JPMorgan Russian Securities plc

Annual Report & Financial Statements for the year ended 31st October 2017

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 RTS Index in sterling terms (RTS).

Capital Structure

UK domiciled. Full listing on the London Stock Exchange.

At 31st October 2017, the Company's share capital comprised 52,262,112 ordinary shares of 1p each.

Continuation Vote and Tender

A resolution that the Company continue as an investment trust will be put to Shareholders at the Annual General Meeting in 2022 and every five years thereafter.

If the next continuation vote in 2022 is approved, the Board has committed to making 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 five years from 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.

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)

+13.1%
Return to shareholders[1]
(2016: +53.1%)

+9.8%
Return on net assets[2]
(2016: +56.2%)

+8.4%
Benchmark return[3]
(2016: +50.8%)

21.0p
Dividend[4]
(2016: 14.0p)

Long Term Performance

FOR PERIODS ENDED 31ST OCTOBER 2017

	3 year performance	5 year performance	10 year performance
Return to shareholders[1]	+49.8%	+19.9%	-10.3%
Return on net assets[2]	+47.1%	+22.5%	-7.0%
Benchmark return[3]	+41.6%	+19.8%	+14.2%

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share. The 10 year performance is using capital only net asset values, due to a lack of historic cum income net asset value.

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

[4] 6.0p of the 21.0p is payable subject to the passing of a resolution at the 2018 AGM. 15.0p of the 21.0p was paid as an interim dividend on 28th October 2017.

A glossary of terms and alternative performance measures is provided on page 63.

CHAIRMAN'S STATEMENT

Performance and Overview

Politics continues to dominate any conversation about Russia. What is often forgotten is that Russia is a country with a growing economy, vast resources and one that has adjusted to the difficulties arising from sanctions and lower oil prices than it was used to in the past. The country is returning to growth and the market was up by 8.4% over the year (benchmark index RTS). This is very much lower than last year when the market rose by over 50% but it is encouraging to see that growth continued. The Company's return on a net assets basis outperformed the benchmark by 1.4% returning 9.8%. The return to shareholders also outperformed the benchmark, with a rise of 13.1% giving an outperformance of the benchmark of 4.7%. The discount at which the Company's shares trade relative to its net asset value narrowed slightly to 14.5% at the year end.

As at 18th January 2018 the discount stood at 14.4%. Since the year end to 18th January 2018 the benchmark index rose 8.0% and the Company's return to shareholders rose 9.3%.

During the Company's financial year under review Russia's economy benefitted from a number of factors including the reasonably stable oil price and the Central Bank of the Russian Federation reducing interest rates. The long term outlook for dividends also continues to remain positive. Political relations between Russia and Western powers remain tense and it is difficult to predict how the relationship with the U.S. in particular will develop.

Against this background of continuing tension, the United States and European Union economic sanctions against Russia remain in force. JPMorgan Asset Management's compliance & investment functions monitor investments and the Company is assured by JPMorgan Asset Management 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 Company's investment strategy and the external environment in which it operates as well as other major factors affecting the Company. The Board confirmed that the Company's objective remains that of capital growth through investment predominantly in Russia, with distribution of income dependent upon levels received. It was acknowledged that in recent years the levels of dividends paid out by Russian corporates has been at historically high levels and current forecasts estimate that this will continue. This has been reflected in the high levels of dividends that the Company has received and dividends that it has paid. However, the Board consider that the Company's investment objective remain that of providing shareholders with capital growth, rather than being an income focused investment trust, as the current high levels of dividends may not be a long term feature of the Company's investments. In addition at the strategy day we considered recent feedback from shareholders, the discount (see further details in Discount Control section below) and the Company's Sales and Marketing Strategy.

At the Company's Annual General Meeting ('AGM') in March 2017, the shareholders approved the Board's recommendation to continue as an investment trust for a further five years until 2022. If the next continuation vote in 2022 is approved, the Board has committed to making a tender offer to shareholders for up to 20% of the outstanding share capital at net asset value less costs and less a discount of 2% if, over the five years from 1st November 2016, the Company's net asset value total return in sterling terms on a cum income basis is below the total return of the benchmark in sterling terms.

CHAIRMAN'S STATEMENT *CONTINUED*

During the year the Board conducted a review of the broking services provided to the Company and on 10th July 2017 announced that they had appointed Numis as its sole broker and financial adviser.

You may be aware that the Regulator has recently introduced new rules (Packaged Retail and Insurance-based Investment Products Regulation (the 'PRIIPs Regulation') that require the Investment Manager, who is deemed to be the manufacturer of the investment product, in our case this investment trust, to prepare a Key Information Document (KID) in respect of the Company. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Dividends

Revenue for the year, after taxation, was £12,543,000 (2016: £8,096,000) and the revenue return per share, calculated on the average number of shares in issue, was 23.97 pence (2016: 15.47 pence). Based upon the revenue generated by the portfolio, an interim dividend of 15.0 pence per share in respect of the year ended 31st October 2017 was paid on 27th October 2017. The Company receives the most of its dividend income well before the end of its financial year ending 31st October, and hence it considers it appropriate to distribute the large majority of its net income as an interim dividend. Also in respect of the year ended 31st October 2017, the Board proposes a final dividend of 6.0 pence making a total of 21.0 pence per share for the year (2016: 14.0 pence per share). The final dividend is proposed to be paid on 9th March 2018 to ordinary shareholders on the register at the close of business on 9th February 2018, if approved by shareholders the final dividend will amount to £3,136,000 (2016: £4,187,000). The Board reviews income expectations throughout the year. Should income receipts permit, the Company will continue to make payment of an interim dividend as well as a final dividend in 2018.

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 11.2% to 18.9%. The buyback of shares was considered when the Company's discount was above 10% and the absolute level of the Company's discount was 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 75,000 shares were bought back on the 4th September 2017.

Following discussion with its major shareholders the Board has agreed that, subject to market conditions, it will increase its buy back activity with a view to buying back at least 6.0% of its issued share capital per annum.

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

Board of Directors

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 Board has in place a detailed succession plan which it will implement over the forthcoming years.

The Company's Directors fees remained unchanged throughout the period. The last increase was effective from 1st November 2016.

Investment Manager

Oleg Biryulyov continues to be the Company's Investment Manager supported by JPMorgan Asset Management's investment management team. Sonal Tanna, who stood down as a named investment manager in the previous reporting period, has now been replaced by Habib Saikaly who will be assisting Oleg Biryulyov. The Investment Management team is part of JPMorgan Asset Management's Emerging Markets and Asia Pacific equities team (EMAP) and consists of approximately 100 investment professionals. This strength and depth is one of the advantages of having the fund managed by a major investment house such as JPMorgan Asset Management. The Board reviews the performance of the Investment Managers each year and works pro-actively with the house to improve all aspects of the running of the Trust. The Board recognise that there is a growing trend towards passive investment, whether in tracker or exchange traded funds. However, they continue to believe that active management by highly experienced investment managers, supported by a strong team, can deliver better returns for shareholders over the longer term.

Annual General Meeting

The Company's AGM will be held on Tuesday, 6th March 2018 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 the price stability continues together with a rally in the prices of other raw materials, it seems likely to have a positive economic impact on the Russian economy and stock market in 2018. 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 continuing improvements 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 — 23rd January 2018

INVESTMENT MANAGER'S REPORT

Oleg I. Biryulyov

Habib Saikaly

Market Review and Performance

During the year under review, the Company's net asset value was up 9.8% on a total return basis, and the return to shareholders was 13.1% in sterling terms. This resulted in the Company outperforming its benchmark, the RTS Index, by 4.7% on a total return to shareholders basis.

Over the year the market demonstrated its usual pattern of seasonal volatility and was heavily influenced by external factors. Early expectations for improved US relations failed to come to fruition and hopes for an end to sanctions faded as US/Russian relations deteriorated.

The oil price – a major indicator of the direction of the Russian market – went through an encouraging period of normalisation during the year. OPEC played a key role in managing the balance between supply and demand, temporarily restricting supply. The oil price underwent a remarkable recovery in the second part of 2017 calendar year and, along with a recovery in the price of other commodities, provided support for a pick-up in earnings growth and a foundation for another year of strong free cash-flow generation.

The year began with short-lived euphoria related to Donald Trump's unexpected victory in the US presidential elections and expectations of an improvement in Russian – US relations. These hopes proved groundless, leading to a market correction in the second quarter of 2017. But from June onwards the oil price started to help market sentiment and reversed the market trend to positive. August also proved another strong month for Russian dividends payments, leading to further market appreciation and strong third-quarter performance. Generally, the market did not reflect earnings growth in the review year, so we saw a further contraction of the investment multiple. Dividend payouts increased and, with static or lower share prices, we had a higher dividend yield relative to the 2016 reporting period. The Russian market has the highest dividend yield among global equity markets, which partly reflects low valuations. However, with the State representing a major investor in a significant number of companies that are starting to demand higher payouts from controlled assets, we should see a further increase in dividends in 2018/2019.

PERFORMANCE ATTRIBUTION
FOR THE YEAR ENDED 31ST OCTOBER 2017

	%	%
Contributions to total returns		
Benchmark return		8.4
Asset allocation	-0.4	
Stock selection	2.9	
Gearing/(net cash)	0.2	
Investment Manager contribution		2.7
Portfolio return		11.1
Management fee/other expenses	-1.3	
Return on net assets		9.8
Effect of movement in discount over the year		3.3
Return to shareholders		13.1

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 alternative performance measures is provided on page 63.

Portfolio Positioning

We actively manage your portfolio and continue to build up internal research capabilities and a growing team of professional analysts with deep expertise in emerging markets and Russia/CIS markets.

Some highlights of the portfolio's activities are detailed as follows:

– During the year, our position in Luxoft was reduced and eventually exited. Its growth has been based on an aggressive merger-and-acquisition policy, which is not ideal from our point of view. As well as concentrating its revenue sources in one area, it also makes it vulnerable to any issues that affect its clients. We await another opportunity to enter this name at later stage when either its valuation or its strategy adjusts.

– We bought positions in several new companies:

  • Polyus – This company, a gold producer with very high-quality assets, has undergone a significant restructuring in the last two years. We see this as a major opportunity to invest in a national – and potentially global – industry champion.

  • Obuv Rossii – Built from scratch, this regional footware retailer brings new opportunity for investors to benefit from growing consumption in Russia. We see this as a long-term holding in a potential industry consolidator and national champion in Russia.

  • Evraz – Similar to RusAl, Evraz represents both a deleveraging and a valuation opportunity.

INVESTMENT MANAGER'S REPORT *CONTINUED*

- RusHydro – An electric utility with unique hydro assets, RusHydro is a restructuring and deleveraging story, as well as a valuation opportunity.
- InterRAO – This electric utility holding Company is a unique consolidator of the sector with the potential to become a 'major player', and represents a valuation opportunity.
- The Company's materials holdings are relatively high compared to history, reflecting their attractive valuations and superior dividend yield. For the first time in last 15 years, we established a position in the utility sector, as we can see that its CAPEX hump is almost over, creating a superior cash flow generation opportunity. Our position in Sberbank is the Company's largest holding, as we believe in the superior investment returns that can be generated by this industry, this management team and its unique market share. All in all, Sberbank is a classic 'blue chip' with superior return on equity, strong brand and growing barriers to entry.
- Our energy holdings are still relatively high as we continue to see a better outlook for energy prices and dividend stories there.

Last year's major stock-level detractors were:

- MTS –We do not own this stock. MTS's ongoing legal case against Rosneft has been a cause for concern. Valuations are in line with the industry and the dividend yield is unlikely to be sustainable thanks to a slowly shrinking top line. Not owning the stock last year proved to be a mistake, but it is hard to make a long-term investment case for owning it now.
- Magnit – Magnit proved the major disappointment of the year when earnings fell short of expectations, leading to a significant derating of the investment multiple. As a result, the stock is down almost 30% and, like all 'fallen angels', is a victim of market apathy. We think we will see another two quarters of lacklustre results, with a major restructuring programme taking place. However, we still see this company as a 'national champion' and it will remain a core holding for the portfolio.
- RosAgro – The cyclicality of commodity prices severely tested RosAgro's financial results last year. The share price has been moving around quite significantly, but underperformance was almost mitigated by its large dividend yield of almost 7%. We continue to believe in RosAgro's investment strategy and view it also as a 'leading stock'. The stock will continue to be a core holding for the Company.
- Yandex – In a year when more than 50% of global equity market performance came from the IT sector, the portfolio suffered from not owning this name. We did not recognise that the market would be willing to continue expanding earnings multiples for the stock with above market average earnings growth potential. However, we believe that the valuation is excessive and are sceptical about the value the market has assigned to the Taxi business. While not owning the stock has hurt performance, the valuation looks prohibitive and we will avoid it for now.
- Transneft – Transneft is not a company per se, but a Russian state-owned transport monopoly that we do not own. Its corporate and share capital structure are not ideal for minorities. The stock does not look attractive in its current form and we will avoid it at least until further changes take place.

On the positive side, we gained most from our positions in:

- Tatneft – This smaller, local oil player continues to deliver on stable production and investments in the downstream space. Less liquid shares benefited more from volatility. Higher payout ratio for dividends was applauded by the market.
- Sberbank – The Bank of Russia, with 50%+ of deposits/loans and 80%+ of profit in banking sector. It is a dynamic/innovative leader of the industry with return on equity above 20% and an attractive valuation. Sberbank represented the largest holding in the Company during the review period.
- VTB – We do not own this stock. A lack of clear strategy, poor capital allocation and inferior return on equity have been reflected in VTB's poor performance, so not owning it proved beneficial for performance.
- Polymetal – This strong junior miner, with a highly experienced and focused management team, successfully delivered on new projects and its capital allocation remain good. We like this company, which is one of the Company's smaller core holdings.
- TBC Bank – One of our investments outside Russia, this country leader in Georgia draws on a very focused and professional team. Its return on capital and valuation make it a very attractive proposition and we are happy to have it as a core holding in the portfolio. TBC Bank is an example of a company that we can now buy following the 2016 review of the Company's strategy and the limited expansion of its investment universe to the CIS countries.

Investment Management Team

Habib Saikaly was added as a named investment manager of the Company.

Habib is a country specialist within the JPMorgan Emerging Markets and Asia Pacific equities team (EMAP) and has over ten years experience in the industry. Further details are provided in the Chairman's Statement on page 5.

Post Year End

The most significant event facing Russia is the Presidential election in March 2018, although we see this as a low-risk factor as Putin is almost certain to win.

Outlook

There have been few changes in the Russian equity market outlook since our last report to you. We believe that the stabilisation of Russia's economy is now well underway and will continue to have a positive impact on Russian equities. We expect the Russian economy to deliver 2% annualised GDP growth in the next three-to-five years, with potential upside coming from stronger investments and the recovery of domestic consumption.

Oil price volatility could be lower in the next 12-18 months due to structural changes in supply of oil, as lower capex for the last three years will start to cap growth in production globally. This kind of stabilisation will help to improve the outlook for the rouble and earnings growth, particularly in US dollar and sterling terms.

In our opinion, the reduction of interest rates is a very powerful monetary policy tool. We expect to see a continuation of interest rates cuts through the next 12-18-month period,

INVESTMENT MANAGER'S REPORT *CONTINUED*

together with lower inflation within the next five years in Russia. The Russian equity market is dominated by capital-intensive industries with long-term investment projects and long payback periods. Discounted cash flows for such projects have been depressed by very high cost of capital and, in most cases, projects with more than a 10-year life span were hit hard by these calculations. We think that if the cost of capital becomes normalised, we will see adjustments to the value of these long-term projects, which could have a beneficial impact on the valuation of such companies.

We continue to see scope for reforms and hope that – slowly but surely – further liberalisation and restructuring of the Russian economy will take place. The domestic political outlook currently looks very stable in Russia. Although we would expect to see some rotation of specialists in the government and presidential administration we think that the senior leadership in the country will remain unchanged for the foreseeable future. The global political outlook would appear to be improving, although it is still fairly uncertain, with Western sanctions continuing and the conflict in Syria heightening tensions in the region.

We believe that Russian equity valuations are supportive for investors who are willing to accept the current level of country risk.

Oleg I. Biryulyov
Habib Saikaly
Investment Managers 23rd January 2018

SUMMARY OF RESULTS

	2017	2016	
Total returns for the year ended 31st October			
Return to shareholders[1]	+13.1%	+53.1%	
Return on net assets[2]	+9.8%	+56.2%	
Benchmark return[3]	+8.4%	+50.8%	
Net asset value, share price and discount at 31st October			**% change**
Shareholders' funds (£'000)	300,361	284,894	+5.4
Net asset value per share	574.7p	544.3p	+5.6
Share price	491.5p	455.0p	+8.0
Exchange rate (US$: £1)	1.33	1.22	+9.0
Exchange rate (Ruble : £1)	77.48	77.27	+0.3
Share price discount to net asset value per share	14.5%	16.4%	
Shares in issue	52,262,112	52,337,112	
Revenue for the year ended 31st October			
Gross revenue return (£'000)	15,980	11,109	+43.8
Net revenue return on ordinary activities after taxation (£'000)	12,543	8,096	+54.9
Revenue return per share	23.97p	15.47p	+54.9
Dividend per share[4]	21.0p	14.0p	
Net cash at 31st October	**2.1%**	**1.8%**	
Ongoing Charges	**1.33%**	**1.40%**	

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[3] Source: RTS Index in Sterling Terms (RTS). Prior to 1st November 2016, the Company's benchmark was the MSCI Russian 10/40 Equity Indices Index in sterling terms.

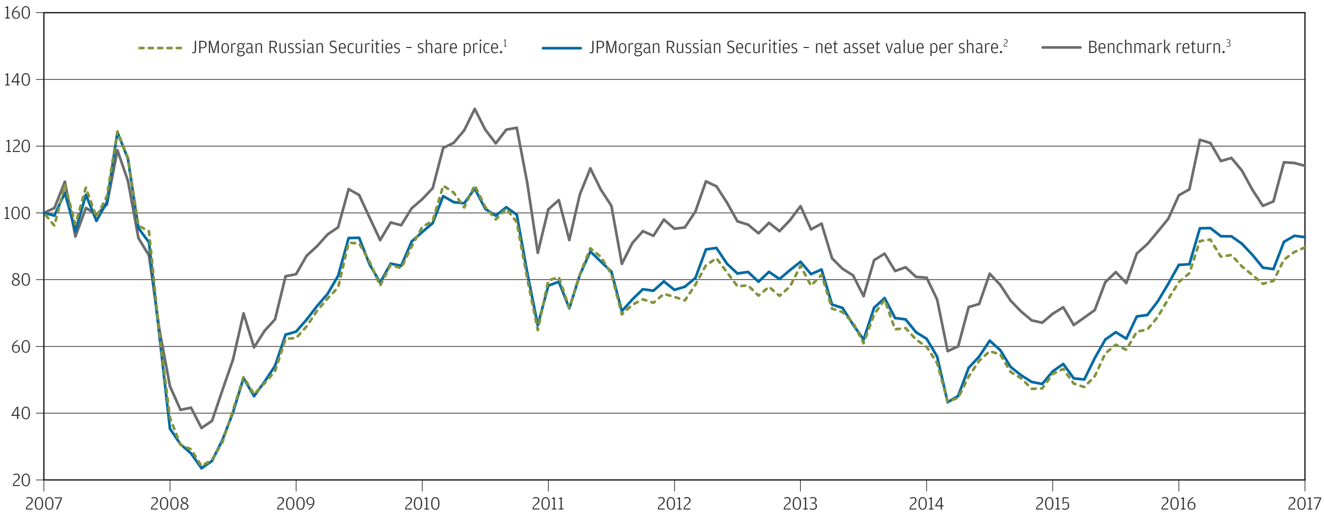
[4] 2017: 6.0p of the dividend per share is proposed and is subject to Shareholder approval of Resolution 4 at the 2018 Annual General Meeting.

A glossary of terms and alternative performance measures is provided on page 63.

PERFORMANCE

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST OCTOBER 2007



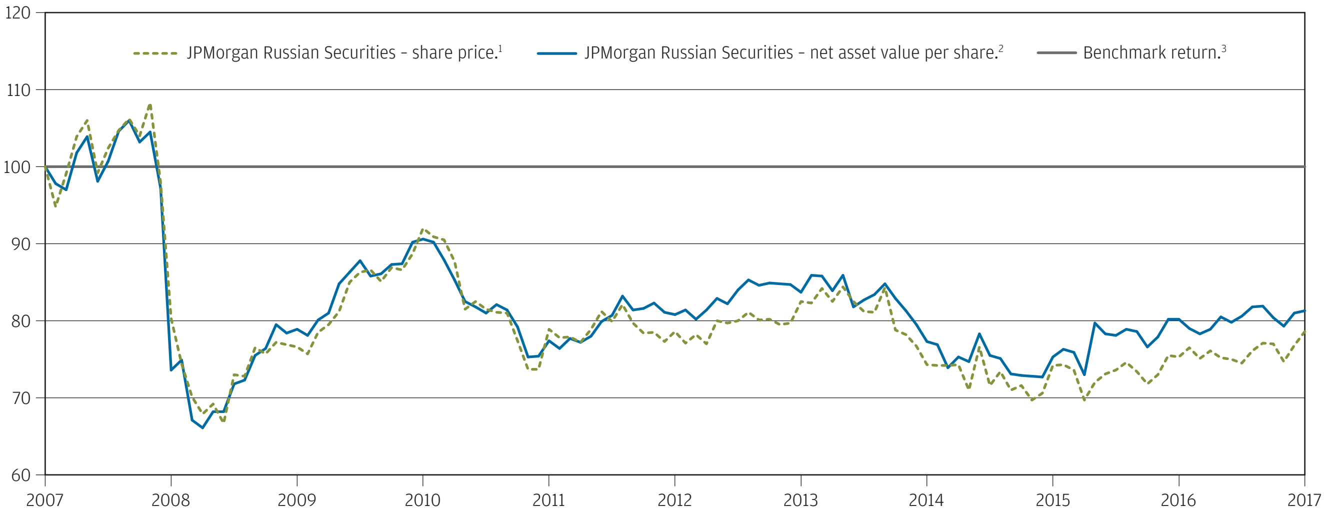
1 Source: Morningstar.

2 Source: Morningstar/J.P. Morgan, using cum income net asset value per share. Prior to 30th June 2008, capital only net asset value.

3 Source: RTS Index in sterling terms. Prior to 1st November 2016, MSCI Russian 10/40 Equity Indices Index in sterling terms.

Performance Relative to Benchmark

FIGURES HAVE BEEN REBASED TO 100 AT 31ST OCTOBER 2007



1 Source: Morningstar.

2 Source: Morningstar/J.P. Morgan, using cum income net asset value per share. Prior to 30th June 2008, capital only net asset value.

3 Source: RTS Index in sterling terms. Prior to 1st November 2016, MSCI Russian 10/40 Equity Indices Index in sterling terms.

TEN YEAR FINANCIAL RECORD

At 31st October	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net assets (£'m)	403.5	142.7	260.0	376.1	311.1	298.8	332.4	236.4	194.6	284.9	300.4
Net asset value per share (p)	721.4	255.1	464.9	680.3	564.4	555.2	631.1	450.0	371.9	544.3	574.7
Share price (p)	665.5	257.0	416.0	637.5	531.0	498.0	560.0	386.8	320.5	455.0	491.5
(Discount)/premium (%)	(7.7)	0.7	(10.5)	(6.3)	(5.9)	(10.3)	(11.3)	(14.0)	(13.8)	(16.4)	(14.5)
Gearing/(net cash) (%)	5.1	(7.0)	0.5	(3.0)	(2.1)	(2.1)	(2.3)	(1.0)	(1.4)	(1.8)	(2.1)
Ongoing Charges (%)	1.78	2.53	1.85	1.71	1.82	1.51	1.44	1.50	1.43	1.40	1.33

Year ended 31st October											
Gross revenue (£'000)	7,469	9,632	950	6,034	7,550	8,589	12,902	9,383	13,598	11,109	15,980
Revenue (loss)/return per share (p)	(1.32)	0.95	(4.11)	(0.69)	(0.63)	5.03	18.14	13.38	19.60	15.47	23.97
Dividends per share (p)[1]	–	–	–	–	–	–	15.3	13.0	17.0	14.0	21.0

Returns rebased to 100 at 31st October 2007											
Return to shareholders[2]	100.0	38.6	62.5	95.8	79.8	74.8	84.2	59.9	51.8	79.3	89.7
Return on net assets[2]	100.0	35.4	64.4	94.3	78.2	77.0	85.4	62.3	52.6	84.4	92.7
Benchmark return[3]	100.0	48.1	81.7	104.1	101.1	95.3	102.0	80.6	69.8	105.3	114.1

[1] 6.0p of the 21.0p 2017 dividend is payable subject to Shareholder approval of Resolution 4 at the 2018 Annual General Meeting. 2015 includes a special dividend of 4.0p.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share. Prior to 30th June 2008 is using capital only net asset values, due to a lack of historic cum income net asset value.

[3] Source: RTS Index in Sterling Terms (RTS). Prior to 1st November 2016, the Company's benchmark was the MSCI Russian 10/40 Equity Indices Index in sterling terms.

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TEN LARGEST INVESTMENTS AT 31ST OCTOBER

Company	Sector	2017 Valuation £'000	2017 %[1]	2016 Valuation £'000	2016 %[1]
Sberbank of Russia[2]	Financials	48,943	16.6	38,666	13.8
Gazprom[3]	Energy	44,272	15.0	30,364	10.9
Lukoil, ADR	Energy	24,007	8.2	18,883	6.7
MMC Norilsk Nickel, ADR	Materials	19,576	6.7	12,116	4.3
Novatek, GDR	Energy	17,855	6.1	17,717	6.3
Rosneft Oil, GDR	Energy	15,712	5.3	19,544	7.0
Tatneft[4]	Energy	13,445	4.6	11,398	4.1
Alrosa	Materials	8,468	2.9	13,330	4.8
Magnit, GDR	Consumer Staples	8,432	2.9	27,164	9.7
Polyus, GDR[5]	Materials	7,789	2.6	–	–
Total[6]		**208,499**	**70.9**		

[1] Based on total investments of £294.1m (2016: £279.9m).

[2] Includes preference shares valued at £33,499,000 (2016: £27,501,000).

[3] Includes ADR valued at £41,440,000 (2016: £27,205,000).

[4] Preference shares (2016: ADR valued at £634,000 and preference shares valued at £10,764,000).

[5] Not held in the portfolio at 31st October 2016.

[6] At 31st October 2016, the value of ten largest equity investments amounted to £204.6m representing 73.1% of total investments.

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

SECTOR ANALYSIS

	31st October 2017 Portfolio %[1]	31st October 2017 Benchmark %	31st October 2016 Portfolio %[1]	31st October 2016 Benchmark %
Energy	41.2	46.5	36.5	40.1
Financials	21.1	20.8	20.7	17.5
Materials	20.5	15.5	15.3	17.8
Consumer Staples	6.2	5.4	14.9	8.5
Real Estate	3.8	0.3	3.5	–
Consumer Discretionary	2.4	1.2	2.2	–
Health Care	2.3	–	1.6	–
Utilities	1.4	3.1	–	4.8
Information Technology	1.1	1.4	2.4	–
Telecommunication Services	–	4.5	2.6	11.3
Industrials	–	1.3	0.3	–
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £294.1m (2016: £279.9m).

LIST OF INVESTMENTS AT 31ST OCTOBER 2017

Company	Valuation £'000
Energy	
Gazprom[1]	44,272
Lukoil, ADR	24,007
Novatek, GDR	17,855
Rosneft Oil, GDR	15,712
Tatneft[2]	13,445
Nostrum Oil & Gas	4,370
Volga Gas	1,497
	121,158
Financials	
Sberbank of Russia[3]	48,943
Moscow Exchange	6,999
TBC Bank	5,996
	61,938
Materials	
MMC Norilsk Nickel, ADR	19,576
Alrosa	8,468
Polyus, GDR	7,789
Severstal, GDR	5,395
Evraz	5,006
United Co RUSAL	3,437
PhosAgro, GDR	3,245
Magnitogorsk Iron & Steel Works	3,136
Highland Gold Mining	2,240
Polymetal International	1,988
	60,280
Consumer Staples	
Magnit, GDR	8,432
Ros Agro, GDR	7,112
X5 Retail, GDR	2,732
	18,276

Company	Valuation £'000
Real Estate	
Etalon, GDR	6,355
LSR, GDR	4,746
	11,101
Consumer Discretionary	
Sollers	4,116
OR	3,025
	7,141
Health Care	
MD Medical Investments, GDR	6,642
	6,642
Utilities	
Inter RAO UES	2,722
RusHydro	1,500
	4,222
Information Technology	
EPAM Systems	3,308
	3,308
Total Investment Portfolio	**294,066**

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

[1] Includes ADR valued at £41,440,000.

[2] Preference shares.

[3] Includes preference shares valued at £33,499,000.

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 RTS Index in sterling terms, in the long term with net dividends reinvested, expressed in sterling terms.

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 5, and in the Investment Manager's Report on pages 6 to 10.

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 Oleg Biryulyov, a Russian fund manager, currently based in London, and assisted by Habib Saikaly as a named investment manager together with full support from JPM EMAP 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. 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 2017, the Company produced a total return to shareholders of +13.1% and a total return on net assets of +9.8%. This compares with the return on the Company's benchmark of +8.4%. As at 31st October 2017, the value of the Company's investment portfolio was £294,066,000. The Investment Manager's Report on pages 6 to 10 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 £33,688,000 (2016: £106,695,000) and net return after deducting management fee, administrative expenses, and taxation, amounted to £27,860,000 (2016: £102,291,000). Net revenue return after taxation for the year amounted to £12,543,000 (2016: £8,096,000).

The Directors recommend a final ordinary dividend of 6.0 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:

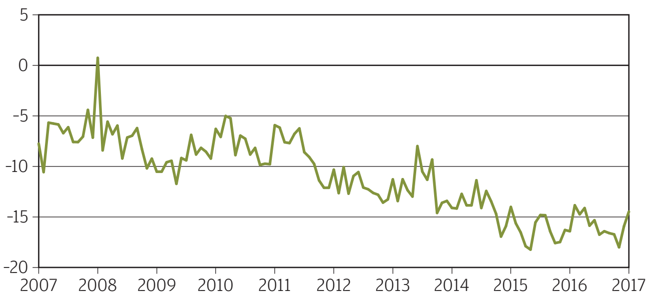
- **Performance against the benchmark**
  The principal objective is to achieve capital growth. However, the Board also monitors performance against a benchmark index. Please refer to page 12 for details of the Company's performance against the RTS Index Indices in sterling terms.

- **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 7 for the Company's performance attribution for the year ended 31st October 2017.

- **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 2017, the shares traded at a discount between 11.2% and 18.9%. See the Discount Control section of Chairman's statement page 4, and also the Share Capital section below for further details.

(Discount)/Premium Performance



Source: Morningstar.

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 2017 were 1.33% (2016: 1.40%). 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 bought back 75,000 of its own shares. Since the year end the Company has not repurchased any shares. Further details regarding the Company's purchase of its own shares can be seen in the Chairman's report on page 4.

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 the MSA can be found on the following website: https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf

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 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 and other jurisdictions that it operates in. 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 that the Board may consider to address underperformance 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 20(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 page 27. 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 independent auditors PricewaterhouseCoopers 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 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 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 20 on pages 52 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 19 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 2017, 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 5 and 9.

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 2022 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

23rd January 2018

BOARD OF DIRECTORS

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

Last reappointed to the Board: March 2016. 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 Global Infrastructure Trust plc and PGIT 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 2016.

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 2016.

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 Chrysalis VCT 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 2016.

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*†
Last appointed to the Board: March 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 2017.

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 21), 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 2022 and every five years thereafter.

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 30. 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. 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 12 & 13)

The Directors will seek renewal of the authority to issue up to 2,613,105 new shares or shares held in Treasury other than by a pro rata issue to existing shareholders up to an aggregate nominal amount of £26,131, 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 62.

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 14)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2017 Annual General Meeting, will expire on 6th March 2018 unless renewed at the 2018 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 62. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 12 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, 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

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 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 ten years at the date of the 2018 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,

DIRECTORS' REPORT *CONTINUED*

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 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
Tamara Sakovska	5	2	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 questionnaires were completed by the Directors and the Chairman. The evaluation of the Directors was led by the Chairman of the Nomination Committee who also met individually with each of the 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.

In the period the Nomination Committee developed a detailed succession plan which will be implemented over the forthcoming years.

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 report of the Audit Committee is set out on page 29.

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 financial statements, 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 65. 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 Financial Statements 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 65.

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	15,205,413	29.10
Lazard Asset Management LLC	10,966,523	20.98
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 Financial Statements. 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.

DIRECTORS' REPORT *CONTINUED*

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 the independent reports 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 2017, and to the date of approval of this Annual Report and Financial Statements. 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.

Criminal Corporate Offence
The Company has zero tolerance for tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it is seeking assurance from its service providers that effective policies and procedures are in place.

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

23rd January 2018

AUDIT COMMITTEE REPORT

Role and Composition

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 the Audit Committee comprises of directors who as a whole are competent in the Company's sector and has at least one member who is competent in auditing and accounting. 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. The Audit Committee 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.

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.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st October 2017, 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(b) 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 the Depositary Report and 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 variations 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(d) 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.

Auditor Appointment and Tenure

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 & Financial Statements 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 2017 is the second 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.

Fair Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the annual report and financial statements 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 2017, 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.

By order of the Board
Robert Jeens
Chairman of the Audit Committee

23rd January 2018

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 Annual General Meeting. Therefore an ordinary resolution to approve this report will be put to shareholders at the 2018 Annual General Meeting. The policy subject to the vote, 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 2016 and no changes are proposed for the year ending 31st October 2018.

At the Annual General Meeting held on 7th March 2017, 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 2018 Annual General Meeting will be given in the annual report for the year ending 31st October 2018, 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 2017 was £142,500. 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 2017	2016
Gill Nott	£37,500	£35,000
Alexander Easton	£25,000	£23,000
Robert Jeens	£30,000	£27,000
George Nianias	£25,000	£23,000
Lysander Tennant	–	£7,814
Tamara Sakovska	£25,000	£5,750
Total	**£142,500**	**£121,564**

[1] Audited information. Other subject headings for the single figure table as prescribed by regulations are not included because there is nothing to disclose in relation thereto.

During the year under review, Directors' fees were paid at a fixed rate of £37,500 per annum for the Chairman, £30,000 per annum for the Chairman of the Audit Committee and £25,000 per annum for each other Director. The last increase to Directors' fees was made on 1st November 2016.

Nil amounts (2016: nil) were paid to third parties for making available the services of Directors.

Directors' Shareholdings

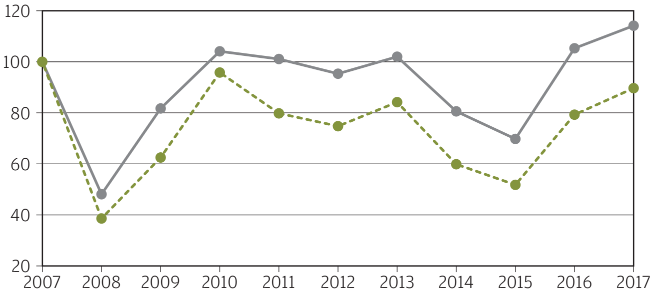
There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings are detailed below. The Directors have no other share interests or share options in the Company and no share schemes are available.

Directors' Name	2017[1] Number of shares held	2016 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
Tamara Sakovska	nil	nil
Total	**30,018**	**30,018**

[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.

Ten Year Share Price and Benchmark Total Return Performance to 31st October 2017



Source: Morningstar/RTS.

- - - Share price total return.

—— Benchmark return. The benchmark is the RTS Index in sterling terms. Prior to 1st November 2016, the benchmark was 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 2017 is below:

Remuneration for the role of Chairman over the five years ended 31st October 2017

Year ended 31st October	Fees	Performance related benefits received as a percentage of maximum payable
2017	£37,500	n/a
2016	£35,000	n/a
2015	£35,000	n/a
2014	£35,000	n/a
2013	£31,000	n/a

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 2017	2016
Remuneration paid to all Directors	£142,500	£121,564
Distribution to shareholders		
– by way of share repurchases	£nil	£nil
– by way of dividend	£12,027,000	£12,037,000
Total distribution to shareholders	**£12,027,000**	**£12,037,000**

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

For and on behalf of the Board
Gill Nott
Chairman

23rd January 2018

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 financial statements 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 financial statements 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 financial statements 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 financial statements 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

23rd January 2018

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN RUSSIAN SECURITIES PLC

Opinion

We have audited the financial statements of JPMorgan Russian Securities Plc for the year ended 31st October 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31st October 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures as set out on pages 18 to 19 in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation as set out on page 18 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 Directors' statement as set out on page 23 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;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 20 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.

Overview of our audit approach

Key audit matters	• 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.
Materiality	• Materiality of £3.0 million which represents 1% of total shareholders' funds of the Company (2016: £2.8 million).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated 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 29 in the Report of the Audit Committee). Substantially all of the Company's income is received in the form of dividends being £16.0m for the year (2016: £11.1m). The investment income receivable by the Company during the period directly drives the Company's ability to pay a dividend to shareholders Given the manual and judgemental element in allocating special dividends between revenue and capital, we considered there to be a fraud risk in accordance with Auditing Standards, in this area of our audit. During the year the Company received one special dividend with a value of £0.1m.	We reviewed the processes in place at the Administrator in relation to the recognition of investment income including the identification and accounting for special dividends. We agreed a sample of dividends received from the income report to an independent source. We agreed a sample of investee company dividends from an independent source to the income report. We agreed 100% of accrued dividends to an independent source. We reviewed the income report for all dividends above our testing threshold and checked these against an independent source to determine if any were special. We agreed, on a sample basis, revenue journal entries for the year back to the income report and the details from the income report to the corresponding announcements made by the investee company.	We have no matters to communicate with respect to our review of the processes and controls in relation to recognition of investment income including the identification and accounting for special dividends. We noted no issues in agreeing a sample of dividends received from the income report to an independent pricing source. We noted no issues in agreeing a sample of investee company dividends from an independent source to the income report. We noted no issues in agreeing 100% accrued dividends to an independent source. We noted no issues when checking all dividends above our testing thresholds to determine if they are special or not. In addition, we reviewed the treatment of the single special dividend received during the year, with no issues noted. We noted no issues in agreeing the sample of income journal entries back to the income report and details to an independent source.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and existence of the investment portfolio (as described on page 29 in the Report of the Audit Committee). The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. The value of the Company's investment portfolio at 31st October 2017 was £294.1m (2016: £279.9m), consists entirely of listed equities. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We reviewed the processes in place at the Administrator in relation to the valuation and existence of investments. We agreed 100% of investment valuations and exchange rates to a relevant independent source and assessed any differences between the prices obtained and those quoted by the Company. We obtained independent confirmation from the Custodian and Depositary of all securities held at the year end and agreed all securities held from the Company's records to the confirmations received.	We have no matters to communicate with respect to our review of the processes and controls in relation to the valuation and existence of investments. We noted no issues while agreeing 100% of prices used in the valuation of the investment portfolio and exchange rates to a relevant independent source. We noted no issues agreeing all securities held at year-end in the Company's records to those of the Custodian and Depositary.
Failure to adequately assess the potential impact of on the Company of the continued Russian economic sanctions (as described on page 29 in the Report of the Audit Committee). The economic sanctions issued against Russia by the United Kingdom and the United States focus on a specific list of individuals and legal entities that are deemed to have close links to the Russian political administration. The sanctions limit investment in the specific companies against which sanctions have been imposed. In addition, the sanctions also impose a freeze on assets controlled by specified individuals. This includes any direct ownership of listed companies that may be controlled by these individuals. The impact of the political sanctions on the valuation of the investment portfolio should be considered. In particular, we have considered the extent to which the Company's portfolio is directly exposed to any of companies or individuals on the sanctions lists and the impact on stock liquidity.	We assessed the Manager's processes and controlssurrounding compliance with the sanctions regime. We reviewed the stocks in the portfolio against the UK Government and US Treasury's Sanction lists for evidence that they may be subject to the economic sanctions placed on the Russian market. We considered the liquidity of the investment portfolio at the year end date to ensure active trading.	We noted no issues in our assessment of the Manager's processes and controls surrounding compliance with the sanctions regime. We noted that no investments in the portfolio as at 31st October 2017 were included in either the UK Government or US Treasury's Sanction lists. We noted no issues with the liquidity of the investments at the year end.

An overview of the scope of our audit

Tailoring the scope

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 and effectiveness of controls, including 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 materiality for the Company to be £3.0 million (2016: £2.8 million) which is 1% (2016: 1%) of shareholders' funds of the Company. We believe that net assets of the Company provides us the basis for setting materiality since it is the basis for 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 judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £2.3 million (2016: £2.1 million). 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 £0.7 million (2016: £0.5 million) for the revenue column of the Income Statement being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2016: £0.1 million), which is set at 5% of planning materiality, 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 light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report as set out on page 2 to 33, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 33 – the statement given by the Directors that they consider the annual report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 29 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 25 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.
- In our opinion, based on the work undertaken in the course of the audit:
  - 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; and
  - the strategic Report and the directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires use to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed as auditors by the Company as part of the initial listing process and signed an engagement letter in December 2002 to audit the financial statements for the period ending 31st October 2003 and subsequent financial periods. Our appointment was subsequently ratified at the first annual general meeting of the Company held in March 2004. The period of total uninterrupted engagement including previous renewals and reappointments is 15 years, covering the years ending 31st October 2003 to 31st October 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

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

23rd January 2018

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST OCTOBER 2017

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments held at fair value through profit or loss	3	–	17,750	17,750	–	94,420	94,420
Net foreign currency (losses)/gains		–	(42)	(42)	–	1,166	1,166
Income from investments	4	15,957	–	15,957	11,087	–	11,087
Interest receivable	4	23	–	23	22	–	22
Gross return		**15,980**	**17,708**	**33,688**	**11,109**	**95,586**	**106,695**
Management fee	5	(598)	(2,391)	(2,989)	(435)	(1,739)	(2,174)
Other administrative expenses	6	(1,017)	–	(1,017)	(913)	–	(913)
Net return on ordinary activities before taxation		**14,365**	**15,317**	**29,682**	**9,761**	**93,847**	**103,608**
Taxation	7	(1,822)	–	(1,822)	(1,665)	348	(1,317)
Net return on ordinary activities after taxation		**12,543**	**15,317**	**27,860**	**8,096**	**94,195**	**102,291**
Return per share	9	**23.97p**	**29.27p**	**53.24p**	**15.47p**	**179.98p**	**195.45p**

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

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 on ordinary activities after taxation represents the profit 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 2017

	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 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**
Repurchase and cancellation of the Company's own shares	(1)	1	(366)	–	–	(366)
Net return on ordinary activities	–	–	–	15,317	12,543	27,860
Dividends paid in the year	–	–	–	–	(12,027)	(12,027)
At 31st October 2017	**523**	**78**	**46,838**	**245,854**	**7,068**	**300,361**

[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 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	294,066	279,865
Current assets	11		
Debtors		5,145	494
Cash and cash equivalents		1,281	5,150
		6,426	5,644
Current liabilities			
Creditors: amounts falling due within one year	12	(131)	(615)
Net current assets		6,295	5,029
Total assets less current liabilities		300,361	284,894
Net assets		300,361	284,894
Capital and reserves			
Called up share capital	13	523	524
Capital redemption reserve	14	78	77
Other reserve	14	46,838	47,204
Capital reserves	14	245,854	230,537
Revenue reserve	14	7,068	6,552
Total shareholders' funds		300,362	284,894
Net asset value per share	15	574.7p	544.3p

The financial statements on pages 40 to 58 were approved and authorised for issue by the Directors on 23rd January 2018 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.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST OCTOBER 2017

	Notes	2017 £'000	2016 £'000
Net cash outflow from operations before dividends and interest	16	(4,030)	(1,879)
Dividends received		13,540	10,334
Interest received		23	22
Overseas tax paid		(53)	(569)
Net cash inflow from operating activities		**9,480**	**7,908**
Purchases of investments		(101,778)	(99,177)
Sales of investments		100,857	104,127
Settlement of forward currency contracts		(26)	–
Net cash (outflow)/inflow from investing activities		**(947)**	**4,950**
Repurchase and cancellation of the Company's own shares		(364)	–
Dividends paid		(12,038)	(12,037)
Net cash outflow from financing activities		**(12,402)**	**(12,037)**
(Decrease)/Increase in cash and cash equivalents		**(3,869)**	**821**
Cash and cash equivalents at start of year		5,150	4,330
Exchange movements		–	(1)
Cash and cash equivalents at end of year		1,281	5,150
(Decrease)/Increase in cash and cash equivalents		**(3,869)**	**821**
Cash and cash equivalents consist of:			
Cash and short term deposits		253	418
Cash held in JPMorgan US Dollar Liquidity Fund		1,028	4,732
Total		**1,281**	**5,150**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2017

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') 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 and updated in January 2017.

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.

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

In the previous financial year, the Company elected not to prepare a Statement of Cash Flows, applying the exemption from disclosure available under FRS 102 Section 7.1A(c). The Company has since reviewed the application of the exemption and has resolved not to apply it this year as the inclusion of the Statement of Cash Flows supports fuller financial analysis for the benefit of all stakeholders.

(b) 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.

(c) 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 within 'Gains and losses on sales of investments'.

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'.

(d) 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 and interest from the liquidity fund receivable are taken to revenue on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(e) 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.

(f) 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.

Derivative financial instruments, including short term forward currency contracts are valued at fair value, which is the next unrealised gain or loss, and are included in current assets or current liabilities in the Statement of Financial Position. Changes in the fair value of derivative financial statements are recognised in the Statement of Comprehensive Income as capital.

(g) 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.

(h) 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.

(i) 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 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.

(j) Dividends

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

(k) 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 judgments, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgments, 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.

The Directors do not believe that any significant accounting judgments 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 on investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Gains on investments held at fair value through profit or loss based on historic cost	21,877	1,773
Amounts recognised in investment holding gains and losses in respect of investments sold during the year	(21,481)	10,128
Gains on sales of investments based on the carrying value at the previous balance sheet date	396	11,901
Net movement in investment holding gains	17,588	82,723
Other capital charges	(234)	(204)
Total capital gains on investments held at fair value through profit or loss	**17,750**	**94,420**

4. Income

	2017 £'000	2016 £'000
Income from investments		
UK dividends	290	–
Overseas dividends	15,667	11,087
	15,957	**11,087**
Interest receivable		
Interest from liquidity fund	23	22
	23	**22**
Total income	**15,980**	**11,109**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

5. Management fee

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	598	2,391	2,989	435	1,739	2,174

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

The management fee has increased in 2017 due to the rise in the Company's net asset value. See page 23 for further details of how the management fee is calculated.

6. Other administrative expenses

	2017 £'000	2016 £'000
Dividend charges	437	299
Administration expenses	184	219
Safe custody fees	146	149
Directors' fees[1]	143	122
Depositary fees[2]	46	41
Savings scheme costs[3]	31	54
Auditors' remuneration for audit services[4]	30	29
Total	**1,017**	**913**

[1] Full disclosure is given in the Directors' Remuneration Report on pages 30 to 32.
[2] Includes £5,000 (2016: £4,000) irrecoverable VAT.
[3] Paid to the Manager for the administration of saving scheme products. Includes £1,000 (2016: £5,000) irrecoverable VAT.
[4] No fees were payable to the auditors for non-audit services (2016: nil).Includes £3,000 (2016: £3,000) irrecoverable VAT.

7. Taxation

(a) Analysis of tax charge in the year

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
UK corporation tax	–	–	–	1,235	–	1,235
Double taxation relief	–	–	–	(924)	–	(924)
Deferred taxation	(20)	–	(20)	20	–	20
Overseas withholding tax	1,842	–	1,842	1,085	–	1,085
Tax relief on expenses charged to capital	–	–	–	348	(348)	–
Prior year adjustment	–	–	–	(99)	–	(99)
Total tax charge for the year	**1,822**	**–**	**1,822**	**1,665**	**(348)**	**1,317**

(b) Factors affecting the total tax charge for the year

Total tax charged for the year is lower (2016: lower) than the Company's applicable rate of corporation tax of 19.41% (2016: 20%). The factors affecting the total tax charge for the year are as follows:

		2017			2016	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	**14,365**	**15,317**	**29,682**	**9,761**	**93,847**	**103,608**
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 19.41% (2016: 20%)	2,788	2,973	5,761	1,952	18,769	20,721
Effects of:						
Non taxable capital gains	–	(3,437)	(3,437)	–	(19,117)	(19,117)
Non taxable UK dividends	(56)	–	(56)	–	–	–
Non taxable overseas dividends	(3,041)	–	(3,041)	(422)	–	(422)
Tax attributable to expenses and finance costs charged to capital	(464)	464	–	(348)	348	–
Tax relief on expenses charged to capital	–	–	–	348	(348)	–
Release of prior period deferred taxation	(20)	–	(20)	–	–	–
Overseas withholding tax	1,842	-	1,842	1,085	–	1,085
Double taxation relief	–	–	–	(924)	–	(924)
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)
Unutilised expenses carried forward to future periods	773	–	773	–	–	–
Total tax charge for the year	**1,822**	**–**	**1,822**	**1,665**	**(348)**	**1,317**

(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:

		2017			2016	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Opening balance	20	–	20	–	–	–
Deferred tax in respect of prior period	–	–	–	47	–	47
Credited to revenue return	(20)	–	(20)	(27)	–	(27)
Closing balance	**–**	**–**	**–**	**20**	**–**	**20**

The Company has an unrecognised deferred tax asset of £677,000 (2016: £nil) based on a prospective corporation tax rate of 17% (2016: 17%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. In March 2016 a further cut to 17% in 2020 was announced, this was substantively enacted on 15th September 2016 and became effective from 1st April 2017. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

7. Taxation *continued*

(c) Deferred taxation *continued*

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

8. Dividends

(a) Dividends paid and proposed

	2017 £'000	2016 £'000
Dividend paid		
2016 final dividend of 8.0p (2015: 13.0p)	4,187	6,804
2016 special dividend of nil (2015: 4.0p)	–	2,093
2017 interim dividend of 15.0p (2016: 6.0p)	7,840	3,140
	12,027	12,037
Dividend proposed		
2017 final ordinary of 6.0p (2016: 8.0p)	3,136	4,187

The dividend proposed in respect of the year ended 31st October 2017 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 2018.

(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 £12,543,000 (2016: £8,096,000).

	2017 £'000	2016 £'000
2017 interim dividend of 15.0p (2016: 6.0p)	7,840	3,140
2017 final dividend of 6.0p (2016: 8.0p)	3,136	4,187
Total dividends for Section 1158 purposes	**10,976**	**7,327**

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 £3,932,000 (2016: £2,365,000)

9. Return per share

	2017 £'000	2016 £'000
Revenue return	12,543	8,096
Capital return	15,317	94,195
Total return	**27,860**	**102,291**
Weighted average number of shares in issue during the year	52,325,194	52,337,112
Revenue return per share	23.97p	15.47p
Capital return per share	29.27p	179.98p
Total return per share	**53.24p**	**195.45p**

10. Investments

	2017 £'000	2016 £'000
Investments listed on a recognised stock exchange	294,066	279,865
Opening book cost	215,993	220,889
Opening investment holding gains/(losses)	63,872	(28,979)
Opening valuation	279,865	191,910
Movements in the year:		
Purchases at cost	101,414	97,942
Sales proceeds	(105,197)	(104,611)
Gains on sales of investments based on the carrying value at the previous balance sheet date	396	11,901
Net movement in investment holding gains	17,588	82,723
	294,066	**279,865**
Closing book cost	234,087	215,993
Closing investment holdings gains	59,979	63,872
Total investments held at fair value through profit or loss	**294,066**	**279,865**

Transaction costs on purchases during the year amounted to £381,000 (2016: £326,000) and on sales during the year amounted to £127,000 (2016: £130,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £21,481,000 have been transferred to gains and losses on sales of investments as disclosed in note 14.

11. Current assets

	2017 £'000	2016 £'000
Debtors		
Securities sold awaiting settlement	4,386	280
Dividends and interest receivable	705	177
VAT recoverable	9	10
Other debtors	45	27
Total	**5,145**	**494**

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 2017 (2016: £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 18 for details.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

12. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Securities purchased awaiting settlement	–	364
Corporation tax	–	100
Deferred tax	–	20
Other creditors and accruals	131	131
Total	**131**	**615**

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

13. Called up share capital

	2017 £'000	2016 £'000
Issued and fully paid share capital:		
Ordinary shares of 1p each		
Opening balance of 52,337,112 (2016: 52,337,112) shares	524	524
Repurchase and cancellation of 75,000 (2016: nil) shares	(1)	–
Closing balance of 52,262,112 (2016: 52,337,112) shares	**523**	**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

				Capital reserves[2]			
	Called up share capital £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	524	77	47,204	166,665	63,872	6,552	284,894
Realised foreign currency losses on cash and cash equivalents	–	–	–	(42)	–	–	(42)
Realised gains on investments	–	–	–	396	–	–	396
Unrealised gains on investments	–	–	–	–	17,588	–	17,588
Transfer on disposal of investments	–	–	–	21,481	(21,481)	–	–
Repurchase and cancellation of the Company's own shares	(1)	1	(366)	–	–	–	(366)
Expenses charged to capital	–	–	–	(2,391)	–	–	(2,391)
Other capital charges	–	–	–	(234)	–	–	(234)
Dividends paid in the year	–	–	–	–	–	(12,027)	(12,027)
Net revenue return for the year	–	–	–	–	–	12,543	12,543
Closing balance	523	78	46,838	185,875	59,979	7,068	300,361

[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.

15. Net asset value per share

	2017	2016
Net assets (£'000)	300,361	284,894
Number of shares in issue	52,262,112	52,337,112
Net asset value per share	**574.7p**	**544.3p**

16. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	31st October 2017 £'000	31st October 2016 £'000
Net return on ordinary activities before taxation	29,682	103,608
Less capital return on ordinary activities before taxation	(15,317)	(93,847)
(Increase)/decrease in accrued income and other debtors	(534)	338
(Decrease)/increase in accrued expenses	(2)	36
Management fee charged to capital	(2,391)	(1,739)
Overseas withholding tax	(1,889)	(1,086)
Dividends received	(13,540)	(10,334)
Interest received	(23)	(22)
Realised (loss)/gain on foreign exchange transactions	(78)	415
Realised gain on liquidity fund	62	752
Net cash outflow from operations before dividends and interest	**(4,030)**	**(1,879)**

17. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2016: none).

18. Transactions with the Manager and related parties

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 £2,989,000 (2016: £2,174,000) of which £nil (2016: £nil) was outstanding at the year end.

During the year £31,000 (2016: £54,000), including VAT, was payable to the Manager for the administration of savings scheme products, of which £19,000 (2016: £nil) was outstanding at the year end.

Included in note 6 on page 46 are safe custody fees amounting to £146,000 (2016: £149,000) payable to JPMorgan Chase Bank N.A. during the year of which £24,000 (2016: £28,000) 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 £27,000 (2016: £23,000) of which £nil (2016: £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 £1,028,000 (2016: £4,732,000). Interest amounting to £23,000 (2016: £22,000) was receivable during the year of which £nil (2016: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £234,000 (2016: £204,000) were payable to JPMorgan Chase Bank N.A. during the year of which £1,000 (2016: £1,000) was outstanding at the year end.

At the year end, total cash of £253,000 (2016: £418,000) was held with JPMorgan Chase Bank, N.A.. A net amount of interest of £nil (2016: £nil) was receivable by the Company during the year from JPMorgan Chase.

Full details of Directors' remuneration and shareholdings can be found on page 31 and in note 6 on page 46.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

19. 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
The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(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
When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(3) Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability
If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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(b) on page 43.

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

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	294,066	–	279,865	–
Total	**294,066**	**–**	**279,865**	**–**

There were no transfers between Level 1, 2 or 3 during the year (2016: same).

20. 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.

	2017 US Dollar £'000	 Ruble £'000	 HK Dollar £'000	 Euro £'000	 Total £'000
Net current assets	6,321	–	–	1	6,322
Foreign currency exposure on net monetary items	6,321	–	–	1	6,322
Investments held at fair value through profit or loss	266,507	3,025	3,437	–	272,969
Total net foreign currency exposure	**272,828**	**3,025**	**3,437**	**1**	**279,291**

	2016 US Dollar £'000	 Ruble £'000	 HK Dollar £'000	 Euro £'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**

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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(i) Currency risk *continued*

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% (2016: 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.

	2017		2016	
	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	(1,569)	1,569	(1,111)	1,111
Capital return	(632)	632	(516)	516
Total return after taxation	**(2,201)**	**2,201**	**(1,627)**	**1,627**
Net assets	**(2,201)**	**2,201**	**(1,627)**	**1,627**

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 included within the Other Price Risk sensitivity disclosed in note 20(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.

	2017 £'000	2016 £'000
Exposure to floating interest rates		
JPMorgan US Dollar Liquidity Fund	1,028	4,732
Cash and short term deposits	253	418
Total exposure	**1,281**	**5,150**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2016: 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% (2016: 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.

	2017		2016	
	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	6	(6)	26	(26)
Capital return	–	–	–	–
Total return after taxation	6	(6)	26	(26)
Net assets	6	(6)	26	(26)

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.

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:

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	294,066	279,865

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 14 and 15. This shows that the portfolio comprises entirely 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(iii) Other price risk *continued*

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.

	2017 10% increase in fair value £'000	2017 10% decrease in fair value £'000	2016 10% increase in fair value £'000	2016 10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(59)	59	(56)	56
Capital return	29,171	(29,171)	27,763	(27,763)
Total return after taxation	**29,112**	**(29,112)**	**27,707**	**(27,707)**
Net assets	**29,112**	**(29,112)**	**27,707**	**(27,707)**

(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:

	2017 Within three months £'000	2016 Within three months £'000
Creditors:		
Securities purchased awaiting settlement	–	364
Corporation tax	–	100
Deferred tax	–	20
Other creditors and accruals	131	131
Total financial liabilities	**131**	**615**

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 Delivery Versus Payment ('DVP') 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.

21 Capital management policies and procedures

The Company's capital structure comprises the following:

	2017 £'000	2016 £'000
Equity		
Called up share capital	523	524
Reserves	299,838	284,370
Total capital	**300,361**	**284,894**

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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

21 Capital management policies and procedures *continued*

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	294,066	279,865
Net assets	**300,361**	**284,894**
Net cash	**(2.1)%**	**(1.8)%**

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.

22 Subsequent events

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

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 2017 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

SECURITIES FINANCING TRANSACTIONS REGULATION ('SFTR') DISCLOSURE (UNAUDITED)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st October 2017.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth 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, 6th March 2018 at 12noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st October 2017.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st October 2017.
4. To approve a final ordinary dividend of 6.0p per share.
5. To reappoint Gillian Nott a Director of the Company.
6. To reappoint Alexander Easton a Director of the Company.
7. To reappoint Robert Jeens a Director of the Company.
8. To reappoint George Nianias a Director of the Company.
9. To reappoint Tamara Sakovska a Director of the Company.
10. To reappoint Ernst & Young LLP as Auditors to the Company.
11. To authorise the Directors to determine the auditors remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

12. 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 £26,131, 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 2019 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

13. THAT subject to the passing of Resolution 12 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 12 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 £26,131, 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 12 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

14. 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 7,834,090 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 2019 unless the authority is renewed at a general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

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

23rd January 2018

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 23rd January 2018 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 52,262,112 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 52,262,112.

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 ALTERNATIVE PERFORMANCE MEASURES

Return to Shareholders
Total return to the shareholder per share, on a last traded price to last traded 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 (see page 2).

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 (see page 2).

Benchmark Return
Total return on the benchmark, on a closing-market value to closing-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 (see page 2).

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 (see page 2). 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 (see page 13). 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 (see page 13).

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.

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

Performance Attribution
Analysis of how the Company achieved its recorded performance relative to its benchmark (see page 7).

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.

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in a J.P. Morgan investment trust through the following;

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 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. 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

Third party providers include;

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

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 products 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 trusts through stockbrokers, wealth managers and banks.

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

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY

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/October
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 2022 and every five years thereafter. If the next continuation vote in 2022 is approved, the Board has committed to making 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 five years from 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.

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 15 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

Numis Securities Ltd,
The London Stock Exchange Building
10 Paternoster Square,
London EC4M 7LT

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

GB A123 | 01/18