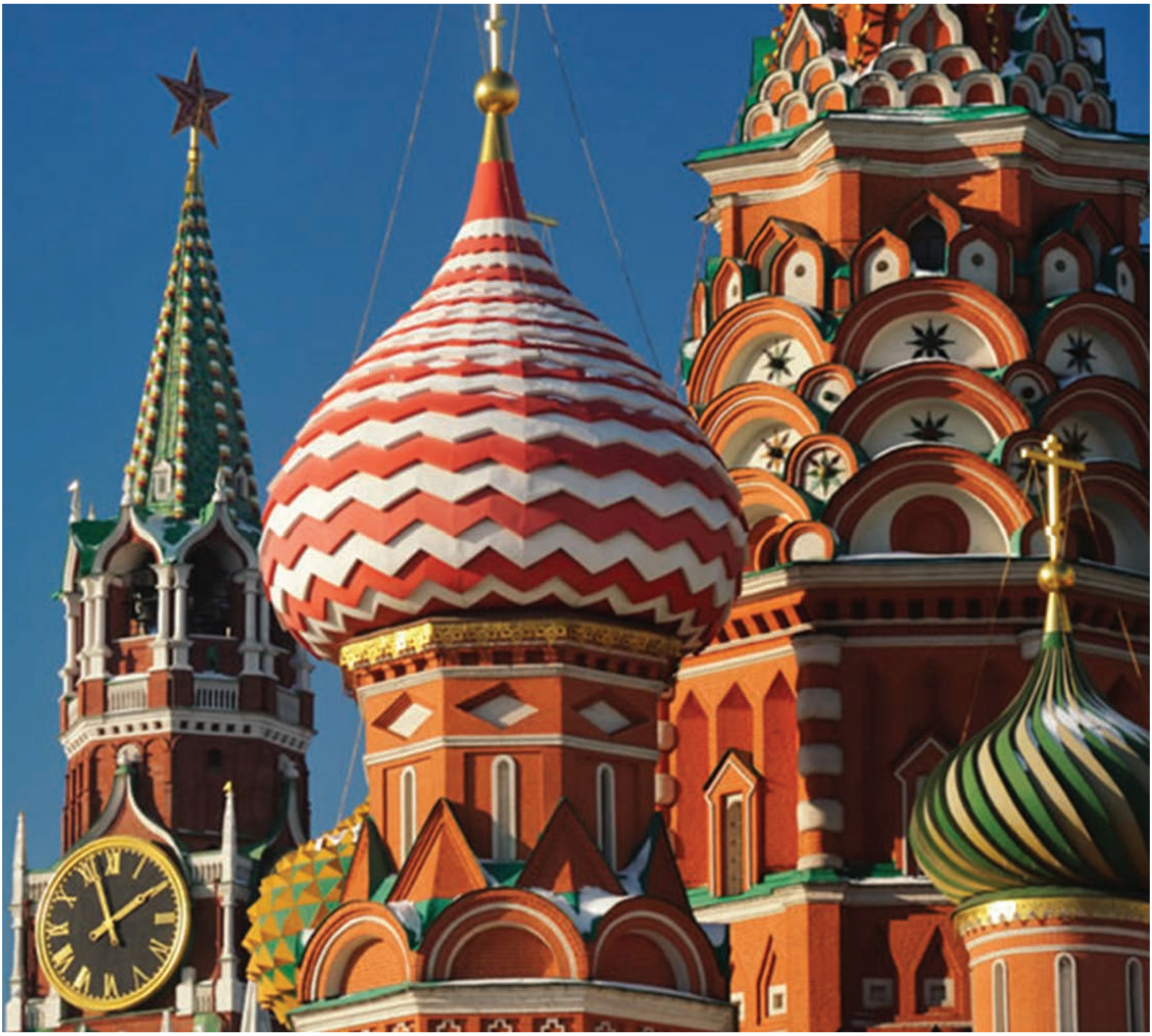
JPMorgan Russian Securities plc

Annual Report & Accounts for the year ended 31st October 2016



J.P.Morgan
Asset Management

Features

Investment Objective

To provide shareholders with capital growth

Investment Policies

To maintain a diversified portfolio of investments primarily in quoted Russian securities or other companies which operate principally in Russia.

The Company may also invest up to 10% of its gross assets in companies that operate or are located in former Soviet Union Republics.

Investment Limits and Restrictions

The Board seeks to manage some of the Company's risks by imposing various investment limits and restrictions.

- No more than 10% of the Company's gross assets are to be invested in companies that operate or are located in former Soviet Union Republics.
- The Company will not normally invest in unlisted securities.
- At the time of purchase, the maximum permitted exposure to each individual company is 15% of the Company's gross assets.
- The Company will not normally invest in derivatives.
- The Company will utilise liquidity and borrowings in a range of 10% net cash to 15% geared in typical market conditions.
- No more than 15% of gross assets are to be invested in other UK listed investment companies (including investment trusts).

Further details on investment policies and risk management are given in the Strategic Report on pages 16 to 20.

Benchmark

The MSCI Russian 10/40 Equity Indices Index in sterling terms. Effective from 1st November 2016, the Company's benchmark is the RTS Index in sterling terms (RTS).

Capital Structure

UK domiciled. Full listing on the London Stock Exchange.

At 31st October 2016, the Company's share capital comprised 52,337,112 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. See page 24 for further details.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by JPMorgan Russian Investment Trust plc can be recommended by independent financial advisers to ordinary retail investors in accordance with the Financial Conduct Authority (FCA) rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

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

Association of Investment Companies (AIC)

The Company is a member of the AIC. www.theaic.co.uk

Website

The Company's website, which can be found at www.jpmrussian.co.uk, includes useful information on the Company, such as daily prices, factsheets, current and historic half year and annual reports and how to buy shares in this Company.

Contents

Financial Results

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED)

+53.1%
Return to shareholders[1]
(2015: -13.5%)

+56.2%
Return on net assets[2]
(2015: -14.2%)

+50.8%
Benchmark[3]
(2015: -13.4%)

14.0p
Proposed ordinary dividend[4]
(2015: 13.0p ordinary
4.0p special)

Long Term Performance

FOR PERIODS ENDED 31ST OCTOBER 2016

	3 year performance	5 year performance	10 year performance
Return to shareholders[1]	-5.8%	-0.6%	+20.8%
Return on net assets[2]	-1.8%	-9.8%	+28.8%
Benchmark return[3]	+3.2%	+4.2%	+55.5%

[1] Source: Morningstar.

[2] Source: J.P. Morgan.

[3] Source: MSCI. The Benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. Effective from 1st November 2016, the Company's benchmark is the RTS Index in sterling terms (RTS).

[4] 8.0p of the 14.0p is payable subject to the passing of a resolution at the 2017 AGM. 6.0p of the 14.0p was paid as an interim dividend on 28th October 2016.

A glossary of terms and definitions is provided on page 63

CHAIRMAN'S STATEMENT

Performance and overview

The Company's positive performance continued into the second half of the year reflecting the general improvements in the Russian market following the rise in the price of oil.

It is pleasing to report that the Company's return on a net assets basis outperformed the benchmark by 5.4% returning 56.2%. The return to shareholders also outperformed the benchmark, with a rise of 53.1%. The Company's benchmark during the period under review was the MSCI Russia 10/40 Equity Indices Index and gained 50.8%.

Despite these positive movements, the discount at which the Company's shares trade relative to its net asset value widened to 16.4% at the year end. Factors that led to the widening of the discount over the year included the perceived increased political risk associated with investment in Russia and also the general widening of discounts in emerging markets as they fell out of favour.

As at 17th January 2017 the discount stood at 11.2%. Since the year end to 17th January 2017 the benchmark index rose 15.1% and the Company's return to shareholders rose 21.5%.

During the Company's financial year under review Russia's economy recorded some improving data with the increase in oil prices helping the Ruble to appreciate. The Central Bank of Russia interest rate reductions helped bring some feeling of stabilisation. Although corporate earnings in Russia have been under pressure in 2016 and the Company's dividend income declined, the longer term outlook for dividend income remains positive.

Russia's external politics with Western powers continued to be tense as its involvement in Syria proved controversial, and relations with Turkey remained fragile. However, although far too early to comment with any certainty, the impact of the Trump presidential victory in the US may lead to some thawing of relations.

The United States and European Union economic sanctions due to Russia's involvement in the conflict in Ukraine remain in force with an extension to March 2017 signed by President Obama in spring 2016. JPMorgan Asset Management's compliance & investment functions monitor investments and the Company is assured by J.P. Morgan that processes are in place to ensure that the Company remains compliant with the current sanctions regime. In addition, the political and economic developments and risks in the region are closely monitored. The Board carried out regular reviews of the Company's risk profile during the year and you will see details of what we judge to be the key risks set out on page 18. The Company's Manager maintains a diversified portfolio which adheres to the Company's investment and risk control guidelines.

Objective and Strategy of the Company

The Board holds a strategy day each year during which it reviews the external environment in which the Company operates and other major factors affecting the Company. This year we paid particular attention to the political and economic environment, the Company's upcoming continuation vote and feedback from major shareholders.

As referred to in the Investment Manager's Report, at the Company's AGM, the shareholders approved a resolution to widen the Company's Investment Objectives. Later in the year, after consulting with major shareholders, on 28th October 2016 the Company also announced that the benchmark would be changed to the RTS Index from 1st November 2016. This was

CHAIRMAN'S STATEMENT *CONTINUED*

because the RTS Index is a more appropriate benchmark for the Company as it includes a wider range of stocks, more accurately reflecting the universe in which the Company invests. This is particularly relevant as the previous benchmark, MSCI Russia 10/40 Equity Indices Index in sterling terms, consists of a significantly narrower range of companies than that offered by the market in Russia and its former states.

Continuation Vote

At the Company's General Meeting on 27th January 2012, a resolution was passed requiring the Company to put a continuation vote to shareholders every five years. Therefore, a continuation vote will be put to shareholders as an ordinary resolution at the forthcoming Annual General Meeting (AGM) to be held on 7th March 2017. Given the positive performance returns highlighted above, and after considering the risks associated with investments in Russia your Board recommends to shareholders that they vote in favour of the Company continuing as an investment trust for a further five year period.

On the 4th January 2017 the Board of the Company announced that, following consultation with the Company's large shareholders and its advisers, it plans to introduce, subject to the passing of a resolution in favour of the Company's continuation as an investment trust at the Company's AGM on 7th March 2017, a measure to oblige the Board to make a tender offer to shareholders for up to 20% of the outstanding share capital at NAV less costs and less a discount of 2% if, over the next five years (from the start of the current financial year being 1st November 2016), the Company's net asset value total return in sterling on a cum income basis is below the total return of the benchmark in sterling terms over the 5-year period.

Any tender offer will also be conditional on shareholders approving the continuation vote in 2022. The Board believes this measure is in shareholders' interests as it further incentivises the manager to focus on long-term investment performance.

The Board also considered whether to include a discount related condition when proposing a tender offer but felt that the higher levels of volatility in Russia, both political and market related, meant that this measure was inappropriate. Given the current reliance that the Russian economy has on the oil price, the Board believes it would be hard to influence the discount if there was a global commodities slump, or significant geopolitical pressures affecting Russia and political sentiment. As the Board has stated in the past, the Board monitors discount movements closely and, subject to market conditions, the share repurchase authority will be used to assist in managing the imbalance between supply and demand when the discount widens for Company-specific reasons.

Dividends

Revenue for the year, after taxation, was £8,096,000 (2015: £10,268,000) and the revenue return per share, calculated on the average number of shares in issue, was 15.47 pence (2015: 19.60 pence). Based upon the revenue generated by the portfolio, an interim dividend of 6.0 pence per share in respect of the year ended 31st October 2016 was paid on 28th October 2016. Also in respect of the year ended 31st October 2016, the Board proposes a final dividend of 8.0 pence making a total of 14.0 pence per share for the year (2015: 13.0 pence per share, excluding special dividends of 4.0 pence per share). The final dividend is proposed to be paid on 10th March 2017 to ordinary shareholders on the register at the close of business on 10th February 2017, if approved by shareholders the final dividend will amount to £4,187,000 (2015: £6,804,000). The Company's objective remains that of capital growth, and the payment of dividends to investors is dependent on the level of dividend distributions from the companies in the portfolio. The Board reviews income expectations throughout the year. Should income receipts permit the Board will continue to make payment of an interim dividend as well as a final dividend in 2017.

Discount Control

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. During the period the discount ranged from 13.8% to 18.2%. Earlier this year the Board reviewed the Company's discount control policy in light of the high market volatility. It concluded that buybacks of shares should be considered when the Company's discount was above 10% (previously 8%) and the absolute level of the Company's discount should be taken into account, together with the relative level of discount amongst peers investing in emerging markets. After regular and careful consideration during the course of the year the Board decided against the buying back of shares. It concluded that buybacks would be ineffective in reducing the discount, given the particular uncertainties around prospects for the Russian market and the generally widening discounts for emerging markets.

The Board will seek authority to renew the Company's share issuance and buyback powers at the forthcoming AGM.

Board of Directors

As referred to in my Chairman's Statement in the Company's Half Year Report and Accounts to 30th April 2016, following Lysander Tennant's retirement as a Director at the Company's AGM in March 2016, a search for a new director to join the Board was conducted by an independent non-executive search consultancy. On the 27th July 2016 we were delighted to announce the appointment of Tamara Sakovska as a new Director of the Company, effective from 1st August 2016. You can see the details of Tamara's experience on page 22.
In compliance with corporate governance best practice, all Directors will be standing for reappointment at the forthcoming AGM. Following the Company's annual evaluation of the Directors, the Chairman, the Board and its Committees, the Board recommends to shareholders that all Directors be reappointed.

The Company's Directors fees were last increased with effect from 1st November 2013. The Board has agreed that, bearing in mind the time since the last increase and the extra burden placed by new regulations and developments it was appropriate to increase directors fees effective from 1st November 2016 as follows: Board Chairman's fee increased by £2,500 (from £35,000 to £37,500), Audit Committee Chairman by £3,000 (from £27,000 to £30,000), Directors by £2,000 per annum (from £23,000 to £25,000).

Investment Manager

The Board pays particular attention to the way in which the Trust is run and the cost of so doing. As part of the Board's scrutiny of the management of the Trust the Investment Manager is subject to an annual review including performance record management processes, investment style, resources and risk control mechanisms. After a careful review the Board feeds back to the Manager any areas where it feels changes are needed or improvements could be made.

CHAIRMAN'S STATEMENT *CONTINUED*

Annual General Meeting

The Company's AGM will be held on Tuesday, 7th March 2017 at 12.00 noon, at The Honourable Society of the Inner Temple, Treasury Office, Inner Temple, London EC4Y 7HL. In addition to the formal part of the meeting, there will be a presentation from Oleg Biryulyov, who will be available to answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the Investment Manager and representatives of JPMF and 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 60 Victoria Embankment, London EC4Y 0JP. Alternatively you can lodge questions on the Company's website at www.jpmrussian.co.uk.

Outlook

The price of oil is a major determining factor for the Russian economy and if recent increases continue it seems likely that this will have a positive economic impact on the Russian economy and stock market in 2017. The Investment Manager has maintained his consistent approach of investing in well managed companies with strong balance sheets. He continues to believe that the equity market in Russia provides a good long term investment opportunity if the right stocks are selected. However, economic sanctions against Russia remain and the political outlook is uncertain on many fronts, including the Middle-East, USA and Europe. These significant geopolitical and economic issues will continue to impact the Russian market. There are some signs of improvement in the domestic economy with a stable outlook for fiscal policy and expected growth in Russia's GDP. Thus, the outlook remains uncertain but with some potential for upside if the oil price continues to strengthen and economic and political stability are maintained.

Gill Nott
Chairman

20th January 2017

INVESTMENT MANAGER'S REPORT

Oleg I. Biryulyov

Market Review and Performance

The Company delivered strong returns to shareholders in the financial reporting year to 31st October 2016, as the market benefited from a degree of normalisation of trade. The Company's net asset value (NAV) was up 56.2% on a total return basis, and the return to shareholders was 53.1% in sterling terms. This resulted in the Company outperforming its benchmark, the MSCI Russian 10/40 Equity Indices Index by 5.4% on a net asset basis. As referred to in the Chairman's Statement, effective from the 1st November 2016 the Company's benchmark was changed to the RTS Index (sterling).

In the market, the start of the period under review was much like the beginning of the previous year, with a global risk sell-off and oil price weakness leading to a slide for Russian equities. The turnaround for the Russian market came with a 90% jump in the oil price (Brent crude) from the lows of February 2016 to the middle of June 2016. At the same time, sentiment was lifted by positive newsflow as economic conditions stabilised: The Ruble appreciated by 10%; the Central Bank of Russia cut rates by 1 percentage point; the current account balance stayed positive and domestic consumption showed signs of bottoming out. Earnings revisions have been mixed so far, but an increase in payout ratios has helped to improve the dividend yield of the market. The exceptionally large dividends the Company received from Surgutneftegaz in the prior year, were not repeated in 2016.

Asset allocation and stock selection added 3.5% and 2.7% respectively to performance. The underweight positions in telecommunications and utilities were contributors to the positive stock selection performance. In the portfolio, the companies that contributed to returns over the period were broad-based. In the financials sector, our longstanding exposure to Sberbank, the dominant banking franchise in Russia and a clear market leader, was positive, as was our avoidance of VTB, the second-largest bank, which has state involvement. Similarly, we benefited from an underweight to telecoms giant Rostelecom, Russia's leading long-distance telephony company, which reflected our concerns around the economics and governance of the business, which are not expected to change fundamentally yet. Other key positions, in Magnit, Russia's largest retailer, and Ros Agro, an industry leader in agricultural commodities and food, also contributed positively.

Detractors were also spread across companies we hold and like, and those where we were underweight. In the energy space, we were underweight Lukoil for most of the year given our preference for other companies, and in materials, we held low exposure to diamond mining company Alrosa. Both of these positions hurt us when the prices moved sharply up. Another energy company, Surgutneftegas, paid a large dividend during the year, but failed to keep up with the market rally. The consumer food producer Cherkizovo was a disappointment, with its earnings outlook deteriorating over the period. Finally, internet stock Qiwi was a stock selection mistake, as we realised the company did not offer the quality and prospects we had believed.

Portfolio positioning

The widening of the Company's Investment Policy agreed by shareholders at the Company's AGM in March 2016 provides a broader investment universe, allowing the Company to invest up to 10% of its gross assets in companies that operate or are located in former Soviet Republics. This has allowed the manager to establish positions in new names, including technology companies EPAM and Luxoft, and Georgia's TBC Bank. At the Company's year end these companies represented 3.71% of the portfolio value. Further acquisitions will be considered subject to availability and the Company's Investment Regulations Guidelines.

INVESTMENT MANAGER'S REPORT *CONTINUED*

PERFORMANCE ATTRIBUTION FOR THE YEAR ENDED 31ST OCTOBER 2016

	%	%
Contributions to total returns		
Benchmark return		50.8
Asset allocation	3.5	
Stock selection	2.7	
Gearing/(net cash)	0.6	
Investment Manager contribution		6.8
Portfolio return		57.6
Management fee/other expenses	-1.4	
Return on net assets		56.2
Effect of movement in discount over the year		-3.1
Return to shareholders		53.1

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 63.

The Company has reduced exposure to Surgutneftegaz, a long-held position in the portfolio, due to the weak outlook for earnings and dividend payments.

Energy holdings are high relative to the history of the Company. Large holdings in Gazprom, Rosneft and Lukoil reflect the Manager's view that these companies are attractively valued with a good outlook for dividends while a position in Novatek reflects the Manager's expectations of superior production growth and cash flow generation.

Investment Management Team

The Company's Investment Management Team is part of J.P. Morgan Asset Management's Emerging Markets and Asia Pacific Equities team (EMAP). The EMAP team is headed by Richard Titherington and consists of around 100 investment professionals with approximately USD 90 billion under management. As referred to in the Chairman's Statement of the Company's Half Year Report and Accounts to 30th April 2016, Sonal Tanna transferred into another area of EMAP and is no longer involved as an Investment Manager of the Company. A team of Investment professionals within EMAP are available to support me in managing the Company' s portfolio. In addition a succession plan helps ensure a process for the continuity of Investment Management services to the Company.

Outlook

We believe that economic stabilisation is underway in Russia, with positive implications for Russian equities. At the same time, we anticipate reduced volatility in the oil price over the next 12-18 months as lower investment over the last three years starts to cap global production growth. Greater stability of the oil price will help to improve the outlook for the Ruble and for earnings growth, particularly in US dollar and sterling terms.

Two years on from the introduction of the sanctions, we have started to see early signs of a recovery in domestic demand. The real estate sector was the early indicator, with demand improving for mortgage products. The market for cars has also steadied and we expect growth in 2017. An increase in consumer demand should ultimately feed through into a resumption of corporate long-term investment plans, in consumer sectors and then beyond, supported by falling interest rates.

We continue to see scope for reforms and hope that slowly but surely further liberalization and restructuring of the Russian economy will take place. Privatization can be useful tool for Government to address budget constraints and we would anticipate a number of such transactions in the coming year.

On the dividend front, Russia is beginning to deliver on its promise of becoming a higher-yielding market, and with the payout ratio less than 50% at the market level there is further scope for improvement. It is important to highlight that the state is becoming more active as a shareholder, so that state-controlled companies are now willing to commit to higher payout ratios.

The domestic political outlook currently looks stable in Russia. Although we would expect to see some rotation of specialists in the government and presidential administration, we think the senior leadership in the country will remain unchanged for the foreseeable future. Parliament elections in September ran smoothly as expected, although surprisingly, United Russia won a landslide victory despite the difficult economic environment. This should allow the implementation of tougher reforms in the next couple of years prior to the Presidential elections in 2018 and supports our view of a stable outlook for fiscal policy. The global political outlook would appear to be improving somewhat for Russia, although there are still many uncertainties whilst western sanctions continue, and the conflict in Syria heightens tensions generally.

Based on the comments above we hope that slowly but surely further liberalisation and restructuring of the Russian economy will take place. For investors willing to accept the current level of country risk, we believe that current equity valuations are attractive.

Oleg I. Biryulyov
Investment Manager

20th January 2017

SUMMARY OF RESULTS

	2016	2015	
Total returns for the year ended 31st October			
Return to shareholders[1]	+53.1%	-13.5%	
Return on net assets[2]	+56.2%	-14.2%	
Benchmark[3]	+50.8%	-13.4%	
Net asset value, share price and discount at 31st October			**% change**
Shareholders' funds (£'000)	284,894	194,640	+46.4
Net asset value per share	544.3p	371.9p	+46.4
Share price	455.0p	320.5p	+42.0
Exchange rate (US$: £1)	1.22	1.54	-20.8
Exchange rate (Ruble : £1)	77.27	98.60	-21.6
Share price discount to net asset value per share	16.4%	13.8%	
Shares in issue	52,337,112	52,337,112	
Revenue for the year ended 31st October			
Gross revenue return (£'000)	11,109	13,598	-18.3
Net revenue return on ordinary activities after taxation (£'000)	8,096	10,268	-21.2
Revenue return per share	15.47p	19.60p	-21.1
Proposed ordinary dividend per share[4]	14.0p	13.0p	
Proposed special dividend per share[4]	0.0p	4.0p	
Net cash at 31st October[5]	**(1.8)%**	**(1.4)%**	
Ongoing Charges	**1.40%**	**1.43%**	

[1] Source: Morningstar.

[2] Source: J.P. Morgan.

[3] Source: MSCI. The benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. Effective from 1st November 2016, the Company's benchmark is the RTS Index in sterling terms (RTS).

[4] 2016: Dividend proposed is subject to Shareholder approval of Resolution 14 at the 2017 Annual General Meeting.

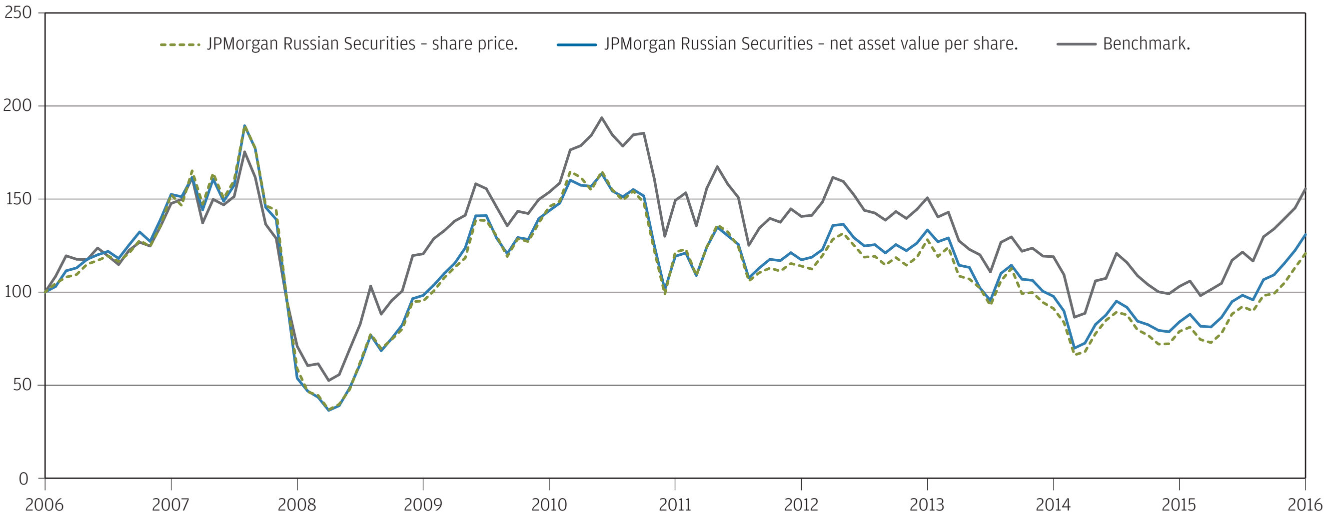
[5] The methodology to calculate gearing has been amended during the year therefore the comparative figure has been recalculated for comparative purposes. Please refer to the glossary of items and definitions on page 63 for the revised calculation.

A glossary of terms and definitions is provided on page 63.

PERFORMANCE

Ten Year Performance

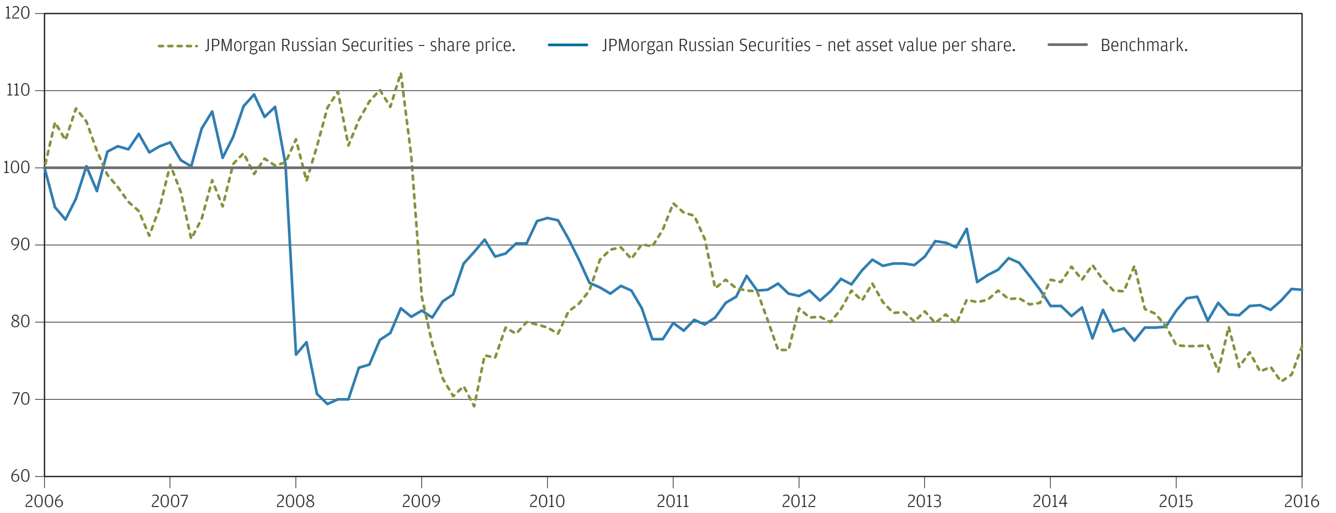
FIGURES HAVE BEEN REBASED TO 100 AT 31ST OCTOBER 2006



Source: Morningstar/MSCI.

Performance Relative to Benchmark

FIGURES HAVE BEEN REBASED TO 100 AT 31ST OCTOBER 2006



Source: Morningstar/MSCI.

TEN YEAR FINANCIAL RECORD

At 31st October	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net assets (£'m)	265.0	403.5	142.7	260.0	376.1	311.1	298.8	332.4	236.4	194.6	284.9
Net asset value per share (p)	473.1	721.4	255.1	464.9	680.3	564.4	555.2	631.1	450.0	371.9	544.3
Share price (p)	436.8	665.5	257.0	416.0	637.5	531.0	498.0	560.0	386.8	320.5	455.0
(Discount)/premium (%)	(7.7)	(7.7)	0.7	(10.5)	(6.3)	(5.9)	(10.3)	(11.3)	(14.0)	(13.8)	(16.4)
Gearing/(net cash) (%)[1]	2.8	5.1	(7.0)	0.5	(3.0)	(2.1)	(2.1)	(2.3)	(1.0)	(1.4)	(1.8)
Ongoing Charges (%)	1.89	1.78	2.53	1.85	1.71	1.82	1.51	1.44	1.50	1.43	1.40
Year ended 31st October											
Gross revenue (£'000)	4,388	7,469	9,632	950	6,034	7,550	8,589	12,902	9,383	13,598	11,109
Revenue (loss)/return per share (p)	(1.34)	(1.32)	0.95	(4.11)	(0.69)	(0.63)	5.03	18.14	13.38	19.60	15.47
Ordinary dividends per share (p)[2]	–	–	–	–	–	–	–	15.3	13.0	13.0	14.0
Special dividends per share (p)[2]	–	–	–	–	–	–	–	–	–	4.0	–
Returns rebased to 100 at 31st October 2006											
Return to shareholders[3]	100.0	152.4	58.8	95.2	145.9	121.5	114.0	128.2	91.2	78.9	120.8
Return on net assets[3]	100.0	152.5	53.7	98.2	143.8	119.3	117.3	133.4	97.7	84.0	131.2
Benchmark return[4]	100.0	147.6	70.9	120.6	153.7	149.3	140.7	150.7	119.0	103.1	155.5

[1] The methodology to calculate gearing has been amended during the year therefore the 2015 comparative figure has been recalculated for comparative purposes. Please refer to the glossary of items and definitions on page 63 for the revised calculation.

[2] 2016: Dividend proposed is subject to Shareholder approval of Resolution 14 at the 2017 Annual General Meeting.

[3] Source: Morningstar/JPMorgan.

[4] Source: MSCI. The benchmark is the MSCI Russian 10/40 Equity Indices Index in sterling terms. Effective from 1st November 2016, the Company's benchmark is the RTS Index in sterling terms (RTS).

A glossary of terms and definitions is provided on page 63.

TEN LARGEST INVESTMENTS AT 31ST OCTOBER

Company	Sector	2016 Valuation £'000	2016 %[1]	2015 Valuation £'000	2015 %[1]
Sberbank Rossii[2]	Financials	38,666	13.8	25,019	13.0
Gazprom[3]	Energy	30,364	10.9	11,271	5.9
Magnit	Consumer Staples	27,164	9.7	18,410	9.6
Rosneft GDR	Energy	19,544	7.0	12,268	6.4
Lukoil ADR	Energy	18,883	6.7	8,094	4.2
Novatek GDR[4]	Energy	17,717	6.3	–	–
Moscow Exchange	Financials	15,447	5.5	15,173	7.9
Alrosa AO[5]	Materials	13,330	4.8	2,351	1.2
MMC Norilsk Nickel ADR	Materials	12,116	4.3	11,587	6.0
Tatneft[6]	Energy	11,398	4.1	9,570	5.0
Total[7]		**204,629**	**73.1**		

[1] Based on total investments of £279.9m (2015: £191.9m).

[2] Includes preference shares valued at £27,501,000.

[3] Includes ADR valued at £27,205,000.

[4] Not held in the portfolio at 31st October 2015.

[5] Not included in the ten largest equity investments at 31st October 2015.

[6] Includes ADR valued at £634,000 and preference shares valued at £10,764,000.

[7] At 31st October 2015, the value of ten largest equity investments amounted to £137.2m representing 71.5% of total investments.

See glossary of terms on page 63 for definition of ADR and GDR.

SECTOR ANALYSIS

	31st October 2016		31st October 2015	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Energy	36.5	40.1	31.3	41.1
Financials	20.7	17.5	20.9	18.4
Materials	15.3	17.8	18.7	13.6
Consumer Staples	14.9	8.5	18.3	8.7
Real Estate[2]	3.5	–	–	–
Telecommunication Services	2.6	11.3	1.7	13.8
Information Technology	2.4	–	4.3	–
Consumer Discretionary[2]	2.2	–	3.4	–
Health Care	1.6	–	0.9	–
Industrials	0.3	–	0.5	–
Utilities	–	4.8	–	4.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £279.9m (2015: £191.9m).

[2] Etalon GDR was reclassified to Real Estate from Consumer Discretionary as at 31st October 2016.

LIST OF INVESTMENTS AT 31ST OCTOBER 2016

Company	Valuation £'000
Energy	
Gazprom[1]	30,364
Rosneft GDR	19,544
Lukoil ADR	18,883
Novatek GDR	17,717
Tatneft[2]	11,398
Nostrum Oil & Gas	2,901
Volga Gas	1,256
Total Energy	102,063
Financials	
Sberbank Rossii[3]	38,666
Moscow Exchange	15,447
TBC Bank	3,806
Total Financials	57,919
Materials	
Alrosa AO	13,330
MMC Norilsk Nickel ADR	12,116
OAO Severstal GDR	10,253
Phosagro GDR	4,132
Acron	3,067
Total Materials	42,898
Consumer Staples	
Magnit	27,164
Ros Agro GDR	8,483
X5 Retail GDR	5,934
Total Consumer Staples	41,581
Real Estate	
Etalon GDR	6,025
LSR GDR	3,695
Total Real Estate	9,720

Company	Valuation £'000
Telecommunication Services	
Megafon GDR	7,423
Total Telecommunication Services	7,423
Information Technology	
Luxoft	3,476
EPAM systems	3,282
Total Information Technology	6,758
Consumer Discretionary	
Sollers	3,482
M Video	2,662
Total Consumer Discretionary	6,144
Health Care	
MD Medical GDR	4,359
Total Health Care	4,359
Industrials	
Global Ports Investments GDR	1,000
Total Industrials	1,000
Total Investment Portfolio	279,865

See Glossary for definition of ADR/GDR.

[1] Includes ADR valued at £27,205,000.

[2] Includes ADR valued at £634,000 and preference shares valued at £10,764,000.

[3] Includes preference shares valued at £27,501,000.

BUSINESS REVIEW

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment limits and restrictions, performance and key performance indicators, share capital, principal risks and how the Company seeks to manage those risks, the Company's environmental, social and ethical policy, future developments and long term viability.

Business Model

JPMorgan Russian Securities plc is an investment trust and has a premium listing on the London Stock Exchange. Its objective is to provide shareholders with capital growth, primarily from investing in quoted Russian securities. In seeking to achieve this objective the Company employs J.P. Morgan Funds Limited ('JPMF' or the 'Manager') which in turn delegates portfolio management to JPMorgan Asset Management (UK) Limited ('JPMAM') to actively manage the Company's assets. The Board has determined investment policies and related guidelines and limits, as described below. It aims to outperform the MSCI Russian 10/40 Equity Indices Index in sterling terms, in the long term with net dividends reinvested, expressed in sterling terms. The Company changed its benchmark to the RTS Index in sterling terms effective from 1st November 2016.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HMRC as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable to taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 3 to 6, and in the Investment Manager's Report on pages 7 to 9.

Investment Policies and Risk Management

In order to achieve its objective and manage risk, the Company invests in a diversified portfolio of investments primarily in quoted Russian securities or other companies which operate principally in Russia. The Company may also invest up to 10% of its gross assets in companies that operate or are located in former Soviet Union Republics. The number of investments in the portfolio will normally range between 20 and 50. The investment portfolio is managed by a Russian fund manager, currently based in London, and fully supported by a global emerging markets team, including sector specialists. The Board also discusses the economy and political developments of Russia in depth at Board meetings and considers the possible implications for the investment portfolio.

Investment Limits and Restrictions

The Board seeks to manage some of the Company's risks by imposing various investment limits and restrictions.

- No more than 10% of the Company's gross assets are to be invested in companies that operate or are located in former Soviet Union Republics.
- The Company will not normally invest in unlisted securities.
- At the time of purchase, the maximum permitted exposure to each individual company is 15% of the Company's gross assets.
- The Company will not normally invest in derivatives.
- The Company will utilise liquidity and borrowings in a range of 10% net cash to 15% geared in typical market conditions.
- 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.

The economic sanctions introduced by the USA and European Union against Russia and Crimea in 2014 continue and were further extended in 2016. The Manager undertakes regular checks of holdings to ensure compliance and reports to the Board. The Board has also implemented a rapid response communication process with the Manager, which allows the Board to receive immediate updates from the Manager and take decisions as quickly as possible.

Active Fund Management Rationale

JPMAM believes that the Russian market is inefficient and that this is demonstrated by the high and variable volatility of many market sectors and individual companies. Although corporate disclosure and transparency is improving, there still remain areas where the inefficiencies in this region can be exploited offering opportunities to experienced, well-informed investors.

JPMAM's investment process has been specifically designed for emerging markets and has been refined over 20 years of active management experience in the region.

Highlights of the investment strategy are:

- Inefficient, immature emerging markets reward active investment management not indexation.
- Identifying growth companies that are well managed to maximise shareholder returns brings outperformance through fundamental bottom-up research.
- Valuation disciplines avoid overpaying for growth.

- JPMAM believes that assets are best managed by specialists from the markets and regions in which they have expertise and they have therefore established a strong presence around the region. Company visits and local knowledge are also key.

JPMAM has managed money in Russia since 1994. JPMAM's Emerging Markets and Asia Pacific Group is responsible for managing all emerging market equity. The approximately 90 team members are located in four offices, managing US$50 billion for clients globally.

Performance
In the year ended 31st October 2016, the Company produced a total return to shareholders of +53.1% and a total return on net assets of +56.2%. This compares with the return on the Company's benchmark of +50.8%. As at 31st October 2016, the value of the Company's investment portfolio was £279,865,000. The Investment Manager's Report on pages 7 to 9 includes a review of developments during the year.

The results of the investment strategy, as detailed above, and the performance of the Company against its benchmark, as identified on page 2 are regularly reviewed by the Board together with data relating to the performance of the Company's Peers and feedback from some of the major shareholders. The Board also considers factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividend
Gross return for the year totalled £106,695,000 (2015: £29,821,000 loss) and net return after deducting management fee, administrative expenses, and taxation, amounted to £102,291,000 (2015: £34,414,000 loss). Net revenue after taxation for the year amounted to £8,096,000 (2015: £10,268,000).

The Directors recommend a final ordinary dividend of 8.0 pence per share as detailed in the Chairman's Statement on page 4.

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:

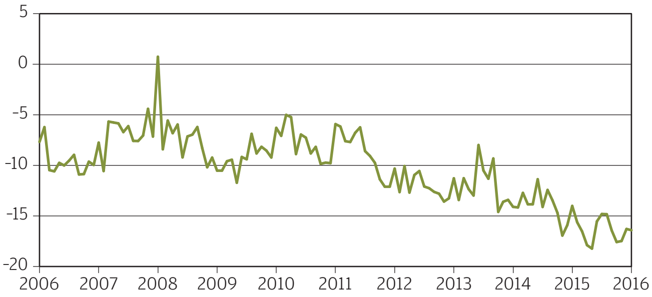
- **Performance against the benchmark**
  The principal objective is to achieve capital growth. However, the Board also monitors performance against a benchmark index. Please refer to page 12 for details of the Company's performance against the MSCI Russian 10/40 Equity Indices in sterling terms. The Company's benchmark is the RTS index effective from 1st November 2016 as detailed in the Chairman's Statement on page 3.

- **Performance against the Company's peers**
  The Board also monitors the performance relative to a broad range of competitor funds. The Company's performance for the current period is comparable to those of its peers.

- **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. Please refer to page 8 for the Company's performance attribution for the year ended 31st October 2016.

- **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. The Boards implementation of the policy is subject to market conditions. In the year ended 31st October 2016, the shares traded at a discount between 13.8% and 18.2% based on month end data. See the Discount Control section of Chairman's statement for further detail see page 5.

(Discount)/Premium Performance



Source: Datastream.

JPMorgan Russian Securities – share price discount/premium to NAV (month end data points).

- **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 daily net assets during the year. The Ongoing Charges for the year ended 31st October 2016 were 1.40% (2015: 1.43%). 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.

Share Capital
During the year, the Company did not make any market purchases of its own shares. Since the year end the Company has not repurchased any ordinary shares. Further details regarding the Company's purchase of its own shares can be seen in the Chairman's report on page 5.

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.

BUSINESS REVIEW *CONTINUED*

The Modern Slavery Act 2015 (the 'MSA')
The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on Human Rights can be found on the following website: www.jpmorganchase.com/corporate/About-JPMC/ab-human-rights.htm

Principal Risks
The Directors confirm that they have carried out an assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified and the ways in which they are managed or mitigated are summarised as follows:

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company and the Company's actions to manage the risks.

In the year under review the Board monitored the risks arising which included continuing sanctions against Russia and the significant falls in the price of oil and valuation of the Ruble which have impacted market sentiment.

These key risks fall broadly under the following categories:

- Investing in Russia: Investors should note that there are significant risks inherent in investing in Russian securities not typically associated with investing in securities of companies in more developed countries. In terms of gauging the economic and political risk of investing in Russia, it frequently appears in the higher risk categories when compared with most Western countries. The value of Russian securities, and therefore the net asset value of the Company, may be affected by uncertainties such as economic, political or diplomatic developments, social and religious instability, taxation and interest rates, currency repatriation restrictions, crime and corruption and developments in the law or regulations in Russia and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level of foreign ownership.

  The Board, with the assistance of the Manager, monitors the Company's activities to ensure that they remain compliant with the current sanctions regime including the specific requirements applicable to the Manager as a company subject to the laws of the United States of America. The Board acknowledges the negative impact of sanctions on the wider market although the current sanctions regime has not prevented the Company from operating within its investment guidelines.

- Share Price Discount 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 widening of the discount can be seen as a disadvantage of investment trusts which could discourage investors. Although it is common for an investment trust's shares to trade at a discount, the current sanctions regime and recent large falls in the price of oil and value of the Ruble have negatively impacted market sentiment. The Board monitors the Company's discount level and seeks, where deemed prudent, to address imbalances in the supply and demand of the Company's shares through a programme of share buybacks.

- Investment Under Performance 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. The Board manages these risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager 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.

  Possible actions include changing the portfolio manager or selecting another manager.

- Failure of Investment Process: A failure of process could lead to losses. The Manager mitigates this risk through internal controls and monitoring. Fraud requires immediate notification to the Board and regular reports are provided on control processes.

- Loss of Investment Team or Investment Manager: The sudden departure of the investment manager or several members of the wider investment management team could result in a short term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel.

- Operational and Cyber Crime: Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary or custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Under the terms of its agreement, the Depositary has strict liability for the loss or misappropriation of assets held in custody. See note 19(c) for further details on the responsibilities of the Depositary. Details of how the Board monitors the services provided by JPMF 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 pages 28 and 29. The threat of Cyber attack is increasing and regarded as having the ability to cause equivalent disruption to the Company's business as more traditional business continuity and security threats. The Company benefits from JPMorgan's Cyber Security Programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by Deloitte and reported every six months against the AAF standard.

- Board Relationship with Shareholders: The risk that the Company's strategy and performance does not align with shareholders expectations is addressed by the Manager and includes the organisation of a programme of visits to major shareholders, and the provision of an extensive range of investor information including nationwide presentations by sales teams. Feedback from shareholders is received directly and via brokers which is fed back to the Board regularly.

- 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. A widening of the capital controls recently introduced by the Russian Government could negatively impact the Company. The introduction of limitations on the ability of Russian companies to distribute dividends to foreign companies could materially reduce the Company's revenue and amount available for distribution to shareholders.

- Regulatory and Legal: Breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Loss of investment trust status could lead to the Company being subject to tax on capital gains. The Directors seek to comply with all relevant regulation and legislation and rely on the services of its Company Secretary, the Manager, and its professional advisors to monitor compliance with all relevant requirements.

- Market and Financial: The Company's assets consist of listed securities and it is therefore exposed to movements in the prices of individual securities and the market generally. The Board considers asset allocation and stock selection on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by the Manager. The recent significant falls in the price of oil and devaluation of the Ruble have had a negative impact on the Company's NAV. 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 53 to 57. The Manager regularly monitors the liquidity of the portfolio including determining the market valuation of securities held, the average daily volume and number of days to liquidate a holding. As can be seen in Note 18 on page 52, all the Company's assets are categorised as Level 1 as they have quoted prices in an active market.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board.

At 31st October 2016, there were three male Directors and two female Directors on the Board. The Company has no employees and therefore there is nothing further to report in respect of diversity within the Company.

Employees, Social, Community and Human Rights Issues

The Company is managed by JPMF, has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the JPMAM policy statements in respect of Social, Community, Environmental and Human Rights issues, as outlined below.

Social, Community, Environmental and Human Rights

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.

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 Chairman and Investment Manager discusses the outlook in their respective reports on pages 3 and 7.

BUSINESS REVIEW *CONTINUED*

Long Term Viability

Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the Russian economy and equity market. It has also taken into account the fact that the Company has a continuation vote at the 2017 AGM and, with input from the Company's major shareholders and its brokers, the likelihood of shareholders voting in favour of continuation. Based on that information the Directors do not think that the continuation vote will impact on the Company's long term viability. In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving long term capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by independent financial advisers and wealth managers, that investors should consider investing in equities for a minimum of five years. Thus the Directors consider five years to be an appropriate time horizon to assess the Company's viability. The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

By order of the Board
Paul Winship, ACIS for and on behalf of
JPMorgan Funds Limited,
Secretary

20th January 2017

BOARD OF DIRECTORS

Gill Nott (Chairman of the Board and Nomination Committee)†
A Director since 2011.

Last reappointed to the Board: March 2015. Appointed as Chairman 12th June 2015.

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 Financial Services Authority 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 a non-executive director of Premier Energy and Water Trust plc and PEWT Securities 2020 plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 3,000.

Alexander Easton*†
A Director since 2010.

Last reappointed to the Board: March 2015.

He was formerly the head of European equities at UBS Investment Bank and managing director responsible for UBS Brunswick (Russia). He is currently a partner in a number of Russian venture capital firms.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 12,018.

Robert Jeens (Audit Committee Chairman)*†
A Director since 2011.

Last reappointed to the Board: March 2015.

Following 12 years with Touche Ross & Co where he was an 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 held a portfolio of non-executive appointments and is currently chairman of Allianz Technology Trust plc and a director of Henderson Group plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 15,000.

BOARD OF DIRECTORS *CONTINUED*

George Nianias*†
A Director since 2008.

Last reappointed to the Board: March 2015.

He is the founder and group chairman of Denholm Hall Group. George has a close association with Russia and 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.

Tamara Sakovska*†
Appointed 1st August 2016.

Tamara is an investment professional with significant experience in developed and emerging markets. She is currently an investment partner at Global Family Partners in London. Her previous role was Head of Origination, Europe in the private equity team at Eton Park International LLP. Before joining Eton Park, Tamara worked at Permira in London and at Goldman, Sachs & Co. in New York. Tamara is a native Russian speaker.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: Nil.

* 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 2016.

Management of the Company

The Manager and Company Secretary to the Company is JPMorgan Funds Limited ('JPMF'). Portfolio Management is delegated to JPMorgan Asset Management UK Limited (JPMAM).

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

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received is value for money for shareholders. No separate management engagement committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process.

The Board has thoroughly reviewed the performance of the Manager in the course of the year. The review covered the performance of the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from the Manager including the marketing support provided. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole. Such a review is carried out on an annual basis.

Management Agreement

The current Management Agreement was entered into with effect from 1st July 2014 following implementations of the Alternative Fund Manager Directive.

JPMF 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 1.0% per annum of the Company's net assets, payable monthly in arrears.

Investments on which the Manager 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.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF, an affiliate of JPMAM, has been appointed as the Company's alternative investment fund manager ('AIFM'). JPMF has been approved as an AIFM by the Financial Conduct Authority ('FCA'). For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. JPMF is required to ensure that a depositary is appointed to the Company. The Company therefore has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has delegated its safekeeping function to the custodian, JPMorgan Chase Bank, N.A., however, BNY remains responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Investor Disclosure Documents, which set out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information are available on the Company's website at www.jpmrussian.co.uk

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider. As an authorised AIFM, JPMF will make the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

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 53 to 57), 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. The Directors considered the current political environment in Russia and the impact of sanctions in making its assessment.

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. See the Chairman's Statement for further details of the Continuation vote, page 4.

DIRECTORS' REPORT *CONTINUED*

Directors

The Directors of the Company who held office at the end of the year are detailed on pages 21 and 22.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 31. No changes have been reported to the Directors' shareholdings 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 reappointment. Having been appointed to the Board on 1st August 2016 Tamara Sakovska will be standing for appointment for the first time. 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 appointed/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.

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 allot relevant securities and disapply pre-emption rights (resolutions 11 & 12)

The Directors will seek renewal of the authority to issue up to 2,616,856 new shares or shares held in Treasury other than by a pro rata issue to existing shareholders up to an aggregate nominal amount of £26,169, 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 60 to 61.

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 13)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2016 Annual General Meeting, will expire on 3rd March 2017 unless renewed at the 2017 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 60 to 61. 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.

(iii) Continuation resolution – Ordinary Resolution (resolution 14)

The Directors seek the shareholders approval to the ordinary resolution for the Company to continue as an investment trust for a further five years.

Recommendation

The Board considers that resolutions 11 to 14 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 30,018 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 33, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code (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, except for the following areas:

- Role of the CEO, as the Company does not appoint a CEO;
- Executive Director remuneration as the Company does not appoint executive directors;
- Internal audit function as the Company relies on the internal audit department of the manager; and
- Nomination of a Senior Independent Director. 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.

Role of the Board

A management agreement between the Company and JPMorgan Funds Limited ('JPMF') (the Manager), 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 conducts a formal evaluation of the Manager every year.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company, which arose during the year.

Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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 advice and services of the Company Secretary, JPMF, 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

Following Lysander Tennant's retirement as a Director at the Company's AGM in March 2016, an independent non-executive search consultancy (Nurole) identified Tamara Sakovska as a suitably qualified replacement and she was appointed as a new Director of the Company effective from 1st August 2016.

The Board currently consists of five non-executive Directors, all of whom are regarded by the Board as independent. The Chairman's independence was assessed upon her appointment and annually thereafter. 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 21 and 22. There have been no changes to the Chairman's other significant commitments during the year under review.

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.

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

DIRECTORS' REPORT *CONTINUED*

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 periodically refresh the Board and its sub-Committees. Notwithstanding the fact that George Nianias will have served as a director for nine years at the date of the 2017 AGM, the Nomination Committee agreed that he continued to remain independent in character and judgement. Accordingly, due to his significantly positive contribution to the Company arising from his base in Moscow and knowledge of the market, the Nomination Committee agreed that it would be in the Company's best interests if George Nianias' appointment as a director continued.

The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its Committees, confirms that Mrs Nott, Ms Sakovska and Messrs Easton, Jeens and Nianias continue to be effective and demonstrate commitment to the role. The Board recommends to shareholders that all the above Directors be elected/re-elected.

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.

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 21 and 22.

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 one Nomination Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Gill Nott[1]	5	2	1
Alexander Easton	5	2	1
Robert Jeens	5	2	1
George Nianias	5	2	1
Lysander Tennant[1]	3	1	0
Tamara Sakovska	1	0	1

[1] Attended the Audit Committee meetings by invitation.

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. Regular reviews of the Directors' training needs are carried out by the Chairman, and of the Board chairman by the Nomination Committee Chairman by means of the evaluation process detailed below.

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.

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors and the Chairman 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. This year online questionnaires, developed by a firm of independent consultants Lintstock Limited, were completed by Robert Jeens, Alexander Easton and George Nianias and the Chairman. The evaluation of those Directors was led by the Chairman of the Nomination Committee who also met individually with each of those Directors. As the Chairman is also the Chairman of the Nomination Committee, the Evaluation and Performance of the Chairman is reviewed separately by the other non-executive directors. The Committee also reviewed Directors' fees and made recommendations to the Board as 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 all Meetings 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. Ongoing evaluation is undertaken as detailed previously in order to identify any performance issues.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board may ensure that information presented to it is fair, balanced and understandable, together with details of how it has done so.

During its review of the Company's financial statements for the year ended 31st October 2016, the Audit Committee considered the following significant issues, in particular those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in investments note 1 to the accounts on page 43. The audit includes the determination of the valuation, existence and ownership of the investments. Controls are in place to ensure valuations are appropriate and existence is verified through custodian reconciliations. The Board monitors the controls in place.
Political Risks including current sanctions and possible capital controls	The ability of the Board to control external political events such as the current sanctions regime and the threat of capital controls is limited. However, the Board together with the Manager monitors the sanctions regime closely to ensure that the Company's business operates within its requirements. In addition the Board monitors the political situation and its impact on the portfolio at frequent intervals and whenever a major event arises. Together with the input from the Investment Manager, efforts are made to manage exposure to certain sectors deemed to be more susceptible to political influences.
Market risk	The ability of the Board to control external market events such as the large valuations in the price of oil and value of the Ruble is limited. Portfolio selection is managed in light of the current volatility.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(c) to the accounts on page 43. The Board regularly reviews subjective elements of income and agrees their accounting treatment.
Calculation of Management Fee	The Management fee is calculated in accordance with the Investment Management Agreement. The Board monitor the level of the fee periodically.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager on behalf of the Board.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Having taken all available information into consideration and having discussed the content of the annual report and accounts with the Alternative Investment Fund Manager (JPMF), Investment Managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report for the year ended 31st October 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 33.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements. The Audit Committee reviews the terms of the Management Agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department (see page 28 Risk Management and Internal Controls) and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. In the Directors' opinion the Auditors are independent.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Accounts were considered and also engage with Directors as and when required. The current audit firm has audited the Company's financial statements since the formation of the Company and were retained following a tender for audit services in September 2015. The Company's year ended 31st October 2016 is

DIRECTORS' REPORT *CONTINUED*

the first of a three year maximum term that the current audit partner Sarah Williams has been in the role for the Company. See note 6 on page 46 for details of the auditor's fees.

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 twice each year by way of the annual report and accounts, and half year report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

The Company's broker, investment managers and the Manager have 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 67. The Chairman can also be contacted via the Company's website by following the 'Ask a Question' link at www.jpmrussian.co.uk.

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 manager who reviews 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 67.

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

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 62.

Notifiable Interests in the Company's Voting Rights

At the year end 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	15,259,286	29.20
Lazard Asset Management LLC	10,874,772	20.78
JPMorgan Asset Management (UK) Limited[1]	3,236,878	6.18
Legal and General Investment Management	1,621,914	3.01

[1] Held on behalf of JPMAM Investment Account and ISA participants.

Risk Management and Internal Controls

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 the Manager and its associates, the Company's system of internal control mainly comprises monitoring the services provided by the Manager 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. See page 18 Principal Risks. 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. In common with most investment trusts the Company does not have an internal audit function of its own but seeks assurance from the audit department of the Manager. The audit department has agreed to provide the Audit Committee with a periodic oral report on relevant matters. 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, depositary and custodian regulated by the Financial Conduct Authority (FCA), 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 the Manager's compliance department which regularly monitors compliance with FCA 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 the Manager's compliance department;
- Reviews the reports on the risk management and internal controls and the operations of its Depositary BNY Mellon Trust & Depositary (UK) Limited and its custodian JPMorgan Chase Bank, which are themselves independently reviewed; and
- Reviews every six months an independent report on the internal controls and the operations of The Manager.

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 2016, and to the date of approval of this Annual Report and Accounts. Moreover, the controls accord with the Financial Reporting Council, Guidance on Risk Management, internal control and related Financial and Business Reporting.

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.

Greenhouse Gas Emissions

The Company is managed by JPMF with Portfolio Management delegated to JPMAM. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. 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.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of JPMorgan Asset Management (UK) Limited ('JPMAM') 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.

JPMAM endorses and complies with the FRC 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.

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
Paul Winship, ACIS for and on behalf of
JPMorgan Funds Limited,
Secretary

20th January 2017

DIRECTORS' REMUNERATION REPORT

The Board has prepared this Report in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote. The shareholders approved the resolution in favour of the Company's Directors' Remuneration Policy at the 2015 AGM. Therefore an ordinary resolution to approve this report will be put to shareholders at the 2018 Annual General Meeting. The policy, is set out in full below and is currently in force.

At the Annual General Meeting held on 5th March 2015, of votes cast, 99.86% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 0.14% voted against.

Details of voting on the Directors' Remuneration Policy will be provided in the Company's annual report triennially.

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 a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Nomination Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on market data provided by the Manager, and includes research carried out by Trust Associates on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award 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 granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses.

The Company's Articles of Association stipulate that aggregate fees must not exceed £200,000 per annum. Any increase in this the maximum aggregate amount requires both Board and shareholder approval.

The Company has no Chief Executive Officer and no employees and therefore there was no consultation with employees, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

The Company has not sought shareholder views on its remuneration policy. The Nomination Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 25.

Directors Remuneration Policy Implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st October 2015 and no changes are proposed for the year ending 31st October 2017.

At the Annual General Meeting held on 3rd March 2016, of votes cast, 99.90% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration report and 0.10% voted against.

Details of voting on the Remuneration Policy Implementation Report from the 2017 Annual General Meeting will be given in the annual report for the year ending 31st October 2017, and annually thereafter.

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 the Independent Auditors' Report on pages 34 to 39.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st October 2016 was £121,564. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table[1]

Directors' Name	Total fees 2016	2015
Gill Nott	£35,000	£27,600
Alexander Easton	£23,000	£23,000
Robert Jeens	£27,000	£27,000
George Nianias	£23,000	£23,000
Lysander Tennant	£7,814	£30,400
Tamara Sakovska	£5,750	–
Total	**£121,564**	**£131,000**

[1] Audited information.

During the year under review, Directors' fees were paid at a fixed rate of £35,000 per annum for the Chairman, £27,000 per annum for the Chairman of the Audit Committee and £23,000 per annum for each other Director. The last increase to Directors' fees was made on 1st November 2013. As referred to in the Chairman's Statement on page 5, the directors fees were increased effective from 1st November 2016 as follows: Board Chairman's fee increased by £2,500 (from £35,000 to £37,500), Audit Committee Chairman by £3,000 (from £27,000 to £30,000), Directors by £2,000 per annum (from £23,000 to £25,000).

Nil amounts (2015: nil) were paid to third parties for making available the services of Directors.

Directors' Shareholdings

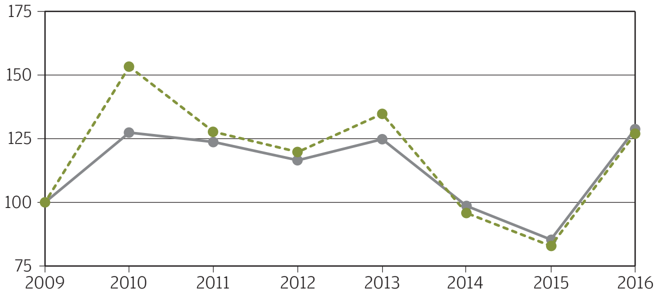
There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings are detailed below. The Directors have no other share interests or share options in the Company and no share schemes are available.

Directors' Name	2016[1] Number of shares held	2015 Number of shares held
Gill Nott	3,000	3,000
Alexander Easton	12,018	12,018
Robert Jeens	15,000	15,000
George Nianias	nil	nil
Lysander Tennant	n/a	5,700
Tamara Sakovska	nil	n/a
Total	**30,018**	**35,718**

[1] Audited information.

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 are set out on page 12.

Seven Year Share Price and Benchmark Total Return Performance to 31st October 2016



Source: Morningstar/MSCI.

Share price total return.

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

A table showing the total remuneration for the role of Chairman over the five years ended 31st October 2016 is below:

Remuneration for the role of Chairman over the five years ended 31st October 2016

Year ended 31st October	Fees	Performance related benefits received as a percentage of maximum payable
2016	£35,000	n/a
2015	£35,000	n/a
2014	£35,000	n/a
2013	£31,000	n/a
2012	£31,000	n/a

DIRECTORS' REMUNERATION REPORT *CONTINUED*

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is as follows:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st October 2016	2015
Remuneration paid to all Directors	£121,564	£131,000
Distribution to shareholders		
– by way of share repurchases	£nil	£560,000
– by way of dividend	£12,037,000[1]	£6,804,000
Total distribution to shareholders	**£12,037,000**	**£7,364,000**

[1] See note 8(a) on page 48 for further details.

For and on behalf of the Board
Gill Nott
Chairman

20th January 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and financial statements, and the Directors' Remuneration Report 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and Financial Reporting Standard (FRS) 102. Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts provide the information necessary for shareholders to assess the Company's performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In addition, to provide these confirmations, and in preparing these financial statements, the Directors must be satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable. In order to provide these confirmations and in preparing these annual statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm they have done so.

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 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.

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

Each of the Directors, whose names and functions are listed in the Directors' Report, confirms 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 confirm that, taken as a whole, the annual report and accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.
- That the Strategic Report and Directors Report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

The Board confirms it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the Company.

The accounts are published on the www.jpmrussian.co.uk website which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. 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 financial statements since they were initially presented on the website. The financial statements are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

For and on behalf of the Board
Gill Nott
Chairman

20th January 2017

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN RUSSIAN SECURITIES PLC

Our opinion on the financial statements

In our opinion:

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

What we have audited

JPMorgan Russian Securities plc's financial statements comprise:

- Statement of Comprehensive Income for the year ended 31st October 2016
- Statement of Changes in Equity for the year ended 31st October 2016
- Statement of Financial Position as at 31st October 2016
- Related notes 1 to 21 to the financial statements

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

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. • Incorrect valuation and existence of the investment portfolio. • Impact of Russian economic sanctions.
Audit scope	• All audit work was performed directly by the audit engagement team.
Materiality	• Materiality of £2.8 million which represents 1% of total equity shareholders' funds (2015: £1.9 million).

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 27 in the Audit Committee Report). The investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders. The Company's income is received in the form of dividends from equities and depositary receipts and interest from liquidity funds, being £11.1 million (2015: £13.6 million) for the year. In the Russian market, there can be a delay between declaration of the dividend and the final payment date and the recoverability of accrued dividends can be uncertain. As at 31st October 2016, the Company had £0.2 million (2015: £0.5 million) of accrued income awaiting payment. The Company received no special dividends during the year.	We agreed a sample of dividends to the corresponding announcement made by the investee company. We agreed, for a sample of investee companies, the dividend declarations made by the investee company from an independent source to the income entitlements recorded by the Company. We agreed all accrued dividends to third party source and to post year end bank statements to assess the recoverability of these amounts. We have checked that the Company's accounting policies in respect of revenue recognition have been applied as stated throughout the year and are in line with FRS 102 and the AIC SORP.	We noted no issues in agreeing the sample of dividend receipts to the corresponding announcement made by the investee company. We noted no issues in agreeing the sample of dividend declarations to the income entitlements recorded by the Company. We noted no issues in agreeing the accrued dividend receipts to an independent source and to the bank statements.
Incorrect valuation and existence of the investment portfolio (as described on page 27 in the Audit Committee Report). The Company's investment portfolio consists of listed equities and depositary receipts with a total valuation of £279.9 million as at 31st October 2016 (2015: £195.3 million). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.	For all investments in the portfolio, we agreed the prices and exchange rates applied to an independent source. We have independently obtained confirmations from the Company's Custodian and Depositary to confirm the existence of the assets held as at 31st October 2016.	For all investments, we noted no material differences in market value or exchange rates used. We noted no differences between the Custodian and Depositary confirmations and the Company's underlying financial records.

Risk	Our response to the risk	What we concluded to the Audit Committee
Failure to adequately assess the potential impact on the Company of the continued economic sanctions in Russia (as described on page 27 in the Audit Committee Report). The impact of the sanctions on the valuation of the investment portfolio should be appropriately considered.	We reviewed and assessed the system of internal control used by the Company and the Manager to monitor compliance with the sanctions regime. We reviewed the stocks in the portfolio for evidence that they may be subject to the UK Government and US Treasury's Sanctions placed on the Russian market. We have considered the liquidity of the investment portfolio at the year-end date to ensure active trading.	We deem the system of internal control to be adequate with regards to monitoring compliance with the sanctions regime. None of the stocks in the investment portfolio at 31st October 2016 appear on the sanctions list. We noted no issues with the liquidity of the investment portfolio at the year end.

In the current year, we recognise a risk of material misstatement in relation to the recognition of revenue. We have assessed this as a significant risk in the current year, as investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders and judgement is used in allocating special dividends between revenue and capital. In addition, we continue to recognise a risk of material misstatement in relation to valuation and existence of the investment portfolio as well as the impact of the Russian economic sanctions. We have removed the risk in relation to the management fee. The management fees are determined by a straightforward calculation and we can verify the inputs to supporting documentation. There are also no history of errors in these calculations.

The scope of our audit

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

Our application of materiality

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

Materiality

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

We determined planning materiality for the Company to be £2.8 million (2015: £1.9 million) which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of total equity shareholders' funds as we consider that to be the key measurement of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being £2.1 million (2015: £1.4 million). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit

differences in all accounts did not exceed our planning materiality level. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.5 million (2015: £0.6 million) for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

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

We agreed with the audit committee that we would report all audit differences in excess of £0.1 million (2015: £0.1 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 33 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

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

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the directors' statement in relation to going concern set out on page 23, and longer-term viability, set out on page 20; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

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

ISAs (UK and Ireland) reporting

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

Sarah Williams (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor,
London

20th January 2017

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST OCTOBER 2016

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	–	94,420	94,420	–	(43,673)	(43,673)
Net foreign currency gains		–	1,166	1,166	–	254	254
Income from investments	4	11,087	–	11,087	13,590	–	13,590
Interest receivable	4	22	–	22	8	–	8
Gross return/(loss)		**11,109**	**95,586**	**106,695**	**13,598**	**(43,419)**	**(29,821)**
Management fee	5	(435)	(1,739)	(2,174)	(397)	(1,587)	(1,984)
Other administrative expenses	6	(913)	–	(913)	(840)	–	(840)
Net return/(loss) on ordinary activities before taxation		**9,761**	**93,847**	**103,608**	**12,361**	**(45,006)**	**(32,645)**
Taxation	7	(1,665)	348	(1,317)	(2,093)	324	(1,769)
Net return/(loss) on ordinary activities after taxation		**8,096**	**94,195**	**102,291**	**10,268**	**(44,682)**	**(34,414)**
Return/(loss) per share	9	**15.47p**	**179.98p**	**195.45p**	**19.60p**	**(85.31)p**	**(65.71)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. Net return/(loss) on ordinary activities after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on page 43 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST OCTOBER 2016

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves[1] £'000	Revenue reserve[1] £'000	Total £'000
At 31st October 2014	526	75	47,764	181,024	7,029	236,418
Repurchase and cancellation of the Company's own shares	(2)	2	(560)	–	–	(560)
Net (loss)/return on ordinary activities	–	–	–	(44,682)	10,268	(34,414)
Dividends paid in the year	–	–	–	–	(6,804)	(6,804)
At 31st October 2015	524	77	47,204	136,342	10,493	194,640
Net return on ordinary activities	–	–	–	94,195	8,096	102,291
Dividends paid in the year	–	–	–	–	(12,037)	(12,037)
At 31st October 2016	524	77	47,204	230,537	6,552	284,894

[1] These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividend payments.

The notes on page 43 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31ST OCTOBER 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	279,865	191,910
Current assets	11		
Debtors		494	552
Cash and cash equivalents[1]		5,150	4,330
		5,644	4,882
Current liabilities			
Creditors: amounts falling due within one year	12	(615)	(2,152)
Net current assets		5,029	2,730
Total assets less current liabilities		284,894	194,640
Net assets		284,894	194,640
Capital and reserves			
Called up share capital	13	524	524
Capital redemption reserve	14	77	77
Other reserve	14	47,204	47,204
Capital reserves	14	230,537	136,342
Revenue reserve	14	6,552	10,493
Total shareholders' funds		284,894	194,640
Net asset value per share	15	544.3p	371.9p

[1] This line item combines the two lines of 'Investment in liquidity fund held at fair value through profit or loss' and 'Cash and short term deposits' in the financial statements for the year ended 31st October 2015 into one. Under FRS 102, liquidity funds are considered cash equivalents as they are held for cash management purposes.

The financial statements on pages 40 to 58 were approved and authorised for issue by the Directors on 20th January 2017 and signed on their behalf by:

Chairman

The notes on pages 43 to 58 form an integral part of these financial statements.

Company registration number: 4567378.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2016

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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 November 2014.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 23 of the Directors' Report form part of these financial statements.

(b) Transition to FRS 102

This set of financial statements, in accordance with the SORP includes changes arising from the adoption of FRS 102 which the Company is required to comply with for the first time for the year ended 31st October 2016. The Company's date of transition to FRS 102 was 1st November 2014.

No significant changes have arisen from the adoption of the new standard. Where changes have arisen, they are substantially in relation to presentation, disclosure and non-quantifiable aspects. There has been no impact to financial position or financial performance and comparative figures which required restating were in respect of presentation only.

The investment in liquidity fund has been presented as a cash and cash equivalent in the current year to better reflect the fact that the position is held as an alternative to cash. It was previously held as a non-current asset, and the comparative figures in the relevant primary financial statements and notes have been similarly amended.

The Company has elected not to prepare a Statement of Cash Flows for the current year, applying the exemption from FRS 102 Section 7.1A(c).

Early adoption

In March 2016, the FRC published amendments to FRS 102 concerning the fair value hierarchy disclosures. These amendments are effective for accounting periods beginning on or after 1st January 2017. The Company has elected to adopt these amendments early in this set of financial statements. Full disclosure is given in note 18 on page 52.

(c) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

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. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's 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 purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

All purchases and sales are accounted for on a trade date basis.

(d) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency, management fees allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves.

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(e) 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 included in capital.

Overseas dividends are included gross of any withholding tax.

Special dividends are recognised on an ex-dividend basis and are treated as a capital item or revenue item depending on the facts and circumstances of each dividend.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

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

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue with the following exceptions:

- the management fee is allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 49.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash, are short term, and readily convertible to a known amount of cash.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

(h) Taxation

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

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax 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 at the balance sheet date and is measured on an undiscounted basis.

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which it pays distributions and expenses and its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, 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 in the Statement of Comprehensive Income as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividends

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchase of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to the 'Other reserve' and dealt with in the Statement of Changes in Equity. 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 'Capital redemption reserve'.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

Management do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Gains/(losses) on investments held at fair value through profit or loss

	2016 £'000	2015[1] £'000
Gains/(losses) on investments held at fair value through profit or loss based on historic cost	1,773	(52,719)
Amounts recognised in investment holding gains and losses in respect of investments sold during the year	10,128	32,312
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	11,901	(20,407)
Net movement in investment holding gains and losses	82,723	(23,211)
Other capital charges	(204)	(55)
Total capital gains/(losses) on investments held at fair value through profit or loss	**94,420**	**(43,673)**

[1] Relevant figures have been amended in line with the current presentation adopted. Under FRS 102, liquidity funds are classified as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

4. Income

	2016 £'000	2015 £'000
Income from investments		
UK dividends	–	22
Overseas dividends	11,087	13,568
	11,087	13,590
Interest receivable		
Interest from liquidity fund	22	8
	22	8
Total income	11,109	13,598

5. Management fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Management fee	435	1,739	2,174	397	1,587	1,984

Details of the management fee are given in the Directors' Report on page 23.

6. Other administrative expenses

	2016 £'000	2015 £'000
Dividend charges	299	277
Administration expenses	219	167
Safe custody fees	149	134
Directors' fees[1]	122	131
Savings scheme costs[2]	54	65
Depositary fees[3]	41	37
Auditors' remuneration for audit services[4]	29	29
Total	913	840

[1] Full disclosure is given in the Directors' Remuneration Report on pages 30 to 32.
[2] Paid to the Manager for marketing and administration of saving scheme products. Includes £5,000 (2015: £6,000) irrecoverable VAT.
[3] Includes £4,000 (2015: £4,000) irrecoverable VAT.
[4] No fees were payable to the auditors for non-audit services (2015: nil). Includes £3,000 (2015: £3,000) irrecoverable VAT.

7. Taxation

(a) Analysis of tax charge in the year

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
UK corporation tax	1,235	–	1,235	1,640	–	1,640
Double taxation relief	(924)	–	(924)	(1,182)	–	(1,182)
Deferred taxation liability	20	–	20	–	–	–
Overseas withholding tax	1,085	–	1,085	1,311	–	1,311
Tax relief on expenses charged to capital	348	(348)	–	324	(324)	–
Prior year adjustment	(99)	–	(99)	–	–	–
Total tax charge for the year	**1,665**	**(348)**	**1,317**	**2,093**	**(324)**	**1,769**

(b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (2015: higher) than the Company's applicable rate of corporation tax for the year of 20% (2015: 20.41%). The factors affecting the total tax charge for the year are as follows:

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Net return/(loss) on ordinary activities before taxation	**9,761**	**93,847**	**103,608**	**12,361**	**(45,006)**	**(32,645)**
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 20% (2015: 20.41%)	1,952	18,769	20,721	2,523	(9,186)	(6,663)
Effects of:						
Non taxable capital (gains)/losses	–	(19,117)	(19,117)	–	8,862	8,862
Non taxable UK dividends	–	–	–	(4)	–	(4)
Non taxable overseas dividends	(422)	–	(422)	(284)	–	(284)
Tax attributable to expenses and finance costs charged to capital	(348)	348	–	(324)	324	–
Tax relief on expenses charged to capital	348	(348)	–	324	(324)	–
Income taxed in different periods	–	–	–	(72)	–	(72)
Overseas withholding tax	1,085	–	1,085	1,311	–	1,311
Double taxation relief	(924)	–	(924)	(1,182)	–	(1,182)
Brought forward revenue losses utilised	–	–	–	(199)	–	(199)
Double taxation relief on deferred tax	(21)	–	(21)	–	–	–
Prior year adjustment (deferred tax not recognised in prior year)	95	–	95	–	–	–
Change in deferred tax rate	(1)	–	(1)	–	–	–
Prior year adjustment (current tax)	(99)	–	(99)	–	–	–
Total tax charge for the year	**1,665**	**(348)**	**1,317**	**2,093**	**(324)**	**1,769**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

7. Taxation *continued*

(c) Deferred taxation

The provision for deferred taxation has arisen from timing differences in respect of overseas dividends which have originated but not reversed by the balance sheet date. The movements on the deferred tax account are as follows:

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Opening balance	–	–	–
Deferred tax in respect of prior period	47	–	47
Credited to revenue return	(27)	–	(27)
Closing balance	**20**	**–**	**20**

8. Dividends[1]

(a) Dividends paid and proposed

	2016 £'000	2015 £'000
Dividend paid		
2015 final dividend of 13.0p (2014: 13.0p)	6,804	6,804
2015 special dividend of 4.0p (2014: nil)	2,093	–
2016 interim dividend of 6.0p (2015: nil)	3,140	–
	12,037	**6,804**
Dividend proposed		
2016 final ordinary dividend of 8.0p (2015: 13.0p)	4,187	6,804
2016 special dividend of nil (2015: 4.0p)	–	2,093

The dividend proposed in respect of the year ended 31st October 2016 is subject to shareholder approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st October 2017.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of the dividend proposed in respect of the financial year, shown below. The revenue available for distribution by way of dividend is £8,096,000 (2015: £10,268,000).

	2016 £'000	2015 £'000
2016 interim dividend of 6.0p (2015: nil)	3,140	–
2016 final ordinary dividend of 8.0p (2015: 13.0p)	4,187	6,804
2016 special dividend of nil (2015: 4.0p)	–	2,093
Total dividends for Section 1158 purposes	**7,327**	**8,897**

[1] All dividends paid and proposed in the period are funded from the revenue reserve.

The revenue reserve after payment of the final dividend will amount to £2,365,000 (2015: £1,596,000).

9. Return/(loss) per share

	2016 £'000	2015 £'000
Revenue return	8,096	10,268
Capital return/(loss)	94,195	(44,682)
Total return/(loss)	**102,291**	**(34,414)**
Weighted average number of shares in issue during the year	52,337,112	52,379,071
Revenue return per share	15.47p	19.60p
Capital return/(loss) per share	179.98p	(85.31)p
Total return/(loss) per share	**195.45p**	**(65.71)p**

10. Investments

	2016 £'000	2015[1] £'000
Investments listed on a recognised stock exchange	279,865	191,910
Opening book cost	220,889	274,066
Opening investment holding losses	(28,979)	(38,080)
Opening valuation	191,910	235,986
Movements in the year:		
Purchases at cost	97,942	106,841
Sales – proceeds	(104,611)	(107,299)
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	11,901	(20,407)
Net movement in investment holding gains and losses	82,723	(23,211)
	279,865	**191,910**
Closing book cost	215,993	220,889
Closing investment holdings gains/(losses)	63,872	(28,979)
Total investments held at fair value through profit or loss	**279,865**	**191,910**

[1] Relevant figures have been amended in line with the current presentation adopted. Under FRS 102, liquidity funds are classified as cash equivalents.

Transaction costs on purchases during the year amounted to £326,000 (2015: £189,000) and on sales during the year amounted to £130,000 (2015: £122,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding losses amounting to £10,128,000 have been transferred to gains and losses on sales of investments as disclosed in note 14.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

11. Current assets

	2016 £'000	2015 £'000
Debtors		
Securities sold awaiting settlement	280	–
Dividends and interest receivable	177	510
VAT recoverable	10	15
Other debtors	27	27
Total	**494**	**552**

The Directors consider that the carrying amount of debtors approximates to their fair value. The Directors do not consider any of the amounts included in the note above to be past due or impaired as at 31st October 2016 (2015: £nil).

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these represents their fair value. See note 17 for details.

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Securities purchased awaiting settlement	364	1,599
Corporation tax	100	458
Deferred tax	20	–
Other creditors and accruals	131	95
Total	**615**	**2,152**

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

13. Called up share capital

	2016 £'000	2015 £'000
Issued and fully paid share capital:		
Ordinary shares of 1p each		
Opening balance of 52,337,112 (2015: 52,532,112) shares	524	526
Repurchase and cancellation of nil (2015: 195,000) shares	–	(2)
Closing balance of 52,337,112 (2015: 52,337,112) shares	**524**	**524**

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.

Further details of transactions in the Company's shares are given in the Business Review on page 16.

14. Capital and reserves

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Capital reserves[2]: Gains and losses on sales of investments £'000	Capital reserves[2]: Investment holding gains and losses £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	524	77	47,204	165,332	(28,990)	10,493	194,640
Transfer of prior period unrealised loss on liquidity[3]	–	–	–	(11)	11	–	–
Realised foreign currency gains on cash and cash equivalents	–	–	–	1,166	–	–	1,166
Realised gains on investments	–	–	–	11,901	–	–	11,901
Unrealised gains on investments	–	–	–	–	82,723	–	82,723
Transfer on disposal of investments	–	–	–	(10,128)	10,128	–	–
Expenses charged to capital	–	–	–	(1,739)	–	–	(1,739)
Other capital charges	–	–	–	(204)	–	–	(204)
Tax relief on expenses charged to capital				348			348
Dividends paid in the year	–	–	–	–	–	(12,037)	(12,037)
Net revenue return for the year	–	–	–	–	–	8,096	8,096
Closing balance	**524**	**77**	**47,204**	**166,665**	**63,872**	**6,552**	**284,894**

[1] The 'Other reserve' was formerly share premium which was cancelled for the purpose of financing share buy-backs.

[2] These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividend payments.

[3] Transfer of opening liquidity fund unrealised loss between reserves as a result of the reclassification of liquidity holdings from investments to cash equivalent.

15. Net asset value per share

	2016	2015
Net assets (£'000)	284,894	194,640
Number of shares in issue	52,337,112	52,337,112
Net asset value per share	**544.3p**	**371.9p**

16. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2015: none).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

17. Related party transactions

Details of the management contract are set out in the Directors' Report on page 23. The management fee payable to the Manager for the year was £2,174,000 (2015: £1,984,000) of which £nil (2015: £nil) was outstanding at the year end.

During the year £54,000 (2015: £65,000), including VAT, was payable to the Manager for the marketing and administration of savings scheme products, of which £nil (2015: £nil) was outstanding at the year end.

Included in note 6 on page 46 are safe custody fees amounting to £149,000 (2015: £134,000) payable to JPMorgan Chase Bank N.A. of which £28,000 (2015: £21,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £23,000 (2015: £13,000) of which £nil (2015: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £4,732,000 (2015: £3,419,000). Interest amounting to £22,000 (2015: £3,000) was receivable during the year of which £nil (2015: £nil) was outstanding at the year end.

The Company also held cash in the JPM Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was £nil (2015: £nil). Interest amounting to £nil (2015: £5,000) was receivable during the year of which £nil (2015: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £204,000 (2015: £55,000) were payable to JPMorgan Chase Bank N.A. during the year of which £1,000 (2015: £1,000) was outstanding at the year end.

At the year end, total cash of £418,000 (2015: £911,000) was held with JPMorgan Chase. A net amount of interest of £nil (2015: £nil) was receivable by the Company during the year from JPMorgan Chase.

Full details of Directors' remuneration and shareholdings can be found on page 21 and in note 6 on page 46.

18. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

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

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

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

(3) Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability

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(c) on page 43.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st October.

	2016		2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	279,865	–	191,910	–
Total	**279,865**	**–**	**191,910**	**–**

There were no transfers between Level 1, 2 or 3 during the year (2015: same).

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

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Features' page. 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 financial 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 policy.

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 classes of financial instruments are as follows:

- investments in Russian equity shares, preference shares, ADRs and GDRs, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund; and
- short term 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

Substantially all of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and presentation currency. 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 this exposure by considering the effect on the Company's net asset value and income of a movement in 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 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.

Foreign currency exposure

The fair value 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(i) Currency risk *continued*

Foreign currency exposure *continued*

	US$ £'000	Ruble £'000	2016 HK$ £'000	EUR £'000	Total £'000
Net current assets	5,157	–	–	1	5,158
Foreign currency exposure on net monetary items	5,157	–	–	1	5,158
Investments held at fair value through profit or loss	271,902	–	–	–	271,902
Total net foreign currency exposure	**277,059**	**–**	**–**	**1**	**277,060**

	US$ £'000	Ruble £'000	2015 HK$ £'000	EUR £'000	Total £'000
Net current assets	3,122	69	–	1	3,192
Foreign currency exposure on net monetary items	3,122	69	–	1	3,192
Investments held at fair value through profit or loss	186,891	–	2,470	–	189,361
Total net foreign currency exposure	**190,013**	**69**	**2,470**	**1**	**192,553**

In the opinion of the Directors, 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 the operating activities of these companies are primarily exposed to the Ruble.

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's 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 the income receivable in foreign currency and assumes a 10% (2015: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed to, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2016		2015	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive income – return after taxation				
Revenue return	(1,111)	1,111	(1,357)	1,357
Capital return	(516)	516	(319)	319
Total return after taxation	**(1,627)**	**1,627**	**(1,676)**	**1,676**
Net assets	**(1,627)**	**1,627**	**(1,676)**	**1,676**

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

The foreign currency sensitivity of the equity investments is the same as the Other Price Risk sensitivity disclosed in note 19(a) (iii).

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund.

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 using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2016 £'000	2015 £'000
Exposure to floating interest rates		
JPMorgan US Dollar Liquidity Fund	4,732	3,419
Cash and short term deposits	418	911
Total exposure	**5,150**	**4,330**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2015: same). The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US Dollar London Interbank Bid Rate.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2015: 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.

	2016		2015	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	26	(26)	22	(22)
Capital return	–	–	–	–
Total return after taxation	**26**	**(26)**	**22**	**(22)**
Net assets	**26**	**(26)**	**22**	**(22)**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and cash held in the liquidity fund.

(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 equity 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 objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(iii) Other price risk *continued*

Other price risk exposure

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

	2016 £'000	2015 £'000
Equity investments held at fair value through profit or loss	279,865	191,910

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 13 and 15. This shows that the portfolio comprises predominantly of Russian companies. Accordingly, there is a concentration of exposure to that country. However, it should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

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% (2015: 10%) in the market value of equity investments. 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 equities, adjusting for changes in the management fee but with all other variables held constant.

	2016		2015	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(56)	56	(46)	46
Capital return	27,763	(27,763)	19,007	(19,007)
Total return after taxation	**27,707**	**(27,707)**	**18,961**	**(18,961)**
Net assets	**27,707**	**(27,707)**	**18,961**	**(18,961)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its 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 mainly 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, based on the earliest date on which payment can be required are as follows:

	2016 Within three months £'000	2015 Within three months £'000
Creditors:		
Securities purchased awaiting settlement	364	1,599
Corporation tax	100	458
Deferred tax	20	–
Other creditors and accruals	131	95
Total financial liabilities	**615**	**2,152**

The liabilities shown above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates 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 and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group and the Board.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. 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.

The Depositary, BNY Mellon Trust and Depositary (UK) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

(d) Fair values of financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

20 Capital management policies and procedures

The Company's capital structure comprises the following:

	2016 £'000	2015 £'000
Equity		
Called up share capital	524	524
Reserves	284,370	194,116
Total capital	**284,894**	**194,640**

The investment objective of the Company is to provide capital growth from investment in Russian securities.

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.

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	279,865	191,910
Net assets	**284,894**	**194,640**
Net cash	**(1.8)%**	**(1.4)%**

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.

21 Subsequent events

The Directors have evaluated the period since the year end and have not rated any subsequent events.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive ('AIFMD'), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method' in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company's maximum and actual leverage levels at 31st October 2016 are shown below:

Leverage Exposure	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual	100%	100%

JPMF Remuneration

JPMF is the authorised manager of the Company and is part of the J.P. Morgan Chase & Co. group of companies. In this disclosure, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, the 'Guidelines on Sound Remuneration Policies' under the AIFMD issued by the European Securities and Markets Authority and the Financial Conduct Authority Handbook (SYSC 19B: The AIFM Remuneration Code and FUND 3.3).

JPMF Remuneration Policy

The current remuneration policy for the EMEA Global Investment business of J.P. Morgan can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/adv/legal/emea-remuneration-policy. This policy includes details of the alignment with risk management, the financial and non-financial criteria used to evaluate performance and the measures adopted to avoid or manage conflicts of interest.

JPMF Quantitative Disclosures

Disclosure in accordance with FUND 3.3.5, Article 22(2)e and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the Company's website at www.jpmrussian.co.uk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourteenth Annual General Meeting of JPMorgan Russian Securities plc will be held at The Honourable Society of the Inner Temple, Treasury Office, Inner Temple, London EC4Y 7HL on Tuesday, 7th March 2017 at 12 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st October 2016.
2. To approve the Directors' Remuneration Report for the year ended 31st October 2016.
3. To approve a final ordinary dividend of 8.0p per share.
4. To reappoint Gillian Nott a Director of the Company.
5. To reappoint Alexander Easton a Director of the Company.
6. To reappoint Robert Jeens a Director of the Company.
7. To reappoint George Nianias a Director of the Company.
8. To appoint Tamara Sakovska a Director of the Company.
9. To reappoint Ernst & Young LLP as Auditors to the Company.
10. To authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. 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 £26,169, 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 2018 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

12. THAT subject to the passing of Resolution 11 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 11 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 £26,169, 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 11 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 pursuant of such offers, or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

13. 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 7,845,357 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;

(v) the authority hereby conferred shall expire at the Company's Annual General Meeting to be held in 2017 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.

Continuation vote – Ordinary Resolution

14. The Directors seek the shareholders approval to the ordinary resolution for the Company to continue as an investment trust for a further five years.

By order of the Board
Paul Winship ACIS, for and on behalf of
JPMorgan Funds Limited,
Secretary

20th January 2017

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.
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 6.30 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 6.30 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.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

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.jpmrussian.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 19th January 2017 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 52,337,112 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 52,337,112.

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 per share, on a last-market share price to last-market share price basis assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return on Net Assets
Total return on the net asset value (NAV) per share. The NAV calculation includes the underlying stocks held in the Company's portfolio priced on a bid value to bid value basis. The total return basis assumes that all dividends paid out by the Company were reinvested into shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Benchmark Return
Total return on the benchmark, on a last-market value to last-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 is likely to be 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

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. Previously gearing represented the excess amount above shareholders' funds of total assets expressed as a percentage of shareholders' funds. Total assets included total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount 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.

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:

Asset Allocation
Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

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.

ADR/GDR
American Depositary Receipts and Global Depositary Receipts. ADR and GDRs' are certificates that represent shares of a foreign stock.

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in the shares of this Company and other J.P. Morgan investment trusts as detailed below;

For further details of market and share transaction information required to invest in the Company's shares, please see page 65. The information available on the Company's website is detailed on the Features page found on the inside cover at the front of this document. The Association of Investment Companies (AIC) website also contains information on investment trusts - see inside cover for the AIC's website address.

You can invest in the Company's shares and other J.P. Morgan investment trusts:

- Directly from J.P. Morgan
- Via third party providers
- Through a professional adviser

Before doing so you should take the time to read all the relevant regulatory documents and product materials and make yourself aware of the investment risks involved.

You should, of course, only consider investments that are right for you. If you are in any doubt about the suitability of an investment, please speak to an independent financial adviser.

1. Directly from J.P. Morgan

Investment Account
The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)
The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2016/17 tax year, from 6th April 2016 and ending 5th April 2017, the total ISA allowance is £15,240 (£20,000 in 2017/18). The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

J.P. Morgan investment trusts and funds are available via a range of third party providers.

Note: These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

Third party providers include;

AJ Bell	Interactive Investor
Alliance Trust Savings	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	The Share Centre
Hargreaves Lansdown	

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the Shares of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trust Companies Shares through stockbrokers, wealth managers and banks.

Information from the Financial Conduct Authority (FCA)
To familiarise yourself with the Financial Conduct Authority (FCA), adviser charging and commission rules, visit fca.org.uk

Financial Conduct Authority

Beware of share fraud

In association with: icsa Registrars Group

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from **www.fca.org.uk** to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

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
Dividends payable	March/August
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, 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 Sedol number: 0032164732
ISIN: GB0032164732
Bloomberg ticker: JRS LN

Market Information

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

Website

www.jpmrussian.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 Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

aic
The Association of Investment Companies

A member of the AIC

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone number: 020 7742 4000

For company secretarial and administrative matters, please contact Paul Winship at the Company's registered office.

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 2610
The Causeway
Worthing,
West Sussex BN99 6DA
Telephone number: 0371 384 2945

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and all enquiries regarding certificates should be sent to the Registrar quoting reference 2610.

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

Independent Auditor

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

Brokers

Cenkos Securities plc
6,7,8 Tokenhouse Yard
London EC2R 7AS

Savings Product Administrators

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

www.jpmrussian.co.uk

J.P. Morgan Helpline

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.

J.P.Morgan
Asset Management