/premium to net asset value ('NAV') per share**

The Board has adopted a share repurchase policy which seeks to address imbalances in the supply of and demand for the Company's shares in the market and thereby reduce the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year ended 31st October 2012, the shares traded at a discount of between 5.9% and 11.2%

Discount/Premium Performance

Source: Datastream

- JPMorgan Russian Securities – share price discount/premium to NAV

- **Ongoing Charges**

The Ongoing Charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The method of calculating the Ongoing Charges has been changed. In previous years, the Total Expense Ratio ('TER') was calculated, which represented the Company's management fee and other operating expenses excluding finance costs payable, expressed as a percentage of the average of the month end net assets during the year. The Ongoing Charges for the year ended 31st October 2012 were 1.51% (2011 TER 1.82%). The Board reviews each year an analysis which shows a comparison of the Company's Ongoing Charges and its main expenses with those of its peers.

Directors' Report continued

Share Capital

During the year, the Company made market purchases of 1,297,200 of its own shares, nominal value £13,000, for cancellation, representing 2.35% of the shares outstanding at the beginning of the year. The consideration paid for these shares amounted to £6,640,000. The reason for the purchases was to seek to reduce the volatility and absolute level of the share price discount to net asset value per share. Since the year end the Company has repurchased a further 535,000 ordinary shares, nominal value £5,000, for cancellation, representing 1.0% of the shares outstanding at the beginning of the year.

A resolution to renew the authority to repurchase shares at a discount to NAV is due to be put to shareholders at the forthcoming Annual General Meeting.

The Company did not issue any new shares during the year.

Principal Risks

With the assistance of the Manager the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount to NAV. The Board manages these risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend all Board meetings and reviews data which show statistical measures of the Company's risk profile. The investment managers employ the Company's gearing tactically, within a strategic range set by the Board. However, currently the Company has no loan facility in place.
- **Market** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.
- **Accounting, Legal and Regulatory** In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under "Business of the Company" above. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, capital gains within the Company's investment portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Directors seek to comply with all relevant regulation and legislation and rely on the services of its Company Secretary, JPMAM, and its professional advisors to monitor compliance with all relevant requirements.
- **Corporate Governance and Shareholder Relations** Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 21 to 25.
- **Operational** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 24.
- **Financial** The financial risks faced by the Company include market price risk, interest rate risk, foreign currency risk,

liquidity risk and credit risk. Further details are disclosed in note 19 on pages 43 to 48.

- **Political and Economic.** Changes in financial or tax legislation, including in the European Union, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to administrative risks, such as the imposition of restrictions on the free movement of capital.

Future Developments

The future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The investment managers discuss the outlook in their report on pages 4 to 7.

Management of the Company

JPMAM is a wholly-owned subsidiary of JPMorgan Chase & Co which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager, noting performance relative to the benchmark over the long term, and the other services that the Company receives from JPMAM.

Management Agreement

JPMAM is employed under a contract which can be terminated on 90 days' notice without penalty. The Manager may also terminate the contract on 90 days' notice if in its sole opinion there has been a loss of confidence between the Manager and the Company so as to make the relationship unworkable. If the Company wishes to terminate the contract on less than 90 days' notice, the balance of the 90 days' remuneration is payable by way of compensation.

The Manager is remunerated at a rate of 1.2% per annum of the Company's net assets, payable monthly in arrears.

Investments on which JPMAM earns a separate management fee are excluded from the Company's net assets for the purpose of calculating the management fee. No performance fee is payable.

Going Concern

In assessing the Company's ability to continue as a going concern the Directors have considered the Company's investment objective (see page 16), risk management policies (see pages 42 to 48), capital management (see note 20), the nature of the portfolio and expenditure projections, and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

A resolution that the Company continue as an investment trust will be put to shareholders at the annual general meeting in 2017 and every five years thereafter.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st October 2012, the Company had no outstanding trade creditors (2011: none).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's ordinary share capital, were:

Directors	31st October 2012	1st November 2011
Lysander Tennant	5,700	5,700
Alexander Easton	10,000	—
Robert Jeens ¹	5,000	—
George Nianias	—	—
Gill Nott ²	3,000	—

¹Robert Jeens was appointed to the Board on 14th October 2011.

²Gill Nott was appointed to the Board on 17th November 2011.

There have been no changes to the above beneficial interests since the year end.

In accordance with corporate governance best practice, all Directors will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for

Directors' Report continued

reappointment. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of a deed of indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The deeds of indemnity were executed on 21st January 2011 and are currently in force.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware, and
- (b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 51.

Notifiable Interests in the Company's Voting Rights

At the date of this report the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
City of London Investment Management Company Limited	14,511,181	27.2
Lazard Asset Management LLC	9,233,906	17.3
JPMorgan Asset Management (UK) Limited ¹	5,682,884	10.7
Advance Developing Markets Fund Limited	2,929,480	5.5
Sarasin & Partners	1,985,201	3.7
Legal and General Investment Management	1,621,914	3.0

¹Non beneficial

Independent Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor to the Company, and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

(i) Authority to issue relevant securities and disapply pre-emption rights (resolutions 9 & 10)

The Directors will seek renewal of the authority to issue up to 2,664,605 new shares or shares held in Treasury other than by a pro rata issue to existing shareholders up to an aggregate nominal amount of £26,646, such amount being equivalent to approximately 5% of the current issued share capital. The full text of the resolutions is set out in the Notice of Meeting on pages 49 to 51.

It is advantageous for the Company to be able to issue new shares to investors purchasing shares through the JPMAM.

savings products and also to other investors when the Directors consider that it is in the best interest of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby increasing the assets underlying each share.

(ii) Authority to repurchase the Company's shares for cancellation (resolution 11)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2012 Annual General Meeting, will expire on 13th March 2013 unless renewed at the 2013 Annual General Meeting. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 49 to 51. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 9 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 23,700 shares representing approximately 0.1% of the voting rights in the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities in respect of the Accounts on page 28, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code 2010 (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that, apart from certain matters noted below, the Company has complied with the best practice provisions of the UK Corporate Governance Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has previously been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the

Directors' Report continued

advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with

Board Composition

During the year the Board consisted of at least five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager. Mrs Idelson Smith chaired the Board until her retirement on 13th April 2012, when Mr Tennant assumed the role. The Chairman's independence was assessed upon his appointment and is re-assessed on an annual basis. Messrs Gifford and Nicholson retired from the Board on 27th January 2012. Mrs Nott was appointed to the Board on 17th November 2011. Following the retirement of Messrs Gifford and Nicholson, their respective roles of Nomination Committee Chairman and Audit Committee Chairman were assumed by Mrs Nott and Mr Jeens respectively.

The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business, and brief biographical details of each Director are set out on pages 14 and 15.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board consists entirely of non-executive directors, this is unnecessary at present. However, the Nomination Committee Chairman leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, Directors stand for annual re-election, following the Board's adoption of corporate governance best practice. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its sub-Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of

more than nine years will stand for annual re-election thereafter. As previously stated, the Board has decided to acknowledge the UK Corporate Governance Code and accordingly all Directors will be standing for re-election at the forthcoming AGM.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the AGM.

The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its Committees, confirms that Messrs Tennant, Easton, Jeens and Nianias and Mrs Nott continue to be effective and demonstrate commitment to the role. Notwithstanding the fact that Mr Tennant has served on the Board for more than nine years, his fellow Directors believe that he remains independent in character and judgement, and accordingly the Board recommends to shareholders that all the above Directors be re-elected.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on pages 14 and 15.

The table below details the number of Board, Audit and Nomination Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings and two Nomination Committee meetings. Furthermore in December 2012 the Board spent three days in Moscow meeting a variety of portfolio companies, investment analysts and market commentators, in order to refresh their knowledge of the Russian market.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Lysander Tennant ¹	5	2	1
Alexander Easton	5	2	1
Pamela Idelson Smith ²	3	1	–
Patrick Gifford ³	2	1	–
Robert Jeens ¹	5	2	1
George Nianias	5	2	1
James Nicholson ³	2	1	–
Gill Nott ⁴	4	2	1

¹Attended the Interim Audit Committee meeting by invitation following his appointment as Chairman

²Pamela Idelson Smith retired from the Board on 13th April 2012

³Patrick Gifford and James Nicholson retired from the Board on 27th January 2012

⁴Gill Nott was appointed to the Board on 17th November 2011

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board conducts a formal evaluation of the Manager, its own performance and that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director, the responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Chairman of the Nomination Committee leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its Committees.

Board Committee

Nomination Committee

The Nomination Committee, chaired by Gill Nott, consists of all Directors and meets at least annually to ensure that the Board has the balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates, for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. A variety of sources, including the use of external recruitment consultants, may be used to ensure that a wide range of candidates is considered. In relation to the appointment of Mr Jeens and Mrs Nott an external recruitment consultant was engaged by the Company.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of JPMAM and a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of all Directors is led by the Chairman of the Nomination Committee who also meets individually with each Director. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

The Committee has procedures in place to deal with potential conflicts of interest and confirms that there were no actual or

indirect interests of a Director which conflicted with the interests of the Company during the year.

Audit Committee

The Audit Committee, chaired by Robert Jeens, consists of all the Directors bar the Chairman of the Board and meets at least twice each year. The Chairman of the Board attends by invitation of the Committee. The members of the Audit Committee consider that they have recent and relevant financial expertise and the requisite skills and experience to fulfil the responsibilities of the Committee.

The Audit Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts of the Company and the Company's compliance with the UK Corporate Governance Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, reviews information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. No non-audit work was undertaken by the auditors in the year under review and the Directors remain satisfied as to their independence. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of internal control is set out on page 24.

Terms of Reference

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on request at the Company's registered office, on the Company's website and at the Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. This is supplemented by the daily publication through the London Stock Exchange, of the net asset value of the Company's shares.

During the year the Company's broker, investment managers and JPMAM held regular discussions with larger shareholders. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 53.

Directors' Report continued

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the investment managers who review the Company's performance.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 53.

Details of the proxy voting on each resolution will be published on the Company website shortly after the Annual General Meeting.

Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of the approval of the Annual Report and Accounts, and it accords with the Turnbull guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is reviewed on an annual basis. The key elements designed to provide effective internal control are as follows:

Financial Reporting - Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement - Appointment of a manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

Manager's Systems - The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's compliance department which regularly monitors compliance with FSA rules and reports to the Board.

Investment Strategy - Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- Reviews the terms of the management agreement and receives regular reports from JPMAM's compliance department,
- Reviews the reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed, and
- Reviews every six months an independent report on the internal controls and the operations of JPMAM.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st October 2012, and to the date of approval of this Annual Report and Accounts.

During the course of its reviews of the system of internal control, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients,
- disclose their policy on managing conflicts of interest,
- monitor their investee companies,
- establish clear guidelines on how they escalate engagement,
- be willing to act collectively with other investors where appropriate,
- have a clear policy on proxy voting and disclose their voting record, and
- report to clients

JPMAM endorses and complies with the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

Social & Environmental

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website <http://www.jpmorganinvestmenttrusts.co.uk/Governance>. This also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.



By order of the Board
Alison Vincent, ACIS for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

30th January 2013

Directors' Remuneration Report

The Board has prepared this Report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this Report is to be put to shareholders 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 indicated as such. The auditors' opinion is included in their report on page 29.

Directors' Remuneration¹

Directors' Name	2012 £	2011 £
Pamela Idelson Smith (Chairman) ²	14,200	31,000
Lysander Tennant (Chairman) ³	26,881	22,000
Alex Easton	22,000	22,000
Patrick Gifford ⁴	5,359	22,000
Robert Jeens ⁵	25,050	1,015
George Nianias	22,000	22,000
James Nicholson ⁴	6,333	25,246
Gill Nott ⁶	21,013	—
Paul Teleki ⁷	—	4,953
Total	142,386	150,194

¹Audited information

²Retired from the Board on 13th April 2012

³Appointed Chairman on 13th April 2012

⁴Retired from the Board on 27th January 2012

⁵Appointed Audit Committee Chairman on 27th January 2012

⁶Appointed on 17th November 2011

⁷Retired from the Board on 10th January 2011

No amounts were paid to third parties for making available the services of Directors (2011: £nil).

In the year under review, Directors' fees were paid at the following rates: Chairman £31,000 per annum, Audit Committee Chairman £26,000 per annum, and other Directors £22,000 per annum. Directors' fees were last increased with effect from 1st November 2010.

Remuneration Policy

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater commitment involved in fulfilling those roles.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the policy of the Board is for the Nomination Committee to review Directors' fees on a regular basis and make recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited and relevant third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. The Articles of Association of the Company stipulate that aggregate fees must not exceed £200,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a three year term. A Director may then be invited by the Board to serve for a further three years. A Director's continuing appointment is subject to re-election by shareholders. The Board has resolved to comply with the UK Corporate Governance Code and accordingly all Directors will be standing for re-election at the forthcoming Annual General Meeting.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of

reasonable out-of-pocket expenses incurred in connection with attending to the Company's business

A graph showing the Company's share price total return compared with the Company's benchmark index, is set out below. Details of the Company's performance since inception are set out on page 10

Five year share price total return and benchmark to 31st October

Source: Morningstar/MSCI/CSFB

— Share price total return
— Benchmark¹

¹The Benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms



By order of the Board
Alison Vincent, ACIS for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

30th January 2013

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmmrussian.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by

JPMAM is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that to the best of their knowledge

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company, and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

For and on behalf of the Board
Lysander Tennant
Chairman

30th January 2013

Independent Auditor's Report

Independent Auditor's Report to the members of JPMorgan Russian Securities plc

We have audited the financial statements of JPMorgan Russian Securities plc ('the Company') for the year ended 31st October 2012 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on the Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31st October 2012 and of its net loss for the year then ended,

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

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

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 19, in relation to going concern
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



Michael-John Albert (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

30th January 2013

Income Statement

for the year ended 31st October 2012

	Notes	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	2	—	(7,969)	(7,969)	—	(63,520)	(63,520)
Net foreign currency losses		—	(417)	(417)	—	(327)	(327)
Income from investments	3	8,581	—	8,581	7,548	—	7,548
Other interest receivable and similar income	3	8	—	8	2	—	2
Gross return/(loss)		8,589	(8,386)	203	7,550	(63,847)	(56,297)
Management fee	4	(3,715)	—	(3,715)	(5,760)	—	(5,760)
Other administrative expenses	5	(978)	—	(978)	(1,170)	—	(1,170)
Net return/(loss) on ordinary activities before finance costs and taxation		3,896	(8,386)	(4,490)	620	(63,847)	(63,227)
Finance costs	6	(5)	—	(5)	(1)	—	(1)
Net return/(loss) on ordinary activities before taxation		3,891	(8,386)	(4,495)	619	(63,847)	(63,228)
Taxation	7	(1,137)	—	(1,137)	(969)	—	(969)
Net return/(loss) on ordinary activities after taxation		2,754	(8,386)	(5,632)	(350)	(63,847)	(64,197)
Return/(loss) per share	8	5.03p	(15.32)p	(10.29)p	(0.63)p	(115.53)p	(116.16)p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the Profit and Loss Account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The 'Total' column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

The accompanying notes on pages 34 to 48 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st October 2010	553	49,281	48	330,771	(4,550)	376,103
Repurchase of the Company's own shares for cancellation	(2)	(799)	2	—	—	(799)
Net loss on ordinary activities	—	—	—	(63,847)	(350)	(64,197)
At 31st October 2011	551	48,482	50	266,924	(4,900)	311,107
Repurchase of the Company's own shares for cancellation	(13)	—	13	(6,640)	—	(6,640)
Net (loss)/return on ordinary activities	—	—	—	(8,386)	2,754	(5,632)
At 31st October 2012	538	48,482	63	251,898	(2,146)	298,835

The accompanying notes on page 34 to 48 form an integral part of these accounts

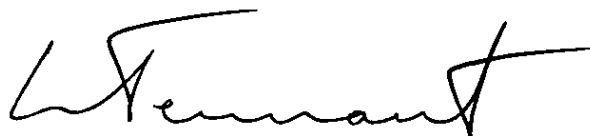
Balance Sheet

at 31st October 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value through profit or loss		297,614	304,496
Investment in liquidity fund held at fair value through profit or loss		2,172	7,666
Total investment portfolio	9	299,786	312,162
Current assets	10		
Debtors		1,013	319
Cash and short term deposits		4,217	102
		5,230	421
Creditors: amounts falling due within one year	11	(6,181)	(1,476)
Net current liabilities		(951)	(1,055)
Total assets less current liabilities		298,835	311,107
Net assets		298,835	311,107
Capital and reserves			
Called up share capital	12	538	551
Other reserve	13	48,482	48,482
Capital redemption reserve	13	63	50
Capital reserves	13	251,898	266,924
Revenue reserve	13	(2,146)	(4,900)
Total equity shareholders' funds		298,835	311,107
Net asset value per share	14	555.2p	564 4p

The accounts on pages 30 to 48 were approved and authorised for issue by the Directors on 30th January 2013 and were signed on their behalf by

Lysander Tennant
Chairman



The accompanying notes on pages 34 to 48 form an integral part of these accounts

Company registration number 4567378

Cash Flow Statement

for the year ended 31st October 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	15	2,730	1,453
Returns on investments and servicing of finance			
Interest paid		(5)	(1)
Capital expenditure and financial investment			
Purchases of investments		(177,769)	(76,764)
Sales of investments		184,693	73,827
Other capital charges		(372)	(285)
Net cash inflow/(outflow) from capital expenditure and financial investment		6,552	(3,222)
Net cash inflow/(outflow) before financing		9,277	(1,770)
Financing			
Repurchase of the Company's own shares for cancellation		(4,745)	(799)
Net cash outflow from financing		(4,745)	(799)
Increase/(decrease) in cash for the year	16	4,532	(2,569)

The accompanying notes on pages 34 to 48 form an integral part of these accounts

Notes to the Accounts

for the year ended 31st October 2012

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the SORP) issued by the Association of Investment Companies in January 2009. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value.

The policies applied in these accounts are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with a documented investment strategy and information about the portfolio is provided internally on that basis to the Board of Directors. Accordingly, upon initial recognition, the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to acquisition which are charged to the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

Gains and losses on sales of investments are included in the Income Statement and are dealt with in capital reserves within 'Gains and losses on sales of investments' and represent the excess of sales proceeds over the carrying value at the previous balance sheet date. Increases and decreases in the valuation of investments held at the year end are included in the Income Statement and are accounted for in capital reserves within 'Holding gains and losses on investments'.

All purchases and sales are dealt with on a trade date basis.

(c) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is taken to capital.

Overseas dividends are shown gross of any withholding tax.

Deposit interest receivable is taken to revenue on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the exception of expenses incidental to the purchase or sale of an investment which are charged to the capital column of the income statement. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission.

(e) Finance costs

Finance costs are accounted for on an effective interest rate basis and are allocated wholly to revenue.

(f) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest or significant price risk exposure and are accordingly stated at cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

The Company has not utilised any derivative financial instruments in the current or comparative year.

(g) Foreign currency

In accordance with FRS 23 'The effects of changes in foreign currency exchange rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets and liabilities and equity investments held at fair value denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in 'Holding gains and losses on investments'.

(h) Taxation

Current tax is provided at the amount expected to be paid or recovered.

Deferred taxation is accounted for in accordance with FRS 19 'Deferred tax'.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred taxation liabilities are recognised for all taxable timing differences but deferred taxation assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date and is measured on an undiscounted basis.

(i) Value Added Tax ('VAT')

Irrecoverable VAT is included in the expense on which it has been suffered. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Repurchase of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transaction costs is charged to 'Capital reserves' and dealt with in the Reconciliation of Movement in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

	2012 £'000	2011 £'000
2. Losses on investments held at fair value through profit or loss		
Gains on sales of investments held at fair value through profit or loss based on historical cost	7,513	12,169
Amounts recognised as investment holding gains and losses at the previous balance sheet date in respect of investments sold during the year	5,753	(9,346)
Gains on sales of investments based on carrying value at the previous balance sheet date	13,266	2,823
Net movement in investment holding gains and losses	(20,896)	(66,020)
Capital charges	(339)	(323)
Total capital losses on investments held at fair value through profit or loss	(7,969)	(63,520)

Notes to the Accounts continued

	2012 £'000	2011 £'000
3 Income		
Overseas dividends	8,574	7,532
Dividends from liquidity fund	7	16
	8,581	7,548
Other interest receivable and similar income		
Deposit interest	8	2
Total	8,589	7,550

	2012 £'000	2011 £'000
4 Management fee		
Management fee ¹	3,715	5,760

¹Details of the management fee are given in the Directors' Report on page 19

	2012 £'000	2011 £'000
5 Other administrative expenses		
Administration expenses	563	605
Safe custody fees	179	302
Directors' fees ¹	142	150
Savings scheme costs ²	71	87
Auditors' remuneration for audit services ³	23	26
Total	978	1,170

¹Full disclosure is given in the Directors' Remuneration Report on pages 26 and 27

²These fees were paid to JPMAM for the marketing and administration of savings scheme products

³No fees were paid to the auditors for non audit services (2011 nil)

	2012 £'000	2011 £'000
6 Finance costs		
Interest on bank loans and overdrafts	5	1

7 Taxation

(a) Analysis of tax charge in the year

	2012 £'000	2011 £'000
UK corporation tax at 24.83% (2011: 26.83%)	714	17
Double taxation relief	(714)	(17)
Overseas withholding tax	1,137	969
Current tax	1,137	969

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2011: higher) than the Company's applicable rate of corporation tax for the year of 24.83% (2011: 26.83%). The factors affecting the current tax charge for the year are as follows:

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	3,891	(8,386)	(4,495)	619	(63,847)	(63,228)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 24.83% (2011: 26.83%)	966	(2,083)	(1,117)	166	(17,130)	(16,964)
Effects of:						
Non-taxable capital losses	—	2,083	2,083	—	17,130	17,130
Non-taxable overseas dividends	(259)	—	(259)	(305)	—	(305)
Income taxed in different periods	9	—	9	555	—	555
Overseas withholding tax	1,137	—	1,137	969	—	969
Double taxation relief	(714)	—	(714)	(17)	—	(17)
Prior years' excess expenses utilised	(2)	—	(2)	(399)	—	(399)
Current tax charge for the year	1,137	—	1,137	969	—	969

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £698,000 (2011: £708,000) based on a prospective corporation tax rate of 24% (2011: 25%). The reduction in the standard rate of corporation tax was substantively enacted on 26th March 2012 and was effective from 1st April 2012. The Government has also indicated that it intends to enact future reductions in the main rate of corporation tax of 1% each year down to 20% by 1st April 2016. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an Investment Trust Company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts continued

8 Return/(loss) per share

The revenue return per share is based on the revenue return attributable to the ordinary shares of £2,754,000 (2011 £350,000 loss) and on the weighted average number of shares in issue during the year of 54,744,578 (2011 55,263,230)

The capital loss per share is based on the capital loss attributable to the ordinary shares of £8,386,000 (2011 £63,847,000) and on the weighted average number of shares in issue during the year of 54,744,578 (2011 55,263,230)

The total loss per share is based on the total loss attributable to the ordinary shares of £5,632,000 (2011 £64,197,000) and on the weighted average number of shares in issue during the year of 54,744,578 (2011 55,263,230)

9. Investments

	2012 £'000	2011 £'000
Investments listed on a recognised stock exchange	297,614	304,496
Investment in liquidity fund	2,172	7,666
	299,786	312,162
	2012 £'000	2011 £'000
Opening book cost	335,362	319,083
Opening investment holding gains/(losses)	(23,200)	52,166
Opening valuation	312,162	371,249
Movements in the year		
Purchases at cost	180,666	78,003
Sales - proceeds	(185,412)	(73,893)
Gains on sales of investments based on the carrying value at the previous balance sheet date	13,266	2,823
Net movement in investment holding gains and losses	(20,896)	(66,020)
Closing valuation	299,786	312,162
Closing book cost	338,129	335,362
Closing investment holdings losses	(38,343)	(23,200)
Total investments held at fair value through profit or loss	299,786	312,162

Transaction costs on purchases during the year amounted to £495,000 (2011 £360,000) and on sales during the year amounted to £149,000 (2011 £60,000). These costs comprise mainly brokerage commission.

During the year, prior year holding gains amounting to £5,753,000 (2011 £9,346,000) have been transferred to gains and losses on sales of investments as disclosed in note 13.

	2012 £'000	2011 £'000
10 Current assets		
Debtors		
Securities sold awaiting settlement	785	66
Dividends and interest receivable	177	202
Other debtors	51	51
Total	1,013	319

The Directors consider that the carrying amount of debtors approximates to their fair value

Cash and short term deposits

Cash and short term deposits comprises bank balances and short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	2012 £'000	2011 £'000
11. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	4,136	1,239
Amounts payable for redemption of the Company's own shares	1,895	–
Other creditors and accruals	150	237
Total	6,181	1,476

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value

	2012 £'000	2011 £'000
12. Share capital		
Issued and fully paid		
Ordinary shares of 1p each		
Opening balance of 55,124,312 (2011: 55,284,312) shares	551	553
Repurchase and cancellation of 1,297,200 (2011: 160,000) shares	(13)	(2)
Closing balance of 53,827,112 (2011: 55,124,312) shares	538	551

During the year, the Company made market purchases of 1,297,200 of its own shares, nominal value £13,000, for cancellation, representing 2.35% of the shares outstanding at the beginning of the year. The consideration paid for these shares amounted to £6,640,000. The reason for the purchases was to seek to reduce the volatility and absolute level of the share price discount to net asset value per share.

The holders of ordinary shares carry the right to receive all the revenue profits of the Company available for distribution and from time to time determined by the Directors to be distributed by way of dividend. The holders of the ordinary shares hold all voting rights and are entitled to all the assets of the Company on a return of capital, return of assets or on a winding up.

Notes to the Accounts continued

	Other reserve £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve £'000
			Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	
13 Reserves					
Opening balance	48,482	50	290,124	(23,200)	(4,900)
Foreign exchange losses on cash and short term deposits	—	—	(417)	—	—
Gains on sales of investments based on the carrying value at the previous balance sheet date	—	—	13,266	—	—
Net movement in investment holding gains and losses	—	—	—	(20,896)	—
Transfer on disposal of investments	—	—	(5,753)	5,753	—
Repurchase of the Company's own shares for cancellation	—	13	(6,640)	—	—
Other capital charges	—	—	(339)	—	—
Revenue return for the year	—	—	—	—	2,754
Closing balance	48,482	63	290,241	(38,343)	(2,146)

14 Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £298,835,000 (2011 £311,107,000) and on the 53,827,112 (2011 55,124,312) shares in issue at the year end

	2012 £'000	2011 £'000
15. Reconciliation of total loss on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total loss on ordinary activities before finance costs and taxation	(4,490)	(63,227)
Add back capital loss before finance costs and taxation	8,386	63,847
Decrease in accrued income	25	1,766
Increase in other debtors	—	(33)
(Decrease)/increase in accrued expenses	(54)	69
Overseas withholding tax	(1,137)	(969)
Net cash inflow from operating activities	2,730	1,453

	At 31st October 2011 £'000	Cash flow £'000	Exchange movement £'000	At 31st October 2012 £'000
16 Analysis of changes in net funds				
Cash and short term deposits	102	4,532	(417)	4,217
Net funds	102	4,532	(417)	4,217

17 Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 19. The management fee payable to JPMAM for the year was £3,715,000 (2011: £5,760,000) of which £nil (2010: £nil) was outstanding at the year end. In addition £71,000 (2011: £87,000) was payable to JPMAM for marketing and administration of the Company's savings scheme products, of which £6,000 (2011: £nil) was outstanding at the year end.

Included in note 5 on page 36 are safe custody fees amounting to £179,000 (2011: £302,000) payable to JPMorgan Chase of which £37,000 (2011: £92,000) was outstanding at the year end.

Handling charges on transactions during the year amounting to £339,000 (2011: £323,000) were payable to JPMorgan Chase of which £9,000 (2011: £42,000) was outstanding at the year end.

During the year, the Company held an investment in the JPM US Dollar Liquidity Fund. At 31st October 2012, the Company's investment in this fund was valued at £2,172,000 (2011: £7,666,000) representing 0.73% (2011: 2.5%) of the Company's investment portfolio. During the year, the Company made purchases of this fund with a total value of £52,542,000 (2011: £26,010,000) and sales with a total value of £58,246,000 (2011: £18,185,000). Income receivable from this fund in the year amounted to £7,000 (2011: £16,000) of which £nil (2011: £nil) was outstanding at the year end.

At the year end, a bank balance of £4,217,000 (2011: £102,000) was held with JPMorgan Chase and placed on deposit with an approved list of banks. A net amount of interest of £8,000 (2011: £2,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2011: £nil) was outstanding at the year end.

Notes to the Accounts continued

18 Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1. Quoted investments which are deemed to be less liquid due to a lower level of trading volume in the period prior to the year end, are also included in Level 2.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1 on page 34.

The following table sets out the fair value measurements using the FRS 29 hierarchy at 31st October:

	2012			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	270,579	27,035	–	297,614
Investment in liquidity fund	2,172	–	–	2,172
Total	272,751	27,035	–	299,786

	2011			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	272,018	32,478	–	304,496
Investment in liquidity fund	7,666	–	–	7,666
Total	279,684	32,478	–	312,162

There have been no transfers into or out of level 3 during the current or comparative year.

The Company's equity investments are all traded in active markets, however, the Board has determined that stocks with a market value of £270 million (2011: £32.5 million) are less liquid than the remainder of the portfolio, based on trading volumes in the period prior to the year end, and these have been included in Level 2.

19 Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page inside the front cover. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management strategy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments comprise the following:

- investments in Russian equity shares which are held in accordance with the Company's investment objective,
- a US\$ liquidity fund, and
- debtors, creditors and cash arising directly from its operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks, and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates may affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing would be limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Notes to the Accounts continued

19. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(i) Currency risk continued

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31st October are shown below. Where the Company's equity investments, which are not monetary items, are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	US\$ £'000	Ruble £'000	2012 Swedish Krona £'000	EUR £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	2,172	–	–	–	2,172
Net current liabilities	743	95	–	1	839
Foreign currency exposure on net monetary items	2,915	95	–	1	3,011
Equity investments held at fair value	284,079	–	11,182	–	295,261
Total net foreign currency exposure	286,994	95	11,182	1	298,272

	US\$ £'000	Ruble £'000	2011 Swedish Krona £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	7,666	–	–	7,666
Net current liabilities	(869)	–	–	(869)
Foreign currency exposure on net monetary items	6,797	–	–	6,797
Equity investments held at fair value	294,972	–	9,276	304,248
Total net foreign currency exposure	301,769	–	9,276	311,045

The above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Equity investments held at fair value through profit or loss have all been included under their respective currency exposure in the tables above, because they are priced in that currency. However it should be noted that these companies are primarily exposed to the rouble.

Foreign currency sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets with regard to the Company's overseas income and monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2011: 10%) appreciation or depreciation in sterling against the US\$, the rouble and the Swedish krona. The Company's monetary foreign currency financial instruments are predominantly exposed to the US\$ and this is deemed a reasonable illustration based on the volatility of the sterling/US\$ exchange rate during the year.

If sterling had weakened by 10% this would have had the following effect

	2012 £'000	2011 £'000
Income statement return after taxation		
Revenue return	858	755
Capital return	301	680
Total return after taxation for the year	1,159	1,435
Net assets	1,159	1,435

Conversely if sterling had strengthened by 10% this would have had the following effect

	2012 £'000	2011 £'000
Income statement return after taxation		
Revenue return	(858)	(755)
Capital return	(301)	(680)
Total return after taxation for the year	(1,159)	(1,435)
Net assets	(1,159)	(1,435)

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable from cash deposits and the liquidity fund. The Company has no exposure to fair value interest rate risk.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings may be used when required, however the Company currently has no loan facility in place.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below

	2012 £'000	2011 £'000
Exposure to floating interest rates		
JPM US Dollar Liquidity Fund	2,172	7,666
Cash and short term deposits	4,217	102
Total exposure	6,389	7,768

The target interest earned on the JPM US Dollar Liquidity Fund is the 7 day US Dollar London Interbank Bid Rate

Interest receivable on cash balances is at a margin below LIBOR

Notes to the Accounts continued

19 Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(ii) Interest rate risk continued

Interest rate exposure continued

The exposure to floating interest rates during the year fluctuated as follows

	2012 £'000	2011 £'000
Maximum net credit and Liquidity Fund balances	8,383	16,907
Minimum net (debit)/credit and Liquidity Fund balances	(36)	1,804

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2011: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2012		2011	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement - return after taxation				
Revenue return	32	(32)	39	(39)
Capital return	—	—	—	—
Total return after taxation for the year	32	(32)	39	(39)
Net assets	32	(32)	39	(39)

In the opinion of the Directors, the above sensitivity analysis may not be representative of future years.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's exposure to changes in market prices at 31st October comprises its holdings in equity investments as follows:

	2012 £'000	2011 £'000
Equity investments held at fair value through profit or loss	297,614	304,496

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 11 to 13. The equity portfolio entirely comprises Russian companies. Accordingly there is a concentration of exposure to that country. However, it should be noted that an investment may not be wholly exposed to the economic conditions in its country of domicile.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2011: 10%) in the fair value of the Company's equity investments. This level of change does not reflect the unusual market volatility over the past three years and is presented purely as an illustration. The sensitivity analysis is based on the Company's equity investments and adjusting for change in the management fee, but with all other variables held constant.

	2012		2011	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement - return after taxation				
Revenue return	(446)	446	(457)	457
Capital return	29,761	(29,761)	30,450	(30,450)
Total return after taxation for the year and net assets	29,315	(29,315)	29,993	(29,993)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities which can be sold to meet funding requirements if necessary. There is currently no loan facility in place.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required by the lender are as follows:

	2012 Three months or less £'000	2011 Three months or less £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	4,136	1,239
Capital shares redeemed payable	1,895	—
Other creditors and accruals	150	237
Total financial liabilities	6,181	1,476

Notes to the Accounts continued

19 Financial instruments' exposure to risk and risk management policies continued

(c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in a loss to the Company

Management of credit risk

Portfolio dealing

The Manager's process for the exchange of securities and cash is designed to minimise the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given to investors on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year end.

Cash and short term deposits comprise balances held at banks that have a minimum credit rating of A1/P1 (2011: A1/P1) from Standard & Poor's and Moody's respectively.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

20 Capital management

The Company's capital comprises the following:

	2012 £'000	2011 £'000
Equity		
Share capital	538	551
Reserves	298,297	310,556
Total capital	298,835	311,107

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise capital return to its equity shareholders.

There is currently no loan facility in place.

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

- the planned level of gearing, which takes into account the Manager's views on the market,
- the need to buy back equity shares for cancellation, which takes into account the share price discount or premium, and
- the need for issues of new shares.

Notice of Annual General Meeting

Notice is hereby given that the tenth Annual General Meeting of JPMorgan Russian Securities plc will be held at Holborn Bars 138-142 Holborn, London EC1N 2NQ on Monday, 4th March 2013 at 12 00 noon for the following purposes

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st October 2012
- 2 To approve the Directors' Remuneration Report for the year ended 31st October 2012
- 3 To re-elect Lysander Tennant a Director of the Company
- 4 To re-elect Alexander Easton a Director of the Company
- 5 To re-elect Robert Jeens a Director of the Company
- 6 To re-elect George Nianias a Director of the Company
- 7 To re-elect Gillian Nott a Director of the Company
- 8 To reappoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration

Special Business

To consider the following resolutions

Authority to allot new shares – Ordinary Resolution

- 9 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £26,646, representing approximately 5% of the Company's issued ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

- 10 THAT subject to the passing of Resolution 9 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 and 573 of the Act to

allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £26,646, representing approximately 5% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 9 above, 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 so that the Directors of the Company may allot equity securities in pursuance of such offers, or agreements as if the power conferred hereby had not expired

Authority to repurchase the Company's shares – Special Resolution


- 11 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares of 1 pence each in the capital of the Company

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 7,988,487 or if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this Resolution,
- (ii) the minimum price which may be paid for an ordinary share will be 1 pence,
- (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of
(a) 105% of the average of the middle market quotations for an ordinary 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 ordinary share is purchased, or (b) the price of the last independent trade, or (c) the highest current independent bid,
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors) at the date following not more than seven days before the date of purchase,

Notice of Annual General Meeting continued

- (v) the authority hereby conferred shall expire at the Company's Annual General Meeting to be held in 2014 unless the authority is renewed at a general meeting prior to such time, and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry



By order of the Board
Alison Vincent ACIS, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

30th January 2013

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form

- 1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated
- 3 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form
- 4 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share, if the Company is unable to determine which was last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share
- 5 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast) members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the specified time). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the meeting or adjourned meeting
- 6 Entry to the Meeting will be restricted to shareholders and their proxy or proxies with guests admitted only by prior arrangement
- 7 A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed
- 8 Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM, or (b) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right
- 9 Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting or if it would involve the disclosure of confidential information

- 10 Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved or a matter properly included in the business unless (a) (in the case of a resolution only) it would if passed be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise) (b) it is defamatory of any person or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request
- 11 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights
- 12 In accordance with Section 311A of the Companies Act 2006 the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmmussian.co.uk
- 13 The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company
- 14 You may not use any electronic address provided in this Notice of meeting to communicate with the Company for any purposes other than those expressly stated
- 15 As an alternative to completing a hardcopy Form of Proxy/Voting Direction Form you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of

numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively if you have already registered with Equiniti Limited's online portfolio service Shareview you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites

- 16 As at 29th January 2013 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 53,292,112 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 53,292,112

Electronic appointment - CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form

Glossary of Terms and Definitions

Return to Shareholders

Total return to the shareholder, on a mid-market price to mid-market price basis

Return on Net Assets

Return on the net asset value per share, on a bid value to bid value basis

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time the shares were quoted ex-dividend. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Share Price Discount/Premium to Net Asset Value ('NAV') per Share

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Gearing/(Net Cash)

The excess amount above shareholders' funds of total asset less cash and cash equivalents, expressed as percentage of shareholders' funds. If the amount so calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges

The Ongoing Charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

The method of calculating the Ongoing Charges (2011 Total Expense Ratio or 'TER') has changed. The TER represented the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year.

Active Position

The active position shows the difference between the Company's holding of an individual stock or sector compared with that stock or sector's weighting in the Company's benchmark index. A positive number indicates an active decision by the Manager to own more of (i.e. be overweight) a particular stock or sector versus the benchmark and a negative number indicates a decision to hold less of (i.e. be underweight) a particular stock or sector versus the benchmark.

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions

Stock Selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/Net Cash

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management Fee/Other Expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Share Buybacks

Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation at a price which is less than the Company's net asset value per share.

Information about the Company

Financial Calendar

Financial year end	31st October
Final results announced	January
Half year end	30th April
Half year results announced	June
Interim Management Statement announced	March/September
Dividend (if any)	April
Annual General Meeting	March

History

The Company was launched in December 2002 by a placing and offer for subscription. It is the successor company to The Fleming Russia Securities Fund Limited, which was a closed-ended investment company incorporated in Jersey and listed on the Irish Stock Exchange. The Company adopted its present name on 1st March 2006.

Life of the Company

Directors will propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2017 and every five years thereafter.

Company Numbers

Company registration number 4567378
London Stock Exchange number 3216473
ISIN GB0032164732
Bloomberg code JRS LN

Market Information

The Company lists its shares on the London Stock Exchange. The market price is shown daily in The Scotsman, the Financial Times, The Times, The Daily Telegraph, The Independent, and on the JPMorgan website at www.jpmmorgan.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmorgan.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+, available at www.jpmmorganwealthmanagerplus.co.uk.

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone 020 7742 4000

Please contact Alison Vincent ACIS for company secretarial and administrative matters at the Company's registered office.

Custodian

JPMorgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Registrars

Equiniti Limited
Reference 2610
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0871 384 2030

Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 2610.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
1 More London Place
London SE1 2AF

Brokers

Cenkos Securities plc
678 Tokenhouse Yard
London EC2R 7AS

Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

A member of the AIC

J P Morgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmrussian.co.uk