



Annual Report 08

JPMorgan Russian Securities plc

Annual Report & Accounts for the year ended 31st October 2008

Features

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Objective

To provide capital growth from investment in Russian securities.

Policies

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

Benchmark

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

Capital Structure

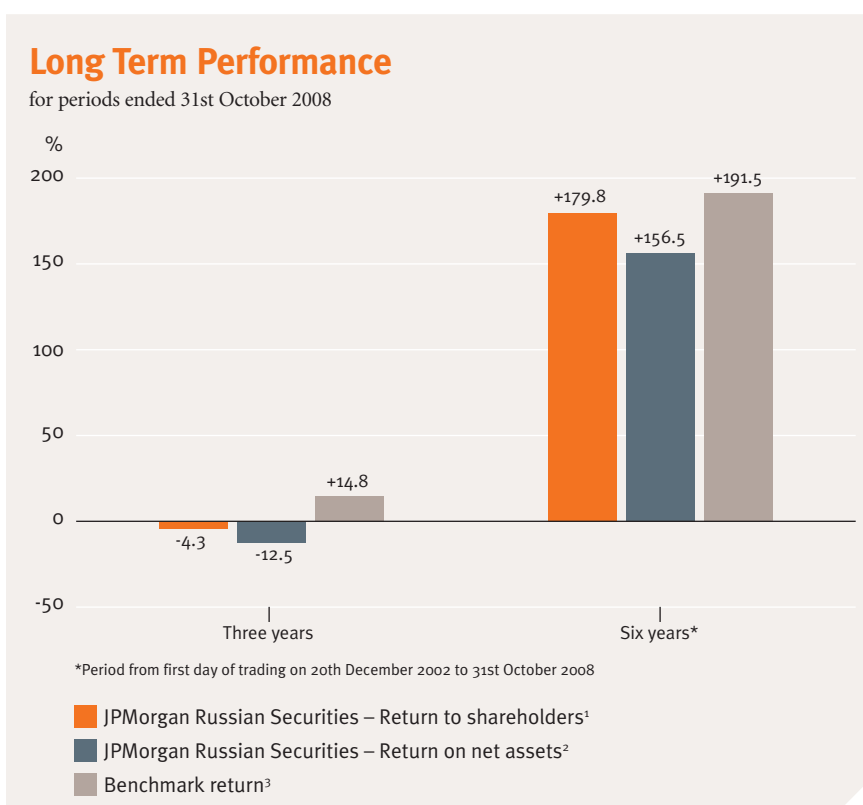
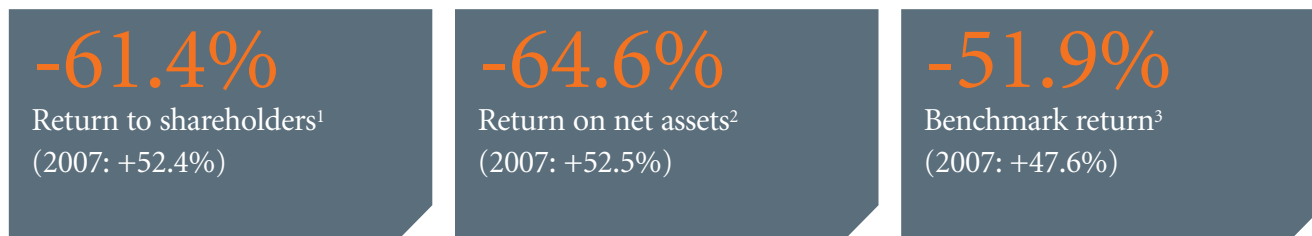
The Company has an authorised ordinary share capital of 1,000,000,000 shares of 1p each, of which 55,932,812 (2007: 55,932,812) were in issue at the year end.

Management Company

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

Financial Results

Total Returns (capital plus income)



A glossary of terms and definitions is provided on page 52.

¹Source: Standard & Poor's – www.funds.morningstar.com

²Source: Fundamental Data – www.funddata.com

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

Chairman's Statement



After five years of out-performance, the second half of the Company's financial year witnessed the worst market conditions for the Russian market since the loan default crisis of 1998. The Company's total return on net assets for the year to 31st October 2008 was -64.6%, compared to a return of -51.9% (in sterling terms) from the Company's Benchmark, the MSCI Russian 10/40 Equities Indices Index.

There is obvious disappointment that the Company underperformed the benchmark after such stellar performance in past years. However, against a background of extreme volatility on the world's stock markets, your Board remains fully supportive of the Investment Managers and believes that their in-depth knowledge of the Russian market, fundamental research and trading discipline will provide the basis for future long term out-performance. The Investment Managers explain in detail the reasons behind this year's underperformance in their report on pages 4 to 6.

Revenue and Earnings

Revenue gain after taxation for the year to 31st October 2008 was £529,000, representing a revenue gain per share of 0.95p. Although there is a positive contribution to revenue this year, the Company has a significant accumulated revenue deficit and therefore no dividend has been proposed.

Authority to Repurchase the Company's Shares

During the year under review the Company did not repurchase any shares. However the Board continues to believe that a facility to reduce discount volatility is important to have in place, and is therefore seeking approval from shareholders to renew the authority at the forthcoming Annual General Meeting.

Corporate Governance

The Company operates in accordance with corporate governance best practice. The Board has reviewed the investment management, secretarial and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited. This annual review has included their performance record, management processes, investment style, resources and risk control mechanisms. Although investment performance was disappointing this year, the Board took into account the Company's outstanding performance over the preceding five years. Accordingly the Board was satisfied with the results of the review and therefore, in the opinion of the Directors, the continuing appointment of JPMAM for the provision of these services is the interests of shareholders as a whole.

Board of Directors

In accordance with the Company's Articles of Association the Audit Committee Chairman, Mr Paul Teleki, will be retiring by rotation at the forthcoming Annual General Meeting. Having been appointed during the year, Mr George Nianias will retire and seek election at the Annual General Meeting. A Nomination Committee of the Board, has met to consider the attributes and contribution of Mr Teleki and Mr Nianias to the Board's deliberations. Following this review, the Board recommends to shareholders that, taking into account their respective investment experience, understanding of the Russian market and contribution to the Board, both be re-elected.

Articles of Association

At the forthcoming Annual General Meeting, it is proposed that the Company adopts new Articles of Association in order to comply with the provisions of the Companies Act 2006 that have already been brought into effect. The new Act is being implemented in stages and some changes require alterations to the Company's Articles this year, while others will require further amendments in 2010. More details on the proposed changes to the Articles are given in the Directors' Report and Appendix to the Notice of Annual General Meeting.

Annual General Meeting

The Company's sixth Annual General Meeting will be held on Friday 13th March 2009 at 12.00 noon., at Trinity House, Tower Hill, London, EC3N 4DH. In addition to the formal part of the meeting, there will be a presentation from the Investment Managers who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the Investment Managers and representatives of JPMorgan Asset Management. I look forward to seeing as many of you as possible at this meeting.

Shareholders are asked to submit in writing any detailed or technical questions that they wish to raise at the AGM in advance to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Alternatively you can lodge questions on the Company's website at jpmrussian.co.uk.

Outlook

In 2009 it is likely that we will see continued difficulties for the Russian market, mainly driven by economic slowdown and falling commodity prices. The triggers for a rebound in the Russian market are a return to global growth and a stabilisation of commodity prices. In the short term, however, the market is expected to remain volatile on the back of adverse financial market conditions, and further downgrades in consensus EPS expectations in the commodity sectors (oil in particular), in order to reflect lower commodity prices during 2009.

Despite these extremely testing times, the Russian stock market is the cheapest of the major emerging markets and the growing number of high quality businesses trading at distressed valuations makes the investment case for long term investors.

Pamela Idelson Smith

Chairman

5th February 2009

Investment Managers' Report



Oleg I. Biryulyov CFA

Market Review

When we wrote to shareholders twelve months ago we reported on another strong year for the Russian equity market and we were congratulating ourselves on the fact that Russia appeared to have avoided the effects of the global liquidity crunch. We noted that Russia would be exposed should natural resources suffer a significant slowdown in demand or if foreign investors should start to withdraw from the market. The carnage we have witnessed in global markets and especially in Russia has been difficult to comprehend and our muted notes of caution have been overwhelmed by the scale of the setback. The graph below shows the performance over our financial year of the benchmark index, the MSCI Russian 10/40 Equity Indices Index (in sterling).



Vitaly N. Kazakov

MSCI Russian 10/40 Equities Indices Index (Sterling)



We have more than 10 years of experience of investing in the Russian market and deeply regret that shareholders have seen their returns reduced so dramatically in the space of a few months.

We believe there are five main reasons behind the sharp falls in the Russian equity market:

- **Volatility in Oil and Commodity Prices**

The price per barrel of oil at the start of our financial year last November was approximately \$65. It rose steadily during the following nine months and peaked at a price of \$146 per barrel in early July 2008. In the following three months it fell by more than 55% reaching a price of \$65 per barrel by the end of October 2008. Global demand for commodities where Russia dominates, such as non-ferrous metals and gas, also fell sharply and these indices witnessed a decline of over 50% during 2008.

Although the Russian market has tried over the past few years to decouple itself from the oil price, the reality is that a large proportion of Russia's wealth is related to oil. It is interesting to note that in the period from early July to the end of October the Russian equity market fell by almost the same percentage as the oil price.

- **Lack of a Domestic Investor Base**

In times of crisis, it is normal to see assets transferring from “weak hands”, i.e. leveraged short term speculators to “strong hands”, i.e. investors with long term horizons and a steady commitment to the market, usually represented by pension funds, corporates and the State. Domestic savings in Russia are still low in comparison to Western markets and this underdevelopment creates additional risks for international investors as there are few domestic buyers to counterbalance overseas investors. In the event of massive global risk aversion and a sell off on all markets, countries with a dedicated domestic investor base have fared better than countries that lack such support. To resolve this issue going forward requires the Russian authorities to combat inflation and target real interest rates for depositors. Pension and banking reforms also need more real progress. The state, as the largest shareholder on the market, has to understand and implement better corporate governance standards, in particular regarding dividend policies and minority shareholder rights.

- **Problems with Market Infrastructure**

Russia has a rudimentary trading platform and settlement system. During a bull market, most market participants and regulators have been happy to ignore these facts and carry on with the status quo. However, this crisis has been a major test for investors’ trust in the country’s current market infrastructure and consequently, with a number of trading suspensions, investors’ trust faded fast. We have now seen a migration of almost all trading volumes in Russian equities from Moscow to the London and New York Stock Exchanges. This has drained liquidity from domestic companies who do not have access to an overseas quote and trading volumes have declined substantially for these stocks. Although it could be argued that investor trust has evaporated across all financial markets this year, it does not excuse the continuing issues for the Russian equity market and we hope that regulators in Moscow will act quickly to improve the situation in order to restore investor confidence in the domestic market.

- **Access to Funding**

The global liquidity crisis spread to Russia with a vengeance in 2008. Companies who previously were able to raise funding from both domestic and international banking sources found access denied and bond markets also shut. With cash flows from energy and commodities diminishing concurrently this has meant a squeeze on companies in Russia and development plans have been severely curtailed in favour of surviving the crisis.

- **Politics and Country Specific Risk Factors**

Finally, we should comment on the political situation in Russia and its neighbours. The military operation in South Ossetia and Abkhazia in August had a negative impact on the perception of Russia’s country risk. In addition, the recently approved extension of terms for the country’s President and Parliament is disappointing, as the change reduces the ability of the Russian population to influence the political system. Furthermore this makes the process of modernisation for the Russian state even more rigid and dependent on the will and vision of single individuals. The recent disagreement between Russia and the Ukraine over gas tariffs and shipments to Europe is another indicator of how sensitive the political situation is at the moment. We believe that all these factors have a negative impact on the market.

Investment Managers' Report continued

Performance Review

The Company's benchmark fell by 51.9% over the Company's financial year to 31st October 2008. The Company's net asset value fell by more than the benchmark and returned -64.6% over the same period.

Shareholders may recall that over the past few years the portfolio has been consistently underweight in the energy sector with corresponding overweight positions in privately owned companies in the materials, financials and consumer sectors. Our reasons for this have been our belief in liberal economic theory. The cornerstone of this theory is that the state is not an efficient owner or manager of business. Although the state can act as a last saviour for business, and nationalisation has been used widely over the years by several governments, it does not change the fact that state employees will have different motivations compared to entrepreneurs in managing business. This is why, when investing, we have a preference for private companies against those controlled by the state.

During the last quarter of this reporting year the market punished us severely for this preference with a clear anticipation that during the liquidity crisis the Russian government would be principally concerned about state controlled companies and would extend its help to them on an exclusive basis. Share prices of most of Russia's privately owned companies moved to distressed levels and in particular Magnitogorsk (Steel), Magnit (Supermarket operator) and Sitronics (Telecommunications and IT) were the largest negative detractors from performance for us in the year.

One fundamental advantage of closed end funds, such as this Company, is the ability to borrow money to invest in the portfolio ("gearing"). Unfortunately, gearing utilised by the Company in the last quarter of the reporting period worked against us and in hindsight we were too exposed to the Russian market over the summer months of 2008. Following discussions with the Board of Directors in early September we removed gearing from the portfolio.

Outlook

Despite all the negative factors mentioned above, Russia continues to offer great opportunities for investors with a long term investment horizon. Valuations seen today have not been around since the crisis of 1998, following which investments made brought rich returns over the next 10 years. Russia still has vast supplies of physical assets that are required by countries and companies all over the world and a well educated workforce to ensure that Russian companies are positioned to take advantage of these opportunities. Russian consumers have begun to enjoy the goods and services that are available in an open economy and they will continue to demand improvements in their living standards. We believe that the Russian government recognises the need to ensure that private enterprise continues to flourish and will make available the funding and support to do so.

The global recession may well last for some time to come and Russia will have its share of problems arising from this. Your Managers remain confident that the portfolio of investments we have selected will do well over the months and years to come.

Oleg I. Biryulyov
Vitaly N. Kazakov

Investment Managers

5th February 2009

Summary of Results

| | 2008 | 2007 | |
|---|------------|------------|----------|
| Total returns for the year to 31st October | | | |
| Return to shareholders ¹ | -61.4% | +52.4% | |
| Return on net assets ² | -64.6% | +52.5% | |
| Benchmark return ³ | -51.9% | +47.6% | |
| Net asset value, share price and discount at 31st October | | | |
| | | | % change |
| Shareholders' funds (£'000) | 142,658 | 403,514 | -64.6 |
| Net asset value per share | 255.1p | 721.4p | -64.6 |
| Share price | 257.0p | 665.5p | -61.4 |
| Exchange rate (£1 : Rouble) | 43.80 | 51.26 | +17.0 |
| Premium/(discount) of share price to net asset value | 0.7% | (7.7%) | |
| Shares in issue | 55,932,812 | 55,932,812 | |
| Revenue for the year to 31st October | | | |
| Gross revenue return (£'000) | 9,632 | 7,469 | +29.0 |
| Net revenue return/(loss) on ordinary activities after taxation (£'000) | 529 | (739) | |
| Revenue return/(loss) per share | 0.95p | (1.32)p | |
| Dividend per share | – | – | |
| Actual gearing factor at 31st October | | | |
| | 93.0% | 105.1% | |
| Total expense ratio (TER) | | | |
| | 2.53% | 1.78% | |

A glossary of terms and definitions is provided on page 52.

¹Source: Standard & Poor's – www.funds.morningstar.com

²Source: Fundamental Data – www.funddata.com

³Source: MSCI. The Benchmark is the MSCI Russian 10/40 Equity Indices Index (in sterling terms).

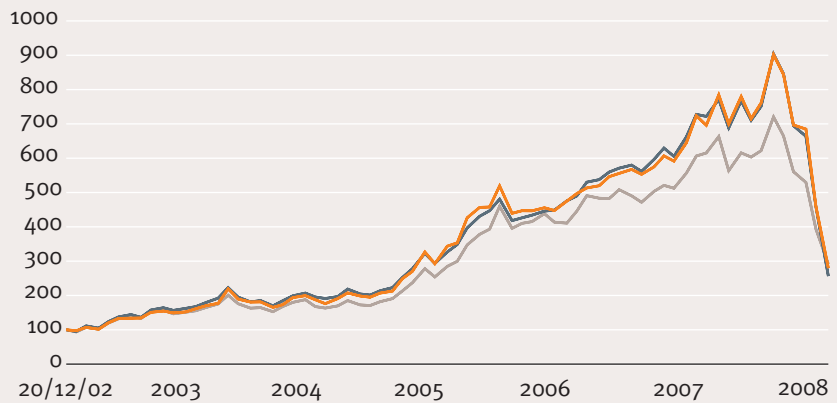
Performance

- JPMorgan Russian Securities plc – Share price
- JPMorgan Russian Securities plc – Net asset value per share
- Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/
 Fundamental Data – www.funddata.com/HSBC/MSCI

Performance since launch

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



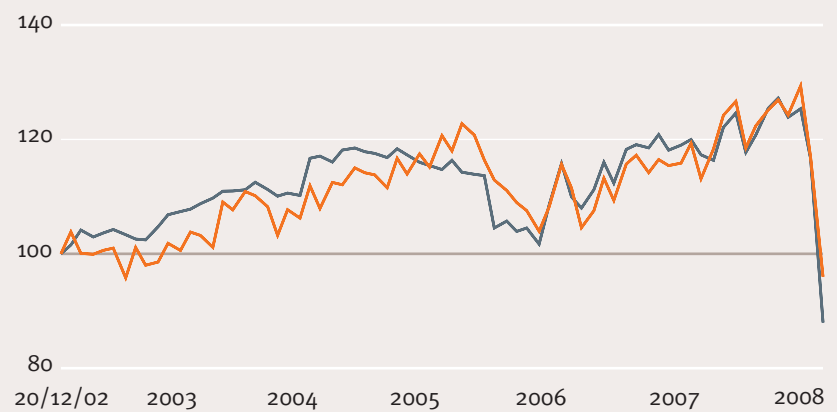
- JPMorgan Russian Securities plc – Share price
- JPMorgan Russian Securities plc – Net asset value per share

The benchmark index is represented by the grey horizontal line

Source: Standard & Poor's – www.funds.morningstar.com/
 Fundamental Data – www.funddata.com/HSBC/MSCI

Performance Relative to Benchmark

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



Financial Record

| | 2002 First day of trading 20th December 2002 | 2003 Period from first day of trading to 31st October 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--|--|--------|--------|--------|--------|-------|
| As at 31st October | | | | | | | |
| Total net assets (£m) | 60.6 | 89.7 | 116.0 | 164.3 | 265.0 | 403.5 | 142.7 |
| Net asset value per share (p) | 100.9 | 156.9 | 206.5 | 292.5 | 473.1 | 721.4 | 255.1 |
| Share price (p) | 91.5 | 138.0 | 183.5 | 269.0 | 436.8 | 665.5 | 257.0 |
| (Discount)/premium (%) | (9.3) | (12.0) | (11.1) | (8.0) | (7.7) | (7.7) | 0.7 |
| Actual gearing factor (%) | 97.7 | 110.8 | 106.3 | 103.6 | 102.8 | 105.1 | 93.0 |
| Total expense ratio ('TER') (%) | N/A | 1.80 | 1.86 | 1.69 | 1.89 | 1.78 | 2.53 |
| Year ended 31st October | | | | | | | |
| Gross revenue (£'000) | N/A | 2,493 | 2,119 | 2,841 | 4,388 | 7,469 | 9,632 |
| Revenue/(loss) per share (p) | N/A | 0.97 | (0.18) | (1.55) | (1.34) | (1.32) | 0.95 |
| Dividends per share (net) (p) | N/A | 0.90 | – | – | – | – | – |
| Returns (rebased to 100 at 20th December 2002) | | | | | | | |
| Return to shareholders ¹ | 100.0 | 149.2 | 199.5 | 292.5 | 474.9 | 724.9 | 279.8 |
| Return on net assets ² | 100.0 | 156.5 | 207.0 | 293.2 | 477.1 | 724.6 | 256.5 |
| Benchmark return ³ | 100.0 | 146.5 | 187.8 | 254.0 | 410.8 | 606.4 | 291.5 |

A glossary of terms and definitions is provided on page 52.

¹Source: Standard & Poor's – www.funds.morningstar.com

²Source: Fundamental Data – www.funddata.com

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

Ten Largest Equity Investments

| Company | Sector | As at 31st October 2008 | | As at 31st October 2007 | |
|--|------------------------|-------------------------|----------------|-------------------------|----------------|
| | | Valuation £'000 | % ¹ | Valuation £'000 | % ² |
| Sberbank Rossii | Financials | 17,463 | 12.2 | 54,870 | 13.6 |
| Mechel ADR | Materials | 12,692 | 8.9 | 50,836 | 12.6 |
| Aeroflot | Transportation | 10,247 | 7.2 | 12,783 | 3.2 |
| Gazprom ADS ³ | Energy | 9,626 | 6.7 | 6,217 | 1.5 |
| Magnit ³ | Consumer Staples | 9,502 | 6.7 | 3,256 | 0.8 |
| Severstal | Materials | 6,415 | 4.5 | 19,995 | 5.0 |
| Tatneft ³ | Energy | 6,269 | 4.4 | 8,353 | 2.1 |
| Magnitogorsk Iron & Steel ³ | Materials | 5,953 | 4.2 | 5,073 | 1.3 |
| World Trade Centre Moscow ³ | Consumer Discretionary | 5,330 | 3.7 | – | – |
| West Siberian Resources ³ | Energy | 4,257 | 3.0 | – | – |
| Total⁴ | | 87,754 | 61.5 | | |

¹Based on total assets less current liabilities of £142.7m.

²Based on total assets less current liabilities of £403.5m.

³Not included in the ten largest investments at 31st October 2007.

⁴As at 31st October 2007, the value of ten largest investments amounted to £285.9m representing 70.8% of total assets less current liabilities.

Sector Analysis

| Sector | 31st October 2008 | | | 31st October 2007 | | |
|-------------------------|-----------------------------|----------------|-------------------------|-------------------|----------------|-------------------------|
| | Portfolio % ¹ | Benchmark % | Active Position % | Portfolio % | Benchmark % | Active Position % |
| Materials | 23.8 | 20.0 | 3.8 | 31.3 | 19.2 | 12.1 |
| Energy | 16.0 | 38.1 | (22.1) | 4.3 | 36.4 | (32.1) |
| Financials | 13.3 | 14.8 | (1.5) | 13.6 | 9.2 | 4.4 |
| Consumer Staples | 11.8 | 2.1 | 9.7 | 6.9 | 4.1 | 2.8 |
| Transportation | 7.2 | - | 7.2 | 7.0 | - | 7.0 |
| Consumer Discretionary | 6.4 | 2.0 | 4.4 | 10.3 | 3.0 | 7.3 |
| Telecommunications | 5.6 | 16.5 | (10.9) | 3.2 | 23.6 | (20.4) |
| Healthcare | 3.4 | 3.7 | (0.3) | 6.0 | - | 6.0 |
| Information Technology | 2.3 | - | 2.3 | 5.0 | - | 5.0 |
| Utilities | 1.9 | 2.8 | (0.9) | 5.5 | 4.5 | 1.0 |
| Real Estate | 1.4 | - | 1.4 | 12.0 | - | 12.0 |
| Liquidity fund | 7.4 | - | 7.4 | 4.4 | - | 4.4 |
| Net current liabilities | (0.5) | - | (0.5) | (9.5) | - | (9.5) |
| Total | 100.0 | 100.0 | | 100.0 | 100.0 | |

¹Based on total assets less current liabilities of £142.7m (2007: £403.5m).

List of Investments

at 31st October 2008

| Company | Valuation £'000 | Company | Valuation £'000 |
|---|--------------------|-------------------------------------|--------------------|
| Materials | | Healthcare | |
| Mechel ADR | 12,692 | Verofarm | 3,201 |
| Severstal | 6,415 | Pharmacy Chain 36.6 | 1,604 |
| Magnitogorsk Iron & Steel | 5,953 | Total Healthcare | 4,805 |
| Norilsk Nickel ADR | 4,015 | Information Technology | |
| Novolipetsk Iron & Steel | 3,339 | RBC Information Systems | 1,886 |
| Cheliabinsk Elektrolit | 841 | Sitronics | 1,265 |
| Evrax GDR | 757 | Armada | 165 |
| Total Materials | 34,012 | Total Information Technology | 3,316 |
| Energy | | Utilities | |
| Gazprom ADS | 9,626 | Lenenergo | 2,661 |
| Tatneft | 6,269 | Total Utilities | 2,661 |
| West Siberian Resources | 4,257 | Real Estate | |
| Eurasia Drilling | 2,423 | Open Investments | 1,369 |
| Urals Energy | 238 | RTM | 651 |
| Total Energy | 22,813 | Total Real Estate | 2,020 |
| Financial | | Liquidity Funds | |
| Sberbank Rossii | 17,463 | JPM US Dollar Liquidity Fund | 10,565 |
| Bank Saint Petersburg | 1,142 | Total Liquidity Funds | 10,565 |
| Sistema-Hals | 379 | Total Portfolio | |
| Total Financials | 18,984 | 143,308 | |
| Consumer Staples | | | |
| Magnit | 9,502 | | |
| Dixy | 2,157 | | |
| Progress | 1,916 | | |
| Kalina Concern | 1,906 | | |
| Cherkizovo | 1,360 | | |
| Total Consumer Staples | 16,841 | | |
| Transportation | | | |
| Aeroflot | 10,247 | | |
| Total Transportation | 10,247 | | |
| Consumer Discretionary | | | |
| World Trade Centre Moscow | 5,330 | | |
| Sollers | 2,345 | | |
| STS Media | 1,424 | | |
| Total Consumer Discretionary | 9,099 | | |
| Telecommunication Services | | | |
| Comstar | 4,124 | | |
| Sistema | 2,316 | | |
| Mobile Telesystems | 1,505 | | |
| Total Telecommunication Services | 7,945 | | |

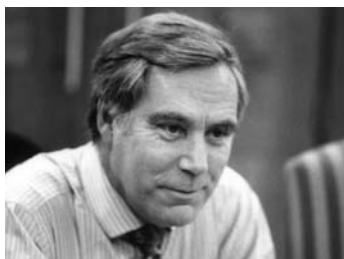
Board of Directors



Pamela Idelson Smith (Chairman)

Joined the Board and appointed Chairman in October 2002.

She is currently chief executive officer of RSI Securities S.A., a Swiss financial Company. She is also Chairman of Sirius Fund (a Luxembourg SICAV), and a Director of Baring Hedge Select Fund Limited.



Patrick Gifford (Chairman of the Nomination Committee)

Joined the Board in October 2002.

He is Chairman of Invesco Perpetual Select Trust plc, Martin Currie Pacific Trust plc and Murray Income Trust plc, and a director of AlphaGen Aldebaran Fund Limited and Tapestry Investment Company PCC Limited. He is also Chairman of Vtesse Networks Limited. He was formerly Chairman of Fleming Investment Trust Management Limited and a Director of Robert Fleming Holdings Limited.



James Nicholson

Joined the Board in October 2002.

He is Chairman of Alpha Portfolios PLC and a Director of Baring Hedge Select Fund Limited. From 1976 to 1997 he was successively a Director of Robert Fleming & Co, Jardine Fleming Holdings and Fleming Investments Limited.



Paul Teleki (Chairman of the Audit Committee)

Joined the Board in October 2002.

He is an independent consultant involved in energy policy and legal, regulatory and ownership reform in emerging market countries.



Lysander Tennant

Joined the Board in October 2002.

He is employed by Sindicatum Carbon Capital, a specialist developer of greenhouse gas reduction projects, and is responsible for business development in the CIS. He is a Director of New Europe Capital, a start-up private equity investment firm. He was formerly a fund manager at BZW Investment Management, and portfolio manager at American Express Asset Management investing in Russian securities.



George Nianias

Joined the Board in March 2008.

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

All directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report for the year ended 31st October 2008.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st October 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it continues to qualify as an investment trust. The Company will continue each year to seek approval under Section 842 of the Income and Corporation Taxes Act 1988.

Approval for the year ended 31st October 2007 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 and 3, and in the Investment Managers' Report on pages 4 to 6.

Objective

The Company's objective is to achieve capital growth from investing in Russian securities.

Investment Policies and Risk Management

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

Investment Limits and Restrictions

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

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

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

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

Performance

In the year to 31st October 2008, the Company produced a negative total return to shareholders of 61.4% and a negative total return on net assets of 64.6%. This compares with the negative return on the Company's benchmark index of 51.9%. As at 31st October 2008, the value of the Company's investment portfolio was £143.3m. The Investment Managers' Report on pages 4 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return and Revenue

Gross loss for the year totalled £251,753,000 (2007: return of £147,156,000) and net loss after deducting interest, management fees, administrative expenses and taxation amounted to £260,856,000 (2007: return of £138,948,000). Net revenue after tax for the year amounted to £529,000 (2007: deficit of £739,000). No dividend has been proposed (2007: nil).

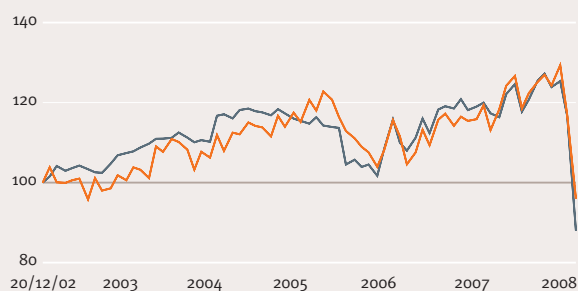
Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**
This is the most important KPI by which performance is judged.

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 20th December 2002



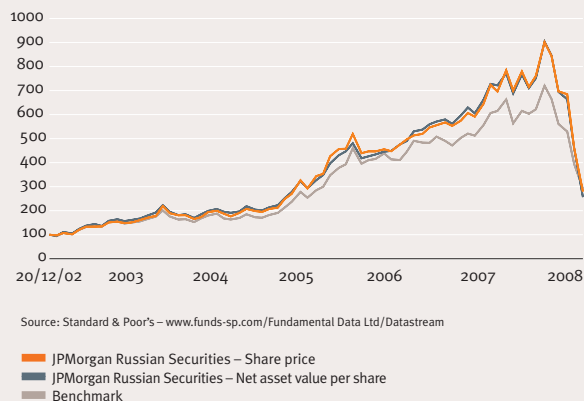
Source: Standard & Poor's - www.funds-sp.com/FundamentalData - www.funddata.com/HSBC

Total Return
 — JPMorgan Russian Securities - Share price
 — JPMorgan Russian Securities - Net asset value per share
 — The benchmark index is represented by the grey horizontal line

Directors' Report continued

Performance since launch

Figures have been rebased to 100 at 20th December 2002



- **Performance against the Company's peers**

The principal objective is to achieve capital growth. However, the Board also monitors the performance relative to a broad range of competitor funds and the benchmark.

- **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.

- **Discount to net asset value ('NAV')**

The Board has adopted a share repurchase policy which seeks to address imbalances in supply of and demand for the Company's shares in the market and thereby minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 31st October 2008, the shares traded between a 2% premium and a 15% discount.

Discount Performance



- **Total expense ratio ('TER')**

The TER represents management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 31st October 2008 was 2.53% (2007: 1.78%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

- **Share Capital**

During the financial year the Company did not repurchase any Ordinary Shares for cancellation. Since the end of the financial year the Company has not repurchased any further Ordinary Shares for cancellation.

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

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

- **Principal Risks**

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

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount to NAV. The Board manages these risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The investment managers employ the Company's gearing tactically, within a strategic range set by the Board.
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.

- Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 1985 and 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act 1985 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Act 1985 and 2006 and the UKLA Listing Rules.
- Corporate Governance and Shareholder Relations:** Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 19 to 22.
- Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 21.
- Financial:** The financial risks faced by the Company include market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. Further details are disclosed in note 19 on pages 38 to 43.

Future Developments

The future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The investment managers discuss the outlook in their report on pages 4 and 6.

Management of the Company

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

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

Management Agreement

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

The Manager is remunerated at a rate of 1.5% per annum of the Company's net assets, payable monthly in arrears.

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

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st October 2008, the Company had no outstanding trade creditors (2007: none).

Directors

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

| | 31st October 2008 | 1st November 2007 |
|----------------------|----------------------|----------------------|
| Pamela Idelson Smith | 10,000 | 10,000 |
| Patrick Gifford | 21,641 | 21,641 |
| George Nianias | – | – |
| James Nicholson | 4,850 | 10,000 |
| Paul Teleki | 3,889 | 3,889 |
| Lysander Tennant | 5,700 | 5,700 |

Directors' Report continued

No changes in the above holdings have been notified since the year end.

In accordance with the Company's Articles of Association, the Director retiring by rotation at the forthcoming Annual General Meeting will be Paul Teleki who, being eligible, offers himself for re-election.

George Nianias, having been appointed during the year, will retire and stand for election.

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

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 ought to have taken as a Director in order to make himself 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 s234 ZA of the Companies Act 1985.

Section 992 of the Companies Act 2006

The following disclosures are made in accordance with section 992 of the 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 11 to the Notice of AGM on page 48.

Notifiable Interests in the Company's voting rights:

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

| Shareholders | Number of voting rights | % |
|--|-------------------------|-------|
| City of London Investment Management Company Ltd | 14,913,898 | 26.66 |
| Lazard Asset Management LLC | 6,307,461 | 11.28 |
| JPMorgan Chase & Co | 4,452,659 | 7.96 |
| Progressive Asset Management | 4,332,034 | 7.75 |
| Legal & General Group plc | 2,231,799 | 3.99 |
| SVM Asset Management Ltd | 1,792,114 | 3.20 |

Independent Auditors

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 repurchase the Company's shares for cancellation – (resolution 6)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2008 Annual General Meeting, will expire on 13th March 2009 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewing 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 47 and 48. 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.

(ii) Adoption of new Articles of Association (resolution 7)

The Company proposes to adopt new Articles of Association. These incorporate amendments to the current Articles of Association to reflect the provisions of the Companies Act 2006 (the '2006' Act) and otherwise generally update the Articles of Association for current law, regulation and market practice. The 2006 Act is being implemented in stages and will not be fully in force until October 2009. As such it is not yet possible to fully reflect the 2006 Act changes and it is expected that shareholders will be asked to approve further changes to the Articles of Association at the 2010 AGM.

The principal changes brought about by the new Articles of Association proposed to be adopted at the forthcoming AGM relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfer of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 49 to 51.

A copy of the current Articles of Association and the proposed new Articles of Association will be available for inspection during normal business hours (Saturdays, Sundays and public holidays expected) at the offices of JPMAM, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ from the date of this report until the close of the AGM. Copies will also be available at Trinity house, Tower Hill, London EC3N 4DH, being the place of the AGM, for 15 minutes prior to, and during, the meeting.

Recommendation

The Board considers that resolutions 1 to 7 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 46,080 shares representing approximately 0.1% of the voting rights in the Company.

By order of the Board
Alison Vincent, ACIS for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
5th February 2009

Corporate Governance

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 24, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined 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 Combined Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

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

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

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board consists of six non-executive Directors, chaired by Pamela Idelson Smith, all of whom are regarded by the Board as independent of the Company's Manager. The Chairman's independence was assessed upon her appointment and is re-assessed on an annual basis.

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 page 13.

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

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. 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 Combined Code, including the need to refresh the Board and its sub-Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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.

As a result of the evaluation process described below, the Board confirms that Paul Teleki, who retires by rotation at this year's Annual General Meeting, continues to be effective as a Director and demonstrates commitment to his role. Accordingly, the Board recommends the re-election of Paul Teleki. Furthermore, having appointed George Nianias during the year, he will retire and stand for election.

Corporate Governance continued

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 13. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board and Audit Committee meetings attended by each Director. During the year there were five Board meetings, one of which included the evaluation of the Manager and another was largely devoted to strategy, two Audit Committee meetings and a Nomination Committee meeting.

| Director | Board Meetings Attended | Audit Committee Meetings Attended | Nomination Committee Meetings Attended |
|----------------------|-------------------------|-----------------------------------|--|
| Pamela Idelson Smith | 5 | 2 | 1 |
| Patrick Gifford | 5 | 2 | 1 |
| George Nianias | 2 | 1 | 1 |
| James Nicholson | 5 | 2 | 1 |
| Paul Teleki | 5 | 2 | 1 |
| Lysander Tennant | 5 | 2 | 1 |

Training and Appraisal

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

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

Board Committees

Nomination Committee

The Nomination Committee, chaired by Patrick Gifford, consists of all Directors and meets at least annually to ensure that the Board has a balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates, for appointment when necessary. A variety of sources, including the use of external recruitment consultants, may be used to ensure that a wide range of candidates are considered.

The Nomination Committee undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by Paul Teleki, consists of all the Directors and meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Audit Committee reviews the actions and judgements of management in relation to the half year and annual accounts of the Company and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. No non-audit work was undertaken by the auditors in the year under review and the Directors remain satisfied as to their independence. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of internal control is set out on page 21.

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, on request at the Company's registered office and at the Annual General Meeting.

Relations with Shareholders

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

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 with shareholders and answer their questions. In addition, a presentation is given by the investment managers who review the Company's performance. During the year the Company's broker, the investment managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. 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 45.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 45.

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

Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is reviewed on an annual basis. The key elements designed to provide effective internal control are as follows:

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

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

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

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

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

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st October 2008, and to the date of approval of this Annual Report and Accounts.

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

Corporate Governance continued

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows:

Go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary + Analysis" tab you will find a section on Corporate Governance.

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we 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.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote."

Corporate Social Responsibility

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of schedule 7A of the Companies Act 1985. An ordinary resolution to approve this Report is to be put to shareholders at the forthcoming Annual General Meeting

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 25.

Directors' Remuneration

(Audited Information)

| Director's Name | 2008 ¹ £ | 2007 ¹ £ |
|---------------------------------|------------------------|------------------------|
| Pamela Idelson Smith (Chairman) | 27,000 | 25,000 |
| Patrick Gifford | 20,000 | 18,000 |
| James Nicholson | 20,000 | 18,000 |
| Paul Teleki | 23,000 | 21,000 |
| Lysander Tennant | 20,000 | 18,000 |
| George Nianias ² | 12,897 | – |
| Total | 122,897 | 100,000 |

¹Audited information.

²Appointed on 10th March 2008.

The total Directors' fees of £122,897 (2007: £100,000) comprise £122,897 (2007: £100,000) in respect of aggregate emoluments paid to Directors and £nil (2007: £nil) paid to third parties for making available the services of Directors.

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

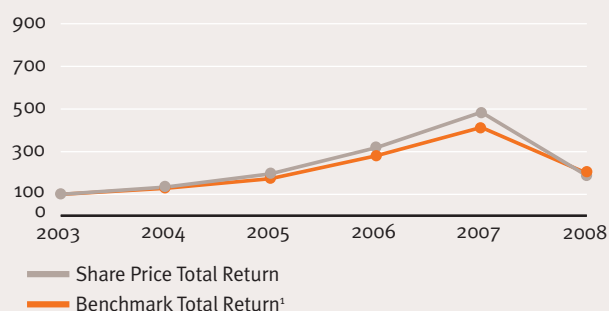
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the policy of the Board is for the Nomination Committee to review Directors' fees on a regular basis and make recommendations to the Board as and when appropriate. Currently, there are no plans to increase the level of Directors' fees. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited and relevant third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. The Articles of Association of the Company stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a three year term. A Director may then be invited by the Board to serve for a further three years. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending to the Company's business.

A graph showing the Company's share price total return compared with the Company's benchmark index, is set out below.

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



¹The Benchmark is the MSCI Russian 10/40 Equity Indices Index (in sterling terms). Prior to 1st November 2006, the benchmark was the CSFB Russian Ros Index (in sterling terms).

Source: Standard & Poor's – www.funds.morningstar.com/MSCI/CSFB

By order of the Board
Alison Vincent ACIS, for and on behalf of
JPMorgan Asset Management (UK) Limited
5th February 2009

Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

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

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

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

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

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

- a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

For and on behalf of the Board
 Pamela Idelson Smith
 Chairman
 5th February 2009

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan Russian Securities plc

We have audited the financial statements of JPMorgan Russian Securities plc for the year ended 31st October 2008 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Responsibilities in respect of the Accounts.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and 2006. We also report to you whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only Features, Financial Results, Chairman's Statement, Investment Managers' Report, Summary of Results, Performance, Financial Record, Ten Largest Equity Investments, Sector Analysis, List of Investments, Board of Directors, Directors' Report, Corporate Governance, the unaudited part of the Directors' Remuneration Report, Information about the Company, Shareholder Analysis and Notice of Annual General Meeting, Appendix and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st October 2008 and of its net loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP

Registered Auditor
London

5th February 2009

Income Statement

for the year ended 31st October 2008

| | Notes | Revenue £'000 | 2008 Capital £'000 | Total £'000 | Revenue £'000 | 2007 Capital £'000 | Total £'000 |
|---|-------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| Gains/(losses) from investments held at fair value through profit or loss | | | | | | | |
| | 2 | – | (256,143) | (256,143) | – | 137,901 | 137,901 |
| Net foreign currency gains/(losses) | | – | (5,242) | (5,242) | – | 1,786 | 1,786 |
| Income from investments | 3 | 9,482 | – | 9,482 | 7,311 | – | 7,311 |
| Other interest receivable and similar income | 3 | 150 | – | 150 | 158 | – | 158 |
| Gross return/(loss) | | | | | | | |
| | | 9,632 | (261,385) | (251,753) | 7,469 | 139,687 | 147,156 |
| Management fee | 4 | (6,007) | – | (6,007) | (5,063) | – | (5,063) |
| VAT recovered on management fee | 5 | 636 | – | 636 | – | – | – |
| Other administrative expenses | 6 | (900) | – | (900) | (903) | – | (903) |
| Net return/(loss) on ordinary activities before finance costs and taxation | | | | | | | |
| | | 3,361 | (261,385) | (258,024) | 1,503 | 139,687 | 141,190 |
| Finance costs | 7 | (1,581) | – | (1,581) | (1,259) | – | (1,259) |
| Net return/(loss) on ordinary activities before taxation | | | | | | | |
| | | 1,780 | (261,385) | (259,605) | 244 | 139,687 | 139,931 |
| Taxation | 8 | (1,251) | – | (1,251) | (983) | – | (983) |
| Net return/(loss) on ordinary activities after taxation | | | | | | | |
| | | 529 | (261,385) | (260,856) | (739) | 139,687 | 138,948 |
| Return/(loss) per share | | | | | | | |
| | 9 | 0.95p | (467.32)p | (466.37)p | (1.32)p | 249.63p | 248.31p |

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

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

The accompanying notes on pages 30 to 44 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st October 2008

| | Called up share capital £'000 | Other reserve £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--|--|---------------------------|---|-----------------------------|-----------------------------|----------------|
| At 31st October 2006 | 560 | 52,813 | 41 | 213,227 | (1,659) | 264,982 |
| Repurchase of shares for cancellation | (1) | (416) | 1 | – | – | (416) |
| Net return/(loss) from ordinary activities | – | – | – | 139,687 | (739) | 138,948 |
| At 31st October 2007 | 559 | 52,397 | 42 | 352,914 | (2,398) | 403,514 |
| Net return/(loss) from ordinary activities | – | – | – | (261,385) | 529 | (260,856) |
| At 31st October 2008 | 559 | 52,397 | 42 | 91,529 | (1,869) | 142,658 |

The accompanying notes on pages 30 to 44 form an integral part of these accounts.

Balance Sheet

as at 31st October 2008

| | Notes | 2008 £'000 | 2007 £'000 |
|---|-------|---------------|---------------|
| Fixed assets | | | |
| Equity investments at fair value through profit or loss | | 132,743 | 424,128 |
| Investment in liquidity fund at fair value through profit or loss | | 10,565 | 17,676 |
| Total investment portfolio | 10 | 143,308 | 441,804 |
| Current assets | | | |
| Debtors | 11 | 5,627 | 2,784 |
| Cash and short term deposits | | 177 | 17,553 |
| Creditors: amounts falling due within one year | 12 | (6,454) | (58,627) |
| Net current liabilities | | (650) | (38,290) |
| Total assets less current liabilities | | 142,658 | 403,514 |
| Capital and reserves | | | |
| Called up share capital | 13 | 559 | 559 |
| Other reserve | 14 | 52,397 | 52,397 |
| Capital redemption reserve | 14 | 42 | 42 |
| Capital reserve | 14 | 91,529 | 352,914 |
| Revenue reserve | 14 | (1,869) | (2,398) |
| Shareholders' funds | | 142,658 | 403,514 |
| Net asset value per share | 15 | 255.1p | 721.4p |

The accounts on pages 26 to 44 were approved and authorised for issue by the Directors on 5th February 2009 and were signed on their behalf by:

Pamela Idelson Smith
Chairman

The accompanying notes on pages 30 to 44 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st October 2008

| | Notes | 2008 £'000 | 2007 £'000 |
|--|-------|---------------|---------------|
| Net cash inflow/(outflow) from operating activities | 16 | (2,811) | 1,108 |
| Returns on investments and servicing of finance | | | |
| Interest paid | | (1,722) | (1,134) |
| Capital expenditure and financial investment | | | |
| Purchases of investments | | (475,189) | (254,344) |
| Sales of investments | | 501,476 | 244,984 |
| Other capital charges – handling fees | | (189) | (182) |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | 26,098 | (9,542) |
| Net cash inflow/(outflow) before financing | | 21,565 | (9,568) |
| Financing | | | |
| Net drawdown/(repayment) of loans | | (40,275) | 25,863 |
| Repurchase of ordinary shares | | – | (416) |
| Net cash inflow/(outflow) from financing | | (40,275) | 25,447 |
| Increase/(decrease) in cash for the year | 17 | (18,710) | 15,879 |

The accompanying notes on pages 30 to 44 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st October 2008

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Acts 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the Association of Investment Companies ('AIC') in December 2005.

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

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 19 and 20 on pages 38 to 44.

(b) Valuation of investments

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

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the income statement within 'Gains/(losses) from investments held at fair value through profit or loss'. Gains or losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the realised capital reserve. Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the unrealised capital reserve. Transaction costs incurred on the purchase and sale of investments are also included within this caption. All purchases and sales are accounted for on a trade date basis.

(c) Income

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

Overseas dividends are shown gross of withholding tax.

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 income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest receivable and stock lending income are taken to revenue on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the exception of expenses incidental to the purchase and sale of investments which are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. In accordance with the SORP, disclosure of transaction costs is required and can be found in note 10.

(e) Finance costs

Finance costs are accounted for on an effective interest rate basis and in accordance with the provisions of FRS 25: 'Financial instruments: Presentation' and FRS 26: 'Financial instruments: Measurement'.

Finance costs are allocated wholly to revenue.

(f) Financial instruments

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

Other receivables and payables do not carry any interest and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(g) Foreign currency

In accordance with FRS23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction.

Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

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

(h) Taxation

Deferred taxation is accounted for in accordance with FRS 19: "Deferred Tax".

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred taxation liabilities are recognised for all taxable timing differences but deferred taxation assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

(i) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 4 on page 32.

| | 2008 £'000 | 2007 £'000 |
|--|-----------------------------|-----------------------------|
| 2. Gains/(losses) from investments held at fair value through profit or loss | | |
| Realised gains from investments held at fair value through profit or loss based on historical cost | 107,856 | 80,226 |
| Amounts recognised as revaluation gains at the previous balance sheet date | (88,022) | (46,124) |
| Realised gains based on fair value at the previous balance sheet date | 19,834 | 34,102 |
| Net movement in revaluation gains/(losses) | (275,711) | 103,981 |
| Other capital charges – handling fees | (266) | (182) |
| Total capital gains/(losses) from investments held at fair value through profit or loss | (256,143) | 137,901 |

Notes to the Accounts continued

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| 3. Income | | |
| Dividends from investments listed overseas | 9,035 | 6,990 |
| Income from liquidity fund | 447 | 321 |
| | 9,482 | 7,311 |
| Other interest receivable and similar income | | |
| Deposit interest | 150 | 158 |
| | 9,632 | 7,469 |

| | 2008 £'000 | 2007 £'000 |
|--------------------------|---------------|---------------|
| 4. Management fee | | |
| Management fee | 6,007 | 4,706 |
| VAT thereon | – | 357 |
| Total | 6,007 | 5,063 |

5. VAT recoverable

In November 2007, HM Revenue & Customs announced that it had withdrawn its appeal in the case, brought jointly by the AIC and JPMorgan Claverhouse Investment Trust plc, challenging the imposition of VAT on management fees paid by investment trust companies. The Company ceased paying VAT on management fees with effect from 1st October 2007 and has recovered VAT suffered in respect of the period from 20th December 2002 to 30th September 2007. The VAT recovered has all been allocated to income as, to date, the Company's accounting policy has been to allocate management fees and the related irrecoverable VAT wholly to income.

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| 6. Other administrative expenses | | |
| Other management expenses | 351 | 296 |
| Safe custody fees | 335 | 426 |
| Savings product expenses ¹ | 67 | 60 |
| Directors' fees ² | 123 | 100 |
| Auditors' remuneration for audit services ³ | 24 | 21 |
| | 900 | 903 |

¹ These fees were paid to JPMAM for the marketing of "wrapper" products.

² Full disclosure is given in the Directors' Remuneration Report on page 23.

³ Includes £2,000 (2007: £2,000) of irrecoverable VAT.

| | 2008 £'000 | 2007 £'000 |
|---------------------------|---------------|---------------|
| 7. Finance costs | | |
| Bank loans and overdrafts | 1,581 | 1,259 |

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| 8. Taxation | | |
| (a) Analysis of tax charge in the year | | |
| UK corporation tax at 28.83% (2007: 30%) | – | 332 |
| Double taxation relief | – | (321) |
| Marginal relief | – | (11) |
| Overseas withholding tax | 1,251 | 969 |
| Provision against recoverable overseas withholding tax | – | 14 |
| Current tax | 1,251 | 983 |

(b) Factors affecting current tax charge for the year

| | 2008 | | | 2007 | | |
|--|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Net return/(loss) on ordinary activities before taxation | 1,780 | (261,385) | (259,605) | 244 | 139,687 | 139,931 |
| Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 28.83% (2007: 30%) | 513 | (75,357) | (74,844) | 73 | 41,906 | 41,979 |
| Effects of: | | | | | | |
| Non taxable capital gains/(losses) | – | 75,357 | 75,357 | – | (41,906) | (41,906) |
| Income taxed in different periods | (1,297) | – | (1,297) | 30 | – | 30 |
| Overseas withholding tax | 1,251 | – | 1,251 | 969 | – | 969 |
| Unrelieved expenses and charges | 784 | – | 784 | 330 | – | 330 |
| Double taxation relief | – | – | – | (321) | – | (321) |
| Prior year expenses utilised | – | – | – | (101) | – | (101) |
| Provision against recoverable overseas withholding tax | – | – | – | 14 | – | 14 |
| Marginal relief | – | – | – | (11) | – | (11) |
| Current tax charge for the year | 1,251 | – | 1,251 | 983 | – | 983 |

The Company has an unrecognised deferred tax asset of £2,632,000 based on a prospective rate of corporation tax of 28% (2007: 2,068,000 based on a corporation tax rate of 30%). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

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 deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts continued

9. Return/(loss) per share

The revenue return per share is based on the revenue return attributable to the ordinary shares of £529,000 (2007: £739,000 loss) and on the weighted average number of shares in issue during the year of 55,932,812 (2007: 55,957,427).

The capital loss per share is based on the capital loss attributable to the ordinary shares of £261,385,000 (2007: £139,687,000 gain) and on the weighted average number of shares in issue during the year of 55,932,812 (2007: 55,957,427).

The total loss per ordinary share is based on the total loss attributable to the ordinary shares of £260,856,000 (2007: £138,948,000 gain) and on the weighted average number of shares in issue during the year of 55,932,812 (2007: 55,957,427).

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| 10. Investments | | |
| Investments listed on a recognised investment exchange | 143,308 | 441,804 |
| Opening book cost | 281,513 | 172,373 |
| Opening revaluation gains | 160,291 | 102,434 |
| Opening valuation | 441,804 | 274,807 |
| Movement in the year: | | |
| Purchases at cost | 457,258 | 275,522 |
| Sales – proceeds | (499,877) | (246,608) |
| Sales – realised gains on investments | 19,834 | 34,102 |
| Net movement in revaluation gains/(losses) | (275,711) | 103,981 |
| Total | 143,308 | 441,804 |
| Closing book cost | 346,750 | 281,513 |
| Closing revaluation losses | (203,442) | 160,291 |
| Closing valuation | 143,308 | 441,804 |

Transaction costs on purchases during the year amounted to £641,000 (2007: £455,000) and on sales during the year amounted to £242,000 (2007: £145,000). These costs mainly comprise brokerage commission.

During the year, prior year revaluation gains amounting to £88,022,000 have been transferred to realised gains as disclosed in note 14.

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| 11. Current assets: | | |
| Debtors | | |
| Securities sold for future settlement | 25 | 1,624 |
| Dividends and interest receivable ¹ | 4,898 | 1,131 |
| VAT recoverable | 636 | – |
| Other debtors | 68 | 29 |
| Total | 5,627 | 2,784 |

¹Includes £1,141,000 (2007: nil) falling due after more than one year.

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

Cash and short term deposits

Cash and short term deposits comprise bank balances and cash held by the Company, including short term deposits.

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

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| 12. Creditors: amounts falling due within one year | | |
| Bank loans | – | 33,697 |
| Securities purchased for future settlement | 6,237 | 24,168 |
| Other creditors and accruals | 217 | 762 |
| Total | 6,454 | 58,627 |

There were no bank loans outstanding at 31st October 2008. The bank loan at 31st October 2007 represents US\$70 million drawn down on the Company's facility with ING Bank. Further details of the credit facility agreement are given in note 19(a)(ii) on page 40.

Drawings on the credit facility are secured by a floating charge over the assets of the Company.

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

| | 2008 £'000 | 2007 £'000 |
|--|------------------|------------------|
| 13. Share capital | | |
| Authorised: | | |
| 1,000,000,000 ordinary shares of 1p each | 10,000 | 10,000 |
| 500,000,000 conversion shares of 1p each | 5,000 | 5,000 |
| 1,000,000,000 redeemable "B" shares of £1 each | 1,000,000 | 1,000,000 |
| Closing balance | 1,015,000 | 1,015,000 |

There are no conversion shares or redeemable "B" shares in issue.

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

Notes to the Accounts continued

13. Share capital (continued)

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Issued and fully paid: | | |
| Ordinary shares of 1p each | | |
| Opening balance of 55,932,812 shares (2007: 56,012,812) | 559 | 560 |
| Repurchase and cancellation of nil shares (2007: 80,000) | – | (1) |
| Closing balance of 55,932,812 shares (2007: 55,932,812) | 559 | 559 |

During the year the Company repurchased nil (2007: 80,000) ordinary shares with a nominal value of £nil (2007: £800) for cancellation.

| | Other reserve £'000 | Capital redemption reserve £'000 | Capital reserve realised £'000 | Capital reserve unrealised £'000 | Revenue reserve £'000 |
|--|---------------------------|---|---|---|-----------------------------|
| 14. Reserves | | | | | |
| Opening balance | 52,397 | 42 | 190,981 | 161,933 | (2,398) |
| Foreign exchange gains | | | | | |
| on cash and short term deposits | – | – | 1,336 | – | – |
| Unrealised losses on forward currency contracts from prior year now realised | – | – | (2) | 2 | – |
| Realised gains on investments | – | – | 19,834 | – | – |
| Net movement in revaluation gains/(losses) | – | – | – | (275,711) | – |
| Transfer on disposal of investments | – | – | 88,022 | (88,022) | – |
| Net exchange losses on repayment of foreign currency loans | – | – | (4,934) | (1,644) | – |
| Other capital charges – handling fees | – | – | (266) | – | – |
| Revenue return for the year | – | – | – | – | 529 |
| Closing balance | 52,397 | 42 | 294,971 | (203,442) | (1,869) |

15. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £142,658,000 (2007: £403,514,000) and on the 55,932,812 (2007: 55,932,812) shares in issue at the year end.

| | 2008 £'000 | 2007 £'000 |
|--|----------------|---------------|
| 16. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow/(outflow) from operating activities | | |
| Total return/(loss) on ordinary activities before finance costs and taxation | (258,024) | 141,190 |
| Less capital return/(loss) before finance costs and taxation | 261,385 | (139,687) |
| (Increase)/decrease in accrued income | (3,767) | 44 |
| (Increase)/decrease in other debtors | (675) | 62 |
| Increase/(decrease) in accrued expenses | (479) | 482 |
| Overseas withholding tax | (1,251) | (983) |
| Net cash inflow/(outflow) from operating activities | (2,811) | 1,108 |

| | At 31st October 2007 £'000 | Cash flow £'000 | Exchange movement £'000 | At 31st October 2008 £'000 |
|--|----------------------------------|--------------------|-------------------------------|----------------------------------|
| 17. Analysis of changes in net debt | | | | |
| Cash and short term deposits | 17,553 | (18,710) | 1,334 | 177 |
| Bank loans falling due within one year | (33,697) | 40,275 | (6,578) | - |
| Net debt | (16,144) | 21,565 | (5,244) | 177 |

18. Transactions with JPMorgan

Details of the management contract are set out in the Directors' Report on page 16. The management fee payable to JPMAM for the year was £6,007,000 (2007: £4,706,000) excluding VAT of which £nil (2007: £459,000) was outstanding at the year end. In addition £61,000 excluding VAT (2007: £55,000) was payable to JPMAM for the marketing and administration of the Company's savings products, of which £nil (2007: £nil) was outstanding at the year end.

Included in other management expenses in note 6 on page 32 are safe custody fees amounting to £335,000 (2007: £426,000) payable to JPMorgan Worldwide Securities Services (JPM WSS).

Handling charges on dealing transactions during the year amounting to £10,000 (2007: £6,000) were payable to JPM WSS of which £2,000 (2007: £2,000) was outstanding at the year end.

During the year, the Company held an investment in the JPM US Dollar Liquidity Fund. At 31st October 2008, the Company's investment in this fund was valued at £10.6m (2007: £17.7m) representing 7.4% (2007: 4.0%) of the Company's investment portfolio. During the year, the Company made purchases of this fund with a total value of £199.9m (2007: £93.3m) and sales with a total value of £209.6m (2007: £84.5m). Income receivable from this fund in the year amounted to £447,000 (2007: £321,000). JPMAM earns no management fee on this fund.

At the year end, a bank balance of £177,000 (2007: £15,885,000) was held with JPMorgan Chase. A net amount of interest of £150,000 (2007: £59,000) was received by the Company during the year from JPMorgan Chase.

Notes to the Accounts continued

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

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

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

The Company's financial instruments may comprise the following:

- investments in Russian equity shares and a US\$ liquidity fund which are both held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- a US\$ loan facility with ING Bank; and
- derivative transactions including written call options and short term forward currency contracts for the purpose of settling short term liabilities.

(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, which policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

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

Management of currency risk

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

Foreign currency exposure

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

19. Financial instruments' exposure to risk and risk management policies (continued)**(i) Currency risk (continued)****Foreign currency exposure (continued)**

| | 2008 | | | Total £'000 |
|--|---------------|--------------|----------------|----------------|
| | US\$ £'000 | RUB £'000 | Other £'000 | |
| Investments at fair value through profit or loss that are monetary items | 10,565 | – | – | 10,565 |
| Current assets | 4,137 | 911 | – | 5,048 |
| Creditors | (6,237) | – | – | (6,237) |
| Foreign currency exposure on net monetary items | 8,465 | 911 | – | 9,376 |
| Investments at fair value through profit or loss that are equities | 124,340 | 3,907 | 4,257 | 132,504 |
| Total net foreign currency exposure | 132,805 | 4,818 | 4,257 | 141,880 |

| | 2007 | | | Total £'000 |
|--|---------------|--------------|----------------|----------------|
| | US\$ £'000 | RUB £'000 | Other £'000 | |
| Investments at fair value through profit or loss that are monetary items | 17,676 | – | – | 17,676 |
| Current assets | 19,494 | 186 | – | 19,680 |
| Creditors | (57,865) | – | – | (57,865) |
| Foreign currency exposure on net monetary items | (20,695) | 186 | – | (20,509) |
| Investments at fair value through profit or loss that are equities | 414,739 | 7,721 | – | 422,460 |
| Total net foreign currency exposure | 394,044 | 7,907 | – | 401,951 |

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit 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 assumes a 10% appreciation or depreciation in sterling against the US\$, Rouble and the other currencies to which the Company is exposed, which is deemed a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened this would have had the following effect:-

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Income statement return after taxation | | |
| Revenue return | 948 | 731 |
| Capital return | 938 | (2,051) |
| Total return after taxation for the year | 1,886 | (1,320) |
| Net assets | 1,886 | (1,320) |

Notes to the Accounts continued

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

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

Conversely, if sterling had strengthened this would have had the following effect:-

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Income statement return after taxation | | |
| Revenue return | (948) | (731) |
| Capital return | (938) | 2,051 |
| Total return after taxation for the year | (1,886) | 1,320 |
| Net assets | (1,886) | 1,320 |

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, investments in liquidity funds and the interest payable on the Company's variable rate cash borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

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

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Exposure to floating interest rates | | |
| JPM US Dollar Liquidity Fund | 10,565 | 17,676 |
| Cash at bank | 177 | 17,553 |
| Creditors: amounts falling due within one year | | |
| Borrowings on the loan facility | - | (33,697) |
| Total exposure | 10,742 | 1,532 |

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

Interest receivable on cash balances is at a margin below LIBOR.

During the year, the Company renegotiated its credit facility agreement with ING Bank. Under the terms of the amended agreement, the Company may draw down US\$35 million at an interest rate of US\$ LIBOR, as offered in the market for the relevant period, plus a margin of 0.7% per annum plus the 'mandatory costs' rate, which is the cost of complying with certain regulatory requirements. This facility has been utilised during the year but was undrawn at the year end.

At 31st October 2007, the Company had drawn down US\$70 million on the facility with ING Bank at an interest rate of 5.82% repayable on 5th November 2007.

Notes to the Accounts continued

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

(ii) Interest rate risk (continued)

Interest rate exposure (continued)

The exposure to floating interest rates has fluctuated during the year between net cash and liquidity fund balances as follows:

| | 2008 £'000 |
|--|-----------------------------|
| Maximum net cash and liquidity fund balances | 86,971 |
| Minimum net cash and liquidity fund balances | 1,532 |

The exposure to floating interest rates during the comparative year fluctuated between net cash and liquidity funds and net loan balances as follows:

| | 2007 £'000 |
|--|-----------------------------|
| Maximum net loan balances | (19,679) |
| Maximum net cash and liquidity fund balances | 23,646 |

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 1% 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.

| | 2008 | | 2007 | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Increase in rate £'000 | Decrease in rate £'000 | Increase in rate £'000 | Decrease in rate £'000 |
| Income statement – return after taxation | | | | |
| Revenue return increase/(decrease) | 107 | (107) | 15 | (15) |
| Capital return increase/(decrease) | – | – | – | – |
| Total increase/(decrease) in return after taxation for the year | 107 | (107) | 15 | (15) |
| Net assets increase/(decrease) | 107 | (107) | 15 | (15) |

In the opinion of the Directors, the above sensitivity analysis may not be representative of future years. During the year, the Company's net balance of monetary financial assets, comprising cash plus liquidity funds less loans, fluctuated between £1.5million and £87.0 million as shown above. During the comparative year the exposure ranged between net cash and liquidity fund balances of £23.6 million and net loan balances of £19.7 million.

(iii) Other price risk

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

Management of other price risk

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

19. Financial instruments' exposure to risk and risk management policies (continued)**(iii) Other price risk (continued)****Other price risk exposure**

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

| | 2008 £'000 | 2007 £'000 |
|---|-----------------------------|-----------------------------|
| Equity investments at fair value through profit or loss | 132,743 | 424,128 |

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 10 to 12. The equity portfolio comprises entirely Russian companies. Accordingly there is a concentration of exposure to that country. However, it should be noted that an investment may not be wholly exposed to the economic conditions in its country of domicile.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 10% in the fair value of the Company's equities. 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 and adjusting for change in the management fee, but with all other variables held constant.

| | 2008 | | 2007 | |
|--|---|---|---|---|
| | Increase in fair value £'000 | Decrease in fair value £'000 | Increase in fair value £'000 | Decrease in fair value £'000 |
| Income statement – return after taxation | | | | |
| Revenue return – increase/(decrease) | (199) | 199 | (636) | 636 |
| Capital return – increase/(decrease) | 13,274 | (13,274) | 42,413 | (42,413) |
| Total return after taxation and net assets – increase/(decrease) | 13,075 | (13,075) | 41,777 | (41,777) |

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in settling financial liabilities as they fall due.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a) (ii) to this note on page 40.

19. Financial instruments' exposure to risk and risk management policies (continued)**(b) Liquidity risk (continued)****Liquidity risk exposure**

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

| | 2008 | | 2007 | |
|---|-------------------------------|----------------|-------------------------------|----------------|
| | Three months or less £'000 | Total £'000 | Three months or less £'000 | Total £'000 |
| Creditors : amounts falling due within one year | | | | |
| Bank loans | – | – | 33,697 | 33,697 |
| Securities purchased for future settlement | 6,237 | 6,237 | 24,168 | 24,168 |
| Other creditors and accruals | 217 | 217 | 762 | 762 |
| | 6,454 | 6,454 | 58,627 | 58,627 |

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed by:

- only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and
- setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

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

Cash and short term deposits comprise balances held at banks with an AA credit rating or higher (2007: same).

(d) Fair values of financial assets and financial liabilities

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

Notes to the Accounts continued

20. Capital management policies and procedures

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 through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 90% to 115%. Gearing for this purpose is defined as investments excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds.

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Investments excluding liquidity fund holdings | 132,743 | 424,128 |
| Shareholders' funds | 142,658 | 403,514 |
| Gearing | 93.0% | 105.1% |

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, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including issues from Treasury.

21. Post balance sheet event

Subsequent to the year end there have been significant fluctuations in company share prices in stockmarkets around the world, including Russia. As a result the Company's NAV has dropped 33.4% from 255.1 pence per share at 31st October 2008 to 170.0p pence per share at 3rd February 2009.

Information about the Company

Financial Calendar

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

History

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

Company Numbers

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

Market Information

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

Website

www.jpmmussian.co.uk

Share Transactions

The 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 Investment Trust Share Plan, Individual Savings Account ('ISA'), and the Pension Account.

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
 20 Finsbury Street
 London EC2Y 9AQ
 Telephone: 0207 742 6000

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

Registrar

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

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

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

Auditors

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

Brokers

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

Savings Product Administrators

For queries on the JPMorgan ISA, Share Plan or Pension Account, see contact details on the back cover.

aic

The Association of
 Investment Companies

A member of the AIC

Shareholder Analysis

at 31st October 2008

| Class of Shareholder | Number of shares | % holding |
|---|-------------------|--------------|
| Unit Trusts | 23,031,091 | 41.2 |
| Investment Trusts | 6,824,239 | 12.2 |
| Other Institutions | 5,175,078 | 9.3 |
| Pension Funds | 5,062,383 | 9.1 |
| Charities | 358,247 | 0.6 |
| Insurance Companies | 244,323 | 0.4 |
| Hedge Funds | 166,117 | 0.3 |
| Total Institutions | 40,861,478 | 73.1 |
| Private Client Brokers | 8,371,924 | 15.0 |
| Retail investors ¹ | 4,395,673 | 7.9 |
| Individuals in the Investment Trust Share Plan ² | 1,317,461 | 2.3 |
| Individuals in the Investment Trust Individual Savings Account ² | 849,712 | 1.5 |
| Individuals in the Investment Trust Pension Account ² | 136,564 | 0.2 |
| Total Retail | 15,071,334 | 26.9 |
| Total Shares in Issue | 55,932,812 | 100.0 |

¹ Includes shares below threshold

² Savings product managed by JPMorgan.

Source: Thomson Financial.

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of JPMorgan Russian Securities plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Friday 13th March 2009 at 12.00 noon for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st October 2008.
- 2 To approve the Directors' Remuneration Report for the year ended 31st October 2008.
- 3 To re-elect Paul Teleki a Director of the Company.
- 4 To elect George Nianias a Director of the Company.
- 5 To re-appoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business:

To consider the following resolution:

Authority to repurchase the Company's shares – Special Resolution:

- 6 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 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 8,384,328 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 2010 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.

Adoption of new Articles of Association – Special Resolution

- 7 THAT the Articles of Association, contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2009 Annual General Meeting.

By order of the Board
 Alison Vincent ACIS, for and on behalf of
 JPMorgan Asset Management (UK) Limited
 Secretary
 5th February 2009

Notice of Annual General Meeting continued

Notes

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

- 1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
- 3 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.
- 4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
- 5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) 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 sent shall be treated as replacing and revoking the other or others.
- 6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- 7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
- 8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of

the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

- 9 The register of interests of the Directors and connected persons in the share capital of the Company is 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.
- 10 No Director has any contract of service with the Company.
- 11 As at 4th February 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 55,932,812 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 55,932,812.

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.

Appendix

Explanatory Notes to Resolution 7

The Companies Act 2006 ("the 2006 Act"), which is replacing the Companies Act 1985 ("the 1985 Act") is being implemented in stages and will be fully in force by 1 October 2009. Under Resolution No. 7, the Company is adopting new Articles of Association ("the Articles") which will reflect the changes in company law brought about by the 2006 Act which are already in force, as well as some minor technical or clarifying changes.

1. Transfer of shares (Articles 33 and 34)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements. The Company cannot in any event refuse to transfer a fully paid share except in very limited circumstances (such as a transfer to more than four persons).

2. Disclosure of interests (Article 46)

The provisions relating to the disclosure of interests in shares contained in the Companies Act 1985 ("the 1985 Act"), including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 46 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

3. Notice of general meetings (Article 52 and 53)

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

The amendment to Article 53 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. The amendment will ensure that such failure does not invalidate proceedings at the meeting in question.

4. Quorum (Article 55)

Article 55 has been amended to make it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

5. Attending and speaking at meetings (Article 61)

Article 61 of the new Articles now provides that the chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the chairman's discretion, speak at a general meeting.

6. Polls (Article 67)

Article 67 has been amended to clarify that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and to give the directors the right to demand a poll as well as the Chairman of the meeting.

7. Votes of members, proxies and corporate representatives (Articles 74, 79 and 86)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the Articles therefore refer to the right to appoint multiple corporate representatives.

8. Receipt of appointments of proxy and termination of proxy authority (Articles 83 and 84)

Article 83 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 83 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

9. Directors' appointments, interests and conflicts of interest (Articles 108 and 109)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other

provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 108, which is the provision for dealing with conflicts in our current articles, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the company is interested, has been amended so that it confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

New Article 109 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed new Article 109 also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the board's intention to report annually on the Company's procedures for ensuring that the board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

10. Quorum (article 113)

Article 113, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

11. Permitted interests and voting (article 118)

The provisions which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of "connected person" of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's

connected persons mean that the director should be treated as interested for the purposes of this article.

12. Removal of age limit for directors

The provision requiring a director's age to be disclosed, in a notice of meeting at which that director is to be appointed or reappointed, if that director has attained the age of 70 years or more, has been removed from the new Articles to reflect the repeal of the previous provisions regarding directors over 70 from the Companies Act 1985.

13. Notices and other communications (Articles 82, 140-149)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 141 will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

Article 82 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time.

In relation to joint holders of shares, Article 141(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 141(4) permits the Company not to send or supply any notice, document or information to a

member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 141(5) and (6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 148 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Article 149 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

14. Making and retention of minutes (Article 121)

Article 121 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

15. The seal (Articles 123 and 124)

Article 123 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

16. Power to indemnify directors (Article 152)

The law governing the giving by a company of indemnities to directors of that company or an associated company was amended in 2005 and further amended by the 2006 Act.

In particular, a company may now, inter alia, do the following: (i) in the case of liabilities arising from actions brought by third parties (other than regulatory authorities or criminal prosecutors), both the costs (of the director and of the third party) and any damages may be paid by the company even if the judgement goes against the director; (ii) in the case of liabilities arising from actions brought by the company or an associated company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay the directors' defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and

(iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. The new Article 148 has now been drafted as a permissive provision that gives the Company a broad power to indemnify a director, subject to the provisions of the 2006 Act. Article 148 also permits the maintenance by the Company of liability insurance for directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

Glossary of Terms

Actual Gearing Factor

Investments excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio was to increase by 100%.

Benchmark Return

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

Discount/Premium

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

Return on net assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the shares of the Company at the NAV at the time the shares were quoted ex-dividend.

Return to shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

Total Expense Ratio

Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

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