



Annual Report 07

JPMorgan Russian Securities plc

Annual Report & Accounts for the year ended 31st October 2007

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). Prior to 1st November 2006, the benchmark was the CSFB Russian ROS 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 (2006: 56,012,812) were in issue at the year end.

Management Company

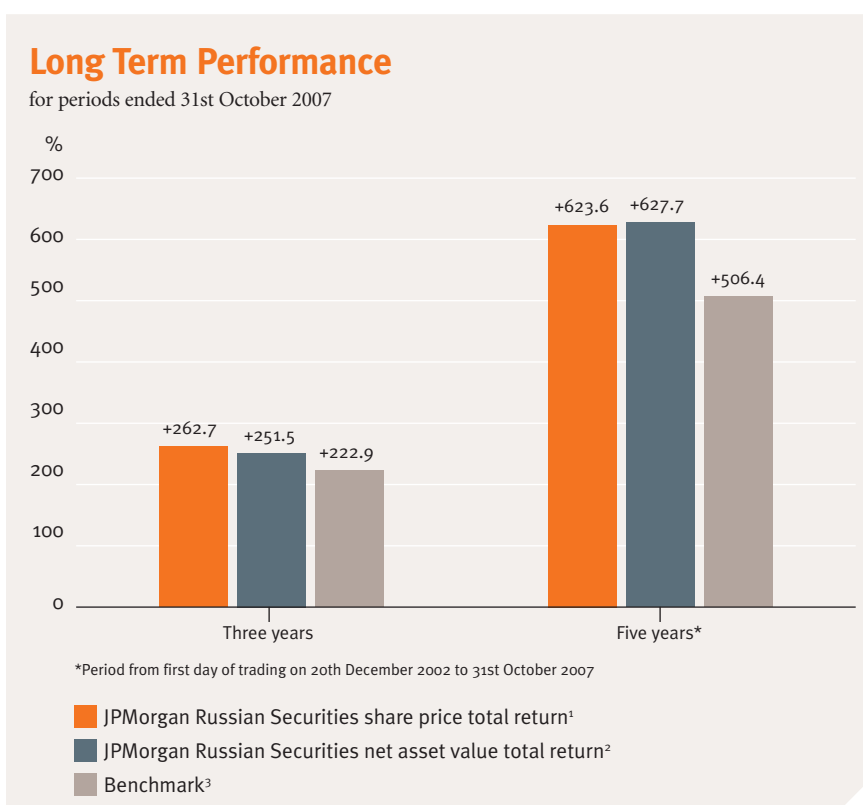
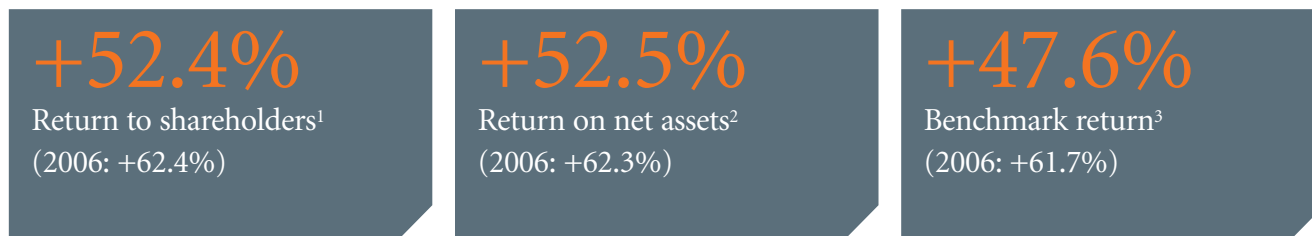
The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM') to manage its assets.

AIC

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

Financial Results

Total Returns (capital plus income)



A glossary of terms and definitions is provided on page 43.

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



“Despite the recent downturn in the global economy, your Board remains optimistic about the long term benefits of investing in the Russian economy.”

I am delighted to report that your Company has produced another year of strong returns for shareholders with a total return of +52.5% being achieved from net assets, compared to a return of +47.6% (in sterling terms) from the Company's new benchmark, the MSCI Russian 10/40 Equity Indices Index.

This has been particularly pleasing given the increased volatility in the Russian equities market this year. The Company's share price rose by 52.4% during the year to 31st October 2007 with the discount to net asset value standing at 7.7% at the year-end. This is the fifth successive year that net assets have outperformed the benchmark index since the Company became listed on the London Stock Exchange in December 2002. Indeed, when performance is judged over the long term, the total return on net assets equates to 627.7%.

Revenue and Earnings

The revenue loss after taxation for the year to 31st October 2007 was £739,000 with a loss per share of 1.32p. No dividend is payable in respect of the year ended 31st October 2007.

Authority to Repurchase the Company's Shares

During the year under review the Company repurchased 80,000 shares for cancellation at a discount of 11.6%. 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. 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 in the interests of shareholders as a whole.

Board of Directors

In accordance with the Company's Articles of Association, I will be retiring by rotation at the forthcoming Annual General Meeting, along with Mr Patrick Gifford. A Nomination Committee of the Board, consisting of Directors who are not standing for re-election by rotation, has met to consider the attributes and contribution of myself and Mr Gifford to the Board's deliberations. Following this review, the Board recommends to shareholders that, taking into account our respective investment experience and contribution to the Board, both Mr Gifford and I be re-elected.

VAT on Management Fees

Following a ruling by the European Court of Justice, HM Revenue & Customs has recently accepted that investment trusts should be exempt from VAT on investment management fees. This means that henceforth, VAT will no longer be charged on investment management fees and that the Company is entitled to seek reimbursement of VAT paid in previous years. However, the Board has been advised that the change will not have a significant financial impact on the Company, as it has been able to recover most of the VAT suffered on investment management fees paid in the past.

Outlook

Despite the recent downturn in the global economy, your Board remains optimistic about the long term benefits of investing in the Russian economy. As detailed in the Investment Managers' Report, the country appears to have all the required ingredients to sustain economic growth. In particular a key theme developing in Russia is the rise of the consumer and of consumer-related stocks, and the portfolio is positioned to take advantage of this trend. In short, Russia continues to offer exciting investment opportunities for more adventurous investors.

The Investment Managers comment on the outlook for the portfolio on pages 4 and 5.

Annual General Meeting

The Company's fifth Annual General Meeting will be held on Monday 3rd March 2008 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 www.jpmmussian.co.uk.

Pamela Idelson Smith

Chairman

28th January 2008

Investment Managers' Report



Oleg I. Biryulyov CFA



Vitaly N. Kazakov

We are very pleased to report another successful year of investing in the Russian equity market. The Company achieved a total return on net assets of +52.5% against a benchmark return from the MSCI Russian 10/40 Equity Indices of +47.6% for the 12 months ended 31st October 2007.

Political and Economic Review

The Russian State recently declared two clear priorities. They are investment in infrastructure and social spending. We anticipate that investment and consumption will be two leading factors for economic growth in Russia over the next decade. We can see some parallels with China, in terms of the impact on economic growth from significant state-led investment. Taking into account the vast territory of Russia, a lack of significant investment in the last decade and with the associated revenue support of continued strong economic growth, we would not be surprised to see a 20-25% annual increase in infrastructure related investment projects. Clearly it will take time to make all investment agencies work efficiently at federal and regional levels, but some pilot projects such as Sochi (infrastructure development in preparation for the Winter Olympic Games in 2014), will be a good test for the outlook of the entire country.

High rates of economic growth in the last decade have given a significant boost to the GDP per capita of Russian consumers; Russia has leapfrogged the rest of the major emerging market economies and clearly stands out in this respect. With close to US\$10,000 of GDP per capita today and forecast to be somewhat higher next year, Russian society is moving from an industrial base towards a service-led economy. This fundamental change will not take place overnight and it is unlikely to be a smooth transition, but we are very certain that the relative size of the service sector in the Russian economy in ten years from now, will be significantly larger than today.

In the political arena the forthcoming election season is unlikely to bring any major surprises and the general direction of economic policy in Russia will be the same as it has been for the last five years. We anticipate that the high political risks assigned today to the Russian market, due to the uncertainty related to elections, will dissipate within the next six to nine months, and we are less concerned about Russian political risk than most of the western mass media.

Market and Portfolio Review

The differentiation of performance among sectors and stocks in Russia is becoming more evident and the market is gaining some signs of maturity.

The Russian market tried to decouple from the oil price, but did not really manage to achieve this. It is important to realise the positive and negative consequences of this tendency. Earnings growth for the majority of the Russian energy sector has significantly lagged behind the oil price increase. In spite of this, Russian energy stocks have risen with the market and are now valued at similar multiples to their global peers. Therefore investors will demand the same level of equity returns from Russian companies as from the rest of the global sector. We are somewhat sceptical that Russian companies, with the State as a controlling shareholder, will be run as efficiently and in the interests of minority shareholders as they would be run without State control.

Performance attribution for the year to 31st October 2007

| | % |
|----------------------------------------------|-------------|
| Contributions to Total Returns | |
| Benchmark total return | 47.6 |
| Sector and stock selection | 4.2 |
| Gearing/cash | 2.5 |
| Investment manager contribution | 6.7 |
| Portfolio total return | 54.3 |
| Management fees/ other expenses | -1.8 |
| Other effects | -1.8 |
| Net asset value total return | 52.5 |
| Impact of decrease/(increase) in discount | -0.1 |
| Share price total return | 52.4 |

Source: Xamin/JPMAM/Fundamental Data.
All figures are on a total return basis.

The table provides a breakdown, relative to the benchmark, of the contributions to total return.

A glossary of terms and definitions is provided on page 43.

“We anticipate that the high political risks assigned today to the Russian market, due to the uncertainty related to elections, will dissipate within the next six to nine months, and we are less concerned about Russian political risk than most of the western mass media.”

In the last five years we have been living in an environment with continuous upgrades of long term oil prices. During this period the consensus oil price moved up from US\$12-15 pbbl to US\$65-75 pbbl. This is a massive increase which reflects the reality of the current situation in the oil industry, supply and demand balance in the global economy and the significant impact of geopolitical risks. We are bullish on the oil price outlook, which is one of the reasons for our positive outlook on the Russian economy. We do not think that the oil price will collapse in 2008, but we do expect a slowdown in the rate of increase going forward. We think that the profitability of the Russian oil sector has passed its peak and that the operational environment for oil companies is becoming very challenging. We do not believe that the Russian State will need to amend oil taxation in the near future. Taxation of the oil sector in its current form is forcing diversification and enhancing value creation in the economy, which are key priorities for the Russian Government.

Finally, a great deal of value has been assigned by market commentators to the residual value of Russian oil companies, but after the “Yukos” saga and the last four years of soft nationalisation in the Russian energy sector, it is difficult to believe that any company of a significant size and value could be easily sold to the highest bidder on the market rather than being sold to the State at an arbitrary price.

These factors together with the Government’s desire to prioritise infrastructure and human capital have led us to our major portfolio decision of being underweight the energy sector. The portfolio has a large overweight position in financials, real estate and materials.

The largest contributors to the Company’s outperformance during the year were the investments in Sberbank and Mechel. The underweight position in the energy sector was also a significant contributor to outperformance.

Outlook

Today Russia as a major global emerging market participant is far more integrated in the global economic cycle than it was in the past. It has proved immune to the global liquidity crunch, due to plentiful domestic liquidity and an undeveloped banking sector. However as a major global commodity producer, Russia would be exposed to any significant slowdown in the global demand for natural resources. In addition we would identify a risk in the year ahead to be a significant withdrawal of investment by overseas investors who have enjoyed positive returns for a number of years.

We believe in a long-term bright future for Russia. The country has all the required ingredients to sustain economic growth: plentiful natural resources; domestic liquidity; industrial/infrastructure capital and human capital. There is long list of anticipated reforms and challenges in front of Russia as a country. We believe that a steady path of economic and social development will continue and as a result we expect Russia to be significantly larger in terms of its economy in a decade from now, and we expect this to be reflected fully in the value of the Russian equity market.

Oleg I. Biryulyov
Vitaly N. Kazakov

Investment Managers

28th January 2008

Summary of Results

| | 31st October 2007 | 31st October 2006 | |
|------------------------------------------------------------------|----------------------|----------------------|----------|
| Total returns for the year to 31st October | | | |
| Return to shareholders ¹ | +52.4% | +62.4% | |
| Return on net assets ² | +52.5% | +62.3% | |
| Benchmark return ³ | +47.6% | +61.7% | |
| Net asset value, share price and discount at 31st October | | | % change |
| Total net assets (£'000) | 403,514 | 264,982 | +52.3 |
| Net asset value per ordinary share | 721.4p | 473.1p | +52.5 |
| Number of ordinary shares in issue | 55,932,812 | 56,012,812 | |
| Ordinary share price | 665.5p | 436.8p | +52.4 |
| Exchange rate (£1 : Rouble) | 51.26 | 50.79 | -0.9 |
| Discount of share price to net asset value | 7.7% | 7.7% | |
| Revenue for the year to 31st October | | | |
| Gross revenue return (£'000) | 7,469 | 4,388 | +70.2 |
| Net revenue loss on ordinary activities after taxation (£'000) | (739) | (753) | |
| Revenue loss per ordinary share | (1.32)p | (1.34)p | |
| Dividend per ordinary share | – | – | |
| Actual gearing factor | 109.5% | 103.7% | |
| Total expense ratio ⁴ | 1.78% | 1.89% | |

A glossary of terms and definitions is provided on page 43.

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).

⁴The total expense ratio (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 comparative figure has been restated. In previous years the TER represented management fees and all other operating expenses (including tax relief, where allowable, but excluding interest), expressed as a percentage of average month end net assets over the year.

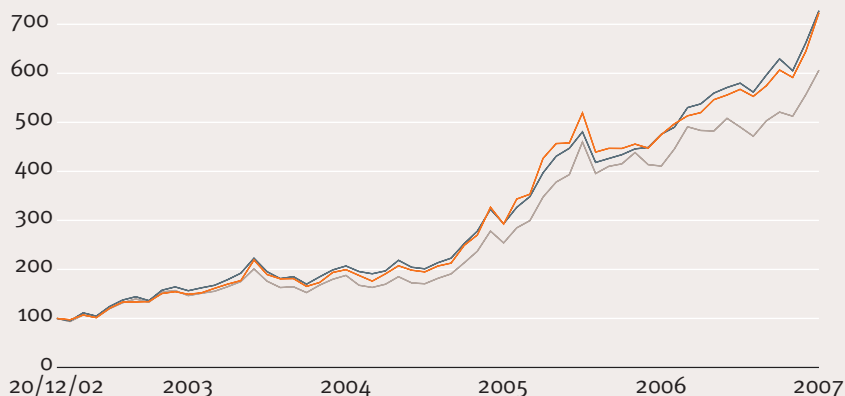
Performance

- 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)



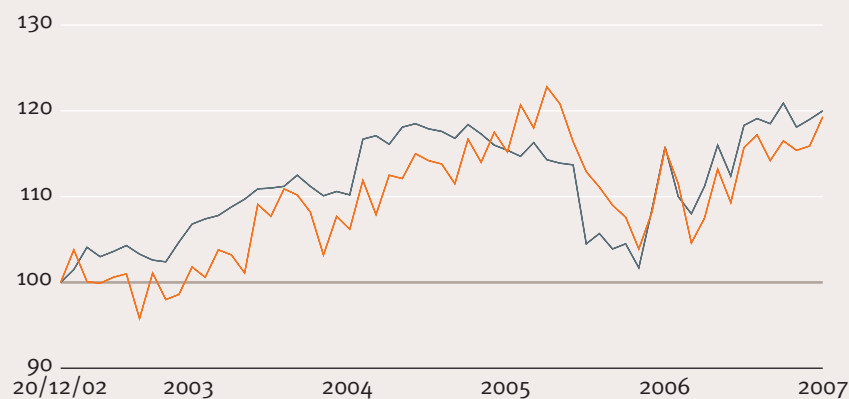
- JPMorgan Russian Securities plc – Share price
- JPMorgan Russian Securities plc – Net asset value per share

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 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------|--------|--------|--------|--------|
| | First day of trading 20th December 2002 | Period from first day of trading to 31st October 2003 | | | | |
| As at 31st October | | | | | | |
| Total net assets (£m) | 60.6 | 89.7 | 116.0 | 164.3 | 265.0 | 403.5 |
| Net asset value per ordinary share (p) | 100.9 | 156.9 | 206.5 | 292.5 | 473.1 | 721.4 |
| Ordinary share price (p) | 91.5 | 138.0 | 183.5 | 269.0 | 436.8 | 665.5 |
| Discount (%) | 9.3 | 12.0 | 11.1 | 8.0 | 7.7 | 7.7 |
| Actual gearing factor (%) | 97.7 | 110.8 | 106.3 | 103.6 | 103.7 | 109.5 |
| Total expense ratio (%) ¹ | N/A | 1.80 | 1.86 | 1.69 | 1.89 | 1.78 |
| Year ended 31st October | | | | | | |
| Gross revenue (£'000) | N/A | 2,493 | 2,119 | 2,841 | 4,388 | 7,469 |
| Revenue/(loss) per ordinary share (p) | N/A | 0.97 | (0.18) | (1.55) | (1.34) | (1.32) |
| Dividends per ordinary share (net) (p) | N/A | 0.90 | – | – | – | – |
| Year to 31st October (rebased to 100 at 20th December 2002) | | | | | | |
| Return to shareholders ² | 100.0 | 149.2 | 199.5 | 292.5 | 474.9 | 723.6 |
| Return on net assets ³ | 100.0 | 156.5 | 207.0 | 293.2 | 477.1 | 727.7 |
| Benchmark return ⁴ | 100.0 | 146.5 | 187.8 | 254.0 | 410.8 | 606.4 |

A glossary of terms and definitions is provided on page 43.

¹The total expense ratio (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 figures for the years ended 31st October 2006, and prior, have been restated. In previous years the TER represented management fees and all other operating expenses (including tax relief where allowable, but excluding interest), expressed as a percentage of average month end net assets over the year.

²Source: Standard & Poor's – www.funds.morningstar.com.

³Source: Fundamental Data – www.funddata.com.

⁴Source: 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 2007 | | As at 31st October 2006 | |
|--------------------------|------------------------|-------------------------|----------------|-------------------------|----------------|
| | | Valuation £'000 | % ¹ | Valuation £'000 | % ² |
| Sberbank Rossii | Financials | 54,870 | 13.5 | 34,555 | 13.0 |
| Mechel ADR | Materials | 50,836 | 12.6 | 11,414 | 4.3 |
| Open Investments | Real Estate | 42,342 | 10.5 | 29,339 | 11.1 |
| Norilsk Nickel ADR | Materials | 41,464 | 10.3 | 18,461 | 7.0 |
| RAO UES ³ | Utilities | 21,792 | 5.4 | – | – |
| Severstal Auto | Consumer Discretionary | 20,029 | 5.0 | 11,362 | 4.3 |
| Sistema ³ | Industrials | 15,431 | 3.8 | 6,711 | 2.5 |
| Pharmacy 36.6 | Healthcare | 13,536 | 3.3 | 10,512 | 4.0 |
| Aeroflot ³ | Transportation | 12,783 | 3.2 | 5,856 | 2.2 |
| Comstar ³ | Telecommunications | 12,780 | 3.2 | 8,105 | 3.1 |
| Total⁴ | | 285,863 | 70.8 | | |

¹Based on total assets less current liabilities of £403.5m.

²Based on total assets less current liabilities of £265.0m.

³Not included in the ten largest investments at 31st October 2006.

⁴At 31st October 2006, the value of ten largest equity investments amounted to £176.2m representing 66.5% of total assets less current liabilities.

Sector Analysis

| Sector | 2007 | | | 2006 | | |
|----------------------------|-----------------------------|------------------------------|--------------|----------------|------------------------------|--------------|
| | Portfolio % ¹ | Benchmark MSCI 10/40 % | ROS % | Portfolio % | Benchmark MSCI 10/40 % | ROS % |
| Materials | 31.3 | 19.2 | 9.9 | 29.8 | 18.3 | 7.5 |
| Financials | 13.6 | 9.2 | 9.9 | 13.0 | 6.1 | 6.9 |
| Real Estate | 12.0 | – | – | 11.1 | – | – |
| Consumer Discretionary | 10.3 | 3.0 | – | 4.3 | – | – |
| Industrials | 7.0 | – | 0.4 | 6.0 | – | 0.4 |
| Consumer Staples | 6.9 | 4.1 | 2.8 | 7.3 | 4.4 | 1.3 |
| Healthcare | 6.0 | – | – | 4.0 | – | – |
| Utilities | 5.5 | 4.5 | 3.9 | – | 4.4 | 2.6 |
| Information Technology | 5.0 | – | – | 2.1 | – | – |
| Energy | 4.3 | 36.4 | 63.0 | 17.4 | 39.4 | 72.7 |
| Telecommunication Services | 3.2 | 23.6 | 10.1 | 7.8 | 27.4 | 8.6 |
| Liquidity Fund | 4.4 | – | – | – | – | – |
| Net current liabilities | (9.5) | – | – | (2.8) | – | – |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

¹Based on total assets less current liabilities of £403.5m (2006: £265.0m).

List of Investments

at 31st October 2007

| Company | Valuation £'000 | Company | Valuation £'000 |
|-------------------------------------|--------------------|-----------------------------------------|--------------------|
| Materials | | Healthcare | |
| Mechel ADR | 50,836 | Pharmacy 36.6 | 13,536 |
| Norilsk Nickel ADR | 41,464 | Verofarm | 5,758 |
| Severstal | 8,216 | Pharmacy chain | 4,844 |
| Polyus Zoloto | 6,517 | Total Healthcare | 24,138 |
| Cheliabinsk Elektrolit | 6,072 | Utilities | |
| Magnitogorsk Iron & Steel | 5,073 | RAO UES | 21,792 |
| Magnit | 3,256 | TGC-5 | 245 |
| Kuzbassrazrezugol | 2,878 | Total Utilities | 22,037 |
| Evrax GDR | 2,217 | Information Technology | |
| Total Materials | 126,529 | Sitronics | 10,446 |
| Financials | | RBC Information Systems | 9,013 |
| Sberbank Rossii | 54,870 | Armada | 716 |
| Total Financials | 54,870 | Total Information Technology | 20,175 |
| Real Estate | | Liquidity Funds | |
| Open Investments | 42,342 | JPM US Dollar Liquidity Fund | 17,676 |
| RTM | 6,072 | Total Liquidity Funds | 17,676 |
| Total Real Estate | 48,414 | Energy | |
| Consumer Discretionary | | Tatneft | 8,353 |
| Severstal Auto | 20,029 | Gazprom ADS | 6,217 |
| Cherepovets Severstal | 11,779 | Imperial Energy | 1,668 |
| Sovincenar | 6,992 | WGC-5 | 1,240 |
| Amtel Vredestein | 2,890 | Total Energy | 17,478 |
| Total Consumer Discretionary | 41,690 | Telecommunication Services | |
| Industrials | | Comstar | 12,780 |
| Sistema | 15,431 | Total Telecommunication Services | 12,780 |
| Aeroflot | 12,783 | Total Portfolio | |
| Total Transportation | 28,214 | 441,804 | |
| Consumer Staples | | | |
| Lebedyansky Experimental Cannery | 8,983 | | |
| Cherkizovo | 8,207 | | |
| Dixy | 6,908 | | |
| Kalina Concern | 3,705 | | |
| Total Consumer Staple | 27,803 | | |

Board of Directors



Pamela Idelson Smith (Chairman)*†‡

Joined the Board and appointed Chairman in October 2002.

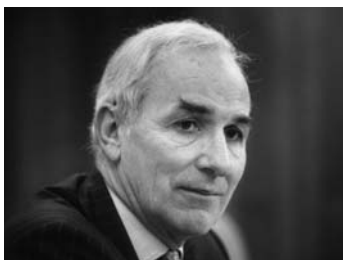
She is currently chief executive officer of RSI Securities S.A. and RSI Asset Management S.A., both Swiss financial companies. She is also Chairman of Sirius Fund (a Luxembourg SICAV), and a Director of Baring Hedge Select Fund Limited.



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.



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 Ltd.



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.

*Member of the Audit Committee.

†Considered independent by the Board.

‡Member of the Nomination Committee.

Directors' Report

The Directors present their report for the year ended 31st October 2007.

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 2006. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it continues to qualify. 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 2006 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 266 of the Companies Act 1985. The Company is not a close company for taxation purposes.

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 and 5.

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 fund 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

- 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).

Performance

In the year to 31st October 2007, the Company produced a total return to shareholders of +52.4% and a total return on net assets of +52.5%. This compares with the return on the Company's benchmark index of 47.6%. As at 31st October 2007, the value of the Company's investment portfolio was £441.8m. The Investment Managers' Report on pages 4 and 5 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 total return for the year totalled £147,156,000 (2006: £107,682,000) and net total return after deducting interest, management fees, administrative expenses and taxation amounted to £138,948,000 (2006: £102,541,000). The deficit after tax in the Revenue column of the Income Statement amounted to £739,000 (2006: £753,000). No dividend has been declared (2006: nil).

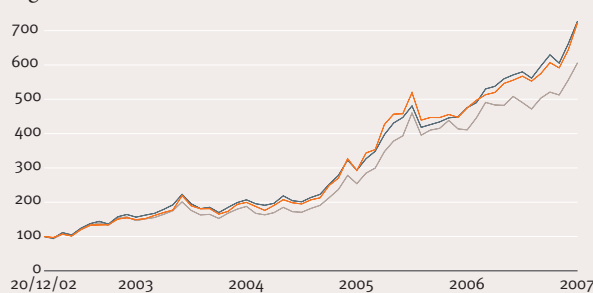
Key Performance Indicators ('KPIs')

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 since launch

Figures have been rebased to 100 at 20th December 2002



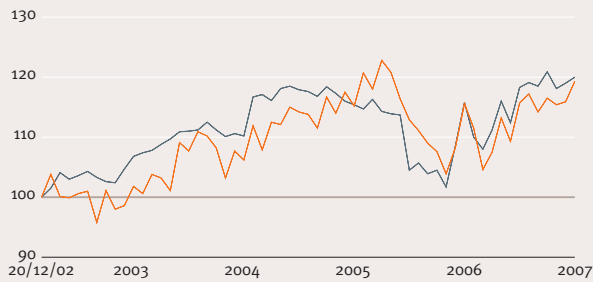
Source: Standard & Poor's - www.funds-sp.com/Fundamental Data Ltd/Datastream

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

Directors' Report continued

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 20th December 2002



Source: Standard & Poor's - www.funds-sp.com/Fundamental Data - 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

- 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**

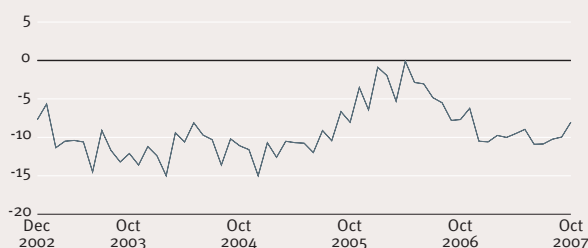
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection.

Details of the attribution analysis for the year ended 31st October 2007 are given in the Investment Managers' Report on page 4.

- 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 2007, the shares traded at a discount of between 10.9% and 6.2%.

Discount Performance



Source: Datastream

■ JPMorgan Russian Securities - Share price discount to NAV

- Total expense ratio ('TER')**

The TER represents management fees and all other operating expenses, excluding interest, as a percentage of the average of the opening and closing net assets.

The TER for the year ended 31st October 2007 was 1.78% (2006: 1.89% restated). 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 repurchased 80,000 Ordinary Shares for cancellation for a consideration of £416,000. 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. 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 datum 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, 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 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 17 to 20.
- 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 19.
- 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 36 to 38.

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 5.

Management

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.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for its management to continue in operational existence for the foreseeable future. For this reason, 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 these terms. As at 31st October 2007, the Company had no outstanding trade creditors (2006: 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 2007 | 1st November 2006 |
|----------------------|----------------------|----------------------|
| Pamela Idelson Smith | 10,000 | 10,000 |
| Patrick Gifford | 21,641 | 21,641 |
| James Nicholson | 10,000 | 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 Directors retiring by rotation at the forthcoming Annual General Meeting will be Pamela Idelson Smith and Patrick Gifford who, being eligible, offer themselves for re-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:

- 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
- 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.

Notifiable Share Interests

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 | 15,637,874 | 27.96 |
| Lazard Asset Management LLC | 5,543,561 | 9.91 |
| JPMorgan Chase & Co | 4,452,659 | 7.96 |
| Progressive Asset Management Ltd | 4,332,034 | 7.75 |
| Legal & General Group plc | 2,273,785 | 4.07 |
| SVM Asset Management Ltd | 1,792,114 | 3.20 |

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

A resolution relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

Authority to repurchase the Company's shares (resolution 6):

At the Annual General Meeting held on 1st March 2007, shareholders gave authority to the Board to enable repurchases of up to 14.99% of the then issued share capital. At that time shareholders were informed that this authority would expire on 30th September 2008 unless renewed at a General Meeting of the Company before such time.

This being so, a Special Resolution will be proposed at the forthcoming Annual General Meeting that the Company be authorised to purchase in the market up to 8,384,328 shares (or, if less, the number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of Resolution 6 set out in the Notice of Annual General Meeting). The cash required to repurchase shares will be met either from cash available or from selling investments in the portfolio.

The Directors consider that the renewal of the authority would be in the interests of shareholders as a whole as the repurchase of shares at a discount to the underlying net asset value ('NAV') would enhance the NAV of the remaining shares. The Directors therefore recommend that shareholders vote in favour of the resolution. The full text of the Resolution is set out in the Notice of Annual General Meeting on page 41.

By order of the Board
Alison Vincent ACIS, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
28th January 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 22, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code on Corporate Governance (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 adherence to the Board procedures and compliance with applicable rules and regulations.

Board Composition

The Board consists of five 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 on an annual basis.

The Directors have a breadth of investment, business and financial skills and experience relevant to the Company. Brief biographical details of each Director are set out on page 12.

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 ongoing 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 Annual General Meeting.

As a result of the evaluation process described below, the Board confirms that Pamela Idelson Smith and Patrick Gifford, who both retire by rotation at this year's Annual General Meeting, continue to be effective as Directors and demonstrate commitment to this role. Accordingly, the Board recommends the re-election of Pamela Idelson Smith and Patrick Gifford.

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 12. 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 |
| James Nicholson | 5 | 2 | 1 |
| Paul Teleki | 5 | 2 | 1 |
| Lysander Tennant | 5 | 2 | 1 |

Training and Appraisal

The Manager and Company Secretary provide all Directors with induction training on appointment. 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 has agreed procedures for the 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, when necessary for appointment. 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 Committee reviews the actions and judgements of management in relation to the interim 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. The Directors' statement on the Company's system of internal control is set out on page 19.

Terms of Reference

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders four times a year by way of the Annual Report and Accounts, the Interim Report and 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 have the opportunity, and 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 39.

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 39.

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:

- it reviews the terms of the management agreement and receives regular reports from JPMAM's compliance department;
- it reviews the reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- it 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 2007, 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 www.jpmorgan.com:

"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 (see below). 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 total Directors' fees of £100,000 (2006: £96,332) comprise £100,000 (2006: £96,332) in respect of aggregate emoluments paid to Directors and £nil (2006: £nil) paid to third parties for making available the services of Directors.

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 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 23.

At a meeting of the Nomination Committee held on 26th September 2006 the Committee requested that JPMAM undertake a review of the Director fees. The Board considered this report at the Nomination Committee meeting on 21st September 2007. At this meeting it was agreed that the Director fees be increased to Chairman £27,000 per annum, Audit Committee Chairman £23,000 per annum and Directors £20,000 per annum with effect from 1st November 2007.

Directors' Remuneration

(Audited Information)

| | 2007 ¹ | 2006 ¹ |
|---------------------------------|-------------------|-------------------|
| Director's Name | £ | £ |
| Pamela Idelson Smith (Chairman) | 25,000 | 24,000 |
| Patrick Gifford | 18,000 | 17,333 |
| James Nicholson | 18,000 | 17,333 |
| Paul Teleki | 21,000 | 20,333 |
| Lysander Tennant | 18,000 | 17,333 |
| Total | 100,000 | 96,332 |

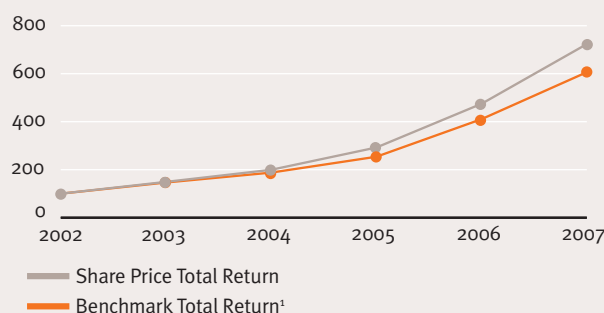
¹Audited information.

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
28th January 2008

Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for ensuring that proper accounting records are kept 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.jpmorganassetmanagement.com website, which is maintained by the Company's Investment 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.

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 2007 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and related notes 1 to 19. 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 are responsible 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 Statement of Directors' Responsibilities.

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, 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 that 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 2006 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. 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 2007 and of its net return 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

28th January 2008

Income Statement

for the year ended 31st October 2007

| | Notes | Revenue £'000 | 2007 Capital £'000 | Total £'000 | Revenue £'000 | 2006 Capital £'000 | Total £'000 |
|----------------------------------------------------------------------------|-------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| Gains from investments held at fair value through profit or loss | | | | | | | |
| | 2 | – | 137,901 | 137,901 | – | 102,441 | 102,441 |
| Net foreign currency gains | | – | 1,786 | 1,786 | – | 853 | 853 |
| Income from investments | 3 | 7,311 | – | 7,311 | 4,137 | – | 4,137 |
| Other interest receivable and similar income | 3 | 158 | – | 158 | 251 | – | 251 |
| Gross return | | | | | | | |
| | | 7,469 | 139,687 | 147,156 | 4,388 | 103,294 | 107,682 |
| Management fee | 4 | (5,063) | – | (5,063) | (3,511) | – | (3,511) |
| Other administrative expenses | 5 | (903) | – | (903) | (554) | – | (554) |
| Net return on ordinary activities before finance costs and taxation | | | | | | | |
| | | 1,503 | 139,687 | 141,190 | 323 | 103,294 | 103,617 |
| Finance costs | 6 | (1,259) | – | (1,259) | (502) | – | (502) |
| Net return/(loss) on ordinary activities before taxation | | | | | | | |
| | | 244 | 139,687 | 139,931 | (179) | 103,294 | 103,115 |
| Taxation | 7 | (983) | – | (983) | (574) | – | (574) |
| Net (loss)/return on ordinary activities after taxation | | | | | | | |
| | | (739) | 139,687 | 138,948 | (753) | 103,294 | 102,541 |
| (Loss)/return per share | | | | | | | |
| | 8 | (1.32)p | 249.63p | 248.31p | (1.34)p | 184.14p | 182.80p |

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. 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 28 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st October 2007

| | Called up share capital £'000 | Other reserve £'000 | Capital redemption reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------|-------------------------------------------|-----------------------------|-----------------------------|----------------|
| At 31st October 2005 | 562 | 53,361 | 39 | 111,209 | (906) | 164,265 |
| Adjustment to opening shareholders' funds at 1st November 2005 to reflect the adoption of bid prices | – | – | – | (1,276) | – | (1,276) |
| Repurchase of shares for cancellation | (2) | (548) | 2 | – | – | (548) |
| Total return/(loss) from ordinary activities | – | – | – | 103,294 | (753) | 102,541 |
| At 31st October 2006 | 560 | 52,813 | 41 | 213,227 | (1,659) | 264,982 |
| Repurchase of shares for cancellation | (1) | (416) | 1 | – | – | (416) |
| Total return/(loss) from ordinary activities | – | – | – | 139,687 | (739) | 138,948 |
| At 31st October 2007 | 559 | 52,397 | 42 | 352,914 | (2,398) | 403,514 |

The accompanying notes on pages 28 to 38 form an integral part of these accounts.

Balance Sheet

as at 31st October 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|-------------------------------------------------------------------|-------|-----------------|-----------------|
| Fixed assets | | | |
| Equity investments at fair value through profit or loss | 9 | 424,128 | 272,343 |
| Investment in liquidity fund at fair value through profit or loss | | 17,676 | 2,464 |
| Total investment portfolio | | 441,804 | 274,807 |
| Current assets | | | |
| Debtors | 10 | 2,784 | 1,266 |
| Cash and short term deposits | | 17,553 | 1,491 |
| Creditors: amounts falling due within one year | 11 | (58,627) | (12,582) |
| Net current liabilities | | (38,290) | (9,825) |
| Total assets less current liabilities | | 403,514 | 264,982 |
| Capital and reserves | | | |
| Called up share capital | 12 | 559 | 560 |
| Other reserve | 13 | 52,397 | 52,813 |
| Capital redemption reserve | 13 | 42 | 41 |
| Capital reserve | 13 | 352,914 | 213,227 |
| Revenue reserve | 13 | (2,398) | (1,659) |
| Shareholders' funds | | 403,514 | 264,982 |
| Net asset value per share | 14 | 721.4p | 473.1p |

The accounts on pages 24 to 38 were approved and authorised for issue by the Directors on 28th January 2008 and were signed on their behalf by:

Pamela Idelson Smith
Chairman

The accompanying notes on pages 28 to 38 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st October 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|---------------------------------------------------------------------------|-------|---------------|---------------|
| Net cash inflow/(outflow) from operating activities | 15 | 1,108 | (561) |
| Returns on investments and servicing of finance | | | |
| Interest paid | | (1,134) | (525) |
| Capital expenditure and financial investment | | | |
| Purchases of investments | | (254,344) | (174,588) |
| Sales of investments | | 244,984 | 169,886 |
| Other capital charges – handling fees | | (182) | (67) |
| Net cash outflow from capital expenditure and financial investment | | (9,542) | (4,769) |
| Net cash outflow before financing | | (9,568) | (5,855) |
| Financing | | | |
| Net drawdown/(repayment) of loans | | 25,863 | (6,953) |
| Repurchase of ordinary shares | | (416) | (548) |
| Net cash inflow/(outflow) from financing | | 25,447 | (7,501) |
| Increase/(decrease) in cash for the year | 16 | 15,879 | (13,356) |

The accompanying notes on pages 28 to 38 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st October 2007

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985 and 2006, 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 AIC in December 2005.

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

(b) Valuation of investments

Investments are designated upon initial recognition as 'held at fair value through profit or loss' in accordance with FRS 26: 'Financial Instruments: Measurement'.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information is provided internally on that basis to the Company's Board of Directors. Investments are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments. In the years ended 31st October 2005 and prior, listed investments were valued at last trade prices. In accordance with paragraph 108D of FRS 26, comparatives were not restated. However as a consequence, the adoption of bid prices on 1st November 2005 decreased the value of investments by £1,276,000 as shown in the Reconciliation of Movements in Shareholders' Funds.

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 capital column of the income statement within 'Gains from investments held at fair value through profit or loss'. Expenses incidental to 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 now required and can be found in note 9.

(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: Disclosure and 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 do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Derivative instruments are valued at fair value in the balance sheet. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

(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 return or capital return, depending on whether the gain or loss is of a revenue or capital nature.

(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.

| | 2007 £'000 | 2006 £'000 |
|----------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 2. Gains 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 | 80,226 | 68,420 |
| Amounts recognised as unrealised at the previous balance sheet date | (46,124) | (33,241) |
| Realised gains based on carrying value at the previous balance sheet date | 34,102 | 35,179 |
| Net movement in unrealised gains | 103,981 | 67,329 |
| Other capital charges – handling fees | (182) | (67) |
| Total capital gains from investments held at fair value through profit or loss | 137,901 | 102,441 |

Notes to the Accounts continued

| | 2007 £'000 | 2006 £'000 |
|----------------------------------------------|---------------|---------------|
| 3. Income | | |
| Income from investments | | |
| Dividends from investments listed overseas | 7,311 | 4,137 |
| Other interest receivable and similar income | | |
| Deposit interest | 158 | 251 |
| | 7,469 | 4,388 |

| | 2007 £'000 | 2006 £'000 |
|---------------------------|---------------|---------------|
| 4. Management fee | | |
| Management fee | 4,706 | 3,404 |
| Irrecoverable VAT thereon | 357 | 107 |
| Total | 5,063 | 3,511 |

| | 2007 £'000 | 2006 £'000 |
|--------------------------------------------------------|---------------|---------------|
| 5. Other administrative expenses¹ | | |
| Other management expenses | 722 | 390 |
| Savings product ² | 60 | 49 |
| Directors' fees ³ | 100 | 96 |
| Auditors' remuneration for audit services ⁴ | 21 | 19 |
| | 903 | 554 |

¹ Expenses include the related irrecoverable VAT.

² These fees were paid to JPMAM for the marketing of "wrapper" products.

³ Full disclosure is given in the Directors' Remuneration Report on page 21.

⁴ Includes £2,000 (2006: £1,000) irrecoverable VAT.

| | 2007 £'000 | 2006 £'000 |
|---------------------------|---------------|---------------|
| 6. Finance costs | | |
| Bank loans and overdrafts | 1,259 | 502 |

| | 2007 £'000 | 2006 £'000 |
|--------------------------------------------------------|---------------|---------------|
| 7. Taxation | | |
| (a) Analysis of tax charge in the year | | |
| UK corporation tax at 30% (2006: 30%) | 332 | – |
| Double taxation relief | (321) | – |
| Marginal relief | (11) | – |
| Overseas withholding tax | 969 | 574 |
| Provision against recoverable overseas withholding tax | 14 | – |
| Current tax | 983 | 574 |

7. Taxation (continued)

(b) Factors affecting current tax charge for the year

The tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2006: 30%). The difference is explained below.

| | 2007 £'000 | 2006 £'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Net revenue return/(loss) on ordinary activities before taxation | 244 | (179) |
| Net revenue return/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2006: 30%) | 73 | (54) |
| Marginal relief | (11) | – |
| Income taxed in different periods | 30 | (122) |
| Unrelieved charges | 330 | 176 |
| Prior year expenses utilised | (101) | – |
| Overseas withholding tax | 969 | 574 |
| Provision against recoverable overseas withholding tax | 14 | – |
| Double taxation relief | (321) | – |
| Current tax | 983 | 574 |

Investment trust companies are exempt from tax on capital gains if they meet the criteria set out in S842 of the Income and Corporation Taxes Act 1988 for a given year. Therefore the capital return of £139,687,000 (2006: £103,294,000) is not included in the above reconciliation.

The Company has an unrecognised deferred tax asset of £2,068,000 (2006: £1,490,000). 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.

8. (Loss)/return per ordinary share

The revenue loss per ordinary share is based on the revenue loss attributable to the ordinary shares of £739,000 (2006: £753,000 loss) and on the weighted average number of shares in issue during the year of 55,957,427 (2006: 56,094,887).

The capital return per ordinary share is based on the capital gain attributable to the ordinary shares of £139,687,000 (2006: £103,294,000 gain) and on the weighted average number of shares in issue during the year of 55,957,427 (2006: 56,094,887).

The total return per ordinary share is based on the total return attributable to the ordinary shares of £138,948,000 (2006: £102,541,000) and on the weighted average number of shares in issue during the year of 55,957,427 (2006: 56,094,887).

Notes to the Accounts continued

| | 2007 £'000 | 2006 £'000 |
|--------------------------------------------------------|---------------|---------------|
| 9. Investments | | |
| Investments listed on a recognised investment exchange | 441,804 | 274,807 |

| | 2007 £'000 |
|---------------------------------------|---------------|
| Opening book cost | 172,373 |
| Opening unrealised gains | 102,434 |
| Opening valuation | 274,807 |
| Movement in the year: | |
| Purchases at cost | 275,522 |
| Sales – proceeds | (246,608) |
| Sales – realised gains on investments | 34,102 |
| Net movement in unrealised gains | 103,981 |
| Total | 441,804 |
| Closing book cost | 281,513 |
| Closing unrealised gains | 160,291 |
| Closing valuation | 441,804 |

Transaction costs on purchases during the year amounted to £455,000 (2006: £192,000) and on sales during the year amounted to £145,000 (2006: £118,000). These costs comprise brokerage commission.

During the year, prior year unrealised gains amounting to £46,124,000 have been transferred to realised gains as disclosed in note 13.

| | 2007 £'000 | 2006 £'000 |
|------------------------------------------------|---------------|---------------|
| 10. Current assets: | | |
| Debtors | | |
| Securities sold for future settlement | 1,624 | – |
| Dividends and interest receivable ¹ | 1,131 | 1,175 |
| Other debtors | 29 | 91 |
| Total | 2,784 | 1,266 |

¹ Includes £530,000 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 approximates to their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

| | 2007 £'000 | 2006 £'000 |
|-----------------------------------------------------------|---------------|---------------|
| 11. Creditors: amounts falling due within one year | | |
| Bank loans | 33,697 | 9,438 |
| Securities purchased for future settlement | 24,168 | 2,990 |
| Other creditors and accruals | 762 | 154 |
| Total | 58,627 | 12,582 |

The bank loan represents US\$70m (2006: US\$18m) drawn down on the Company's floating rate facility with ING Bank NV. The loan is secured by a floating charge over the assets of the Company. Further details are given in note 19 (c).

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

| | 2007 £'000 | 2006 £'000 |
|------------------------------------------------|------------------|------------------|
| 12. 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 are entitled to all the assets of the Company on a return of capital, return of assets or on a winding up.

| | 2007 £'000 | 2006 £'000 |
|----------------------------------------------------------------|---------------|---------------|
| Issued and fully paid: | | |
| Ordinary shares of 1p each | | |
| Opening balance of 56,012,812 shares (2006: 56,162,812) | 560 | 562 |
| Repurchase and cancellation of 80,000 shares (2006: 150,000) | (1) | (2) |
| Closing balance of 55,932,812 shares (2006: 56,012,812) | 559 | 560 |

During the year the Company repurchased 80,000 (2006: 150,000) ordinary shares with a nominal value of £800 (2006: £1,500) for cancellation, representing 0.1% of the shares outstanding at the beginning of the year. The total consideration paid for these shares was £416,000 and the reason for the purchase was to reduce the discount of the share price to the net asset value per share.

Notes to the Accounts continued

| | Other reserve ¹ £'000 | Capital redemption reserve £'000 | Capital reserve realised £'000 | Capital reserve unrealised £'000 | Revenue reserve £'000 |
|--------------------------------------------------------------------|----------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|-----------------------------|
| 13. Reserves | | | | | |
| Opening balance | 52,813 | 41 | 109,802 | 103,425 | (1,659) |
| Foreign exchange gains/(losses) on cash and short term deposits | – | – | 183 | (1) | – |
| Net exchange gains on foreign currency loans | – | – | 952 | 652 | – |
| Realised gains on investments | – | – | 34,102 | – | – |
| Net movement in unrealised gains | – | – | – | 103,981 | – |
| Transfer on disposal of investments | – | – | 46,124 | (46,124) | – |
| Repurchase of ordinary shares | (416) | 1 | – | – | – |
| Other capital charges – handling fees | – | – | (182) | – | – |
| Revenue loss for the year | – | – | – | – | (739) |
| Closing balance | 52,397 | 42 | 190,981 | 161,933 | (2,398) |

¹The share premium account was cancelled and the “Other reserve” created for the purpose of financing share buybacks.

14. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £403,514,000 (2006: £264,982,000) and on the 55,932,812 (2006: 56,012,812) shares in issue at the year end.

| | 2007 £'000 | 2006 £'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| 15. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities | | |
| Total return on ordinary activities before finance costs and taxation | 141,190 | 103,617 |
| Less capital return before finance costs and taxation | (139,687) | (103,294) |
| Decrease/(increase) in accrued income | 44 | (370) |
| Decrease in other debtors | 62 | 21 |
| Increase in accrued expenses | 482 | 53 |
| Overseas withholding tax | (983) | (588) |
| Net cash inflow/(outflow) from operating activities | 1,108 | (561) |

| | At 31st October 2006 £'000 | Cash flow £'000 | Exchange movement £'000 | At 31st October 2007 £'000 |
|--------------------------------------------|----------------------------------|--------------------|-------------------------------|----------------------------------|
| 16. Analysis of changes in net debt | | | | |
| Cash and short term deposits | 1,491 | 15,879 | 183 | 17,553 |
| Bank loans falling due within one year | (9,438) | (25,863) | 1,604 | (33,697) |
| Net debt | (7,947) | (9,984) | 1,787 | (16,144) |

17. Contingent asset/liabilities and capital commitments

In 2004 the AIC lodged a joint appeal for the payment of investment trust management fees to be exempt from VAT. In June 2007, the European Court of Justice found in favour of the appellants and in November 2007 HM Revenue and Customs ('HMRC') announced their withdrawal from the case. This means that henceforth, VAT will no longer be charged on investment management fees and that the Company is entitled to seek reimbursement of VAT paid in previous years. The Company has been able to recover most of the VAT paid in the past and it is now probable that it will be able to recover some of the unrecovered amount. A number of legal and procedural matters remain to be resolved before certainty is reached in respect of the entitlement of the Company to receive repayment of VAT paid in the past and in the absence of a definitive agreement with the Manager or specific guidance from HMRC as to how the reclaims will be effected, it is not yet possible to quantify the amount of any recovery. Accordingly no asset has been recognised in the accounts at 31st October 2007.

There were no contingent liabilities or capital commitments at the balance sheet date (2006: nil).

18. Transactions with JPMorgan

Details of the management contract are set out in the Directors' Report on page 15. The management fee payable to JPMAM for the year was £4,706,000 excluding VAT (2006: £3,404,000) of which £459,000 (2006: nil) was outstanding at the year end. In addition £55,000 excluding VAT (2006: £48,000) was payable to JPMAM for the marketing and administration of the Company's savings products, of which nil (2006: £44,000) was outstanding at the year end.

Included in other management expenses in note 5 on page 30 are safe custody fees amounting to £426,000 (2006: £143,000) payable to JPMorgan Worldwide Securities Services (JPM WSS).

Handling charges on dealing transactions during the year amounting to £6,000 (2006: £10,000) were payable to JPM WSS of which £2,000 (2006: nil) was outstanding at the year end.

During the year, the Company held an investment in the JPMorgan US Dollar Liquidity Fund. At 31st October 2007, the Company's investment in this fund was valued at £17.7m (2006: £2.5m) representing 4.0% (2006: 0.9%) of the Company's investment portfolio. During the year, the Company made purchases of this fund with a total value of £93.3m (2006: £29.9m) and sales with a total value of £84.5m (2006: £26.9m). Income receivable from this fund in the year amounted to £321,000 (2006: £80,000). JPMAM earns no management fee on this fund.

At the year end, a bank balance of £15,885,000 (2006: £1,406,000) was held with JPMorgan Chase. A net amount of interest of £59,000 (2006: £79,000) was received by the Company during the year from JPMorgan Chase.

Notes to the Accounts continued

19. Financial instruments

(a) Management of risk

The Company's financial instruments comprise:

- 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 which may include forward foreign currency contracts.

The Company is an investment trust and invests in shares and securities for the long term. It is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's operations are market price risk, liquidity risk, interest rate risk, credit risk and foreign currency risk. A description of these risks is given below, together with the Board's policy for managing these risks where appropriate.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss which the Company might incur as a result of holding a portfolio of investments when market prices fall.

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. An investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Liquidity risk

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

Interest rate risk

The Company finances its operations through bank borrowings and retained profits. The Company manages its exposure to interest rate fluctuations by borrowing on a floating rate loan facility.

Credit risk

The Company's financial assets are bank balances, debtors and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets. When buying and selling investments, the Company is exposed to the risk that the counterparty will not deliver the investment or cash. The Company will only deal with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies. Limits have been set as to the maximum exposure to any one counterparty at any time.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

19. Financial instruments (continued)**(a) Management of risk (continued)****Foreign currency risk**

The Company has exposure to foreign currency as part of the risk reward inherent in a company that invests overseas.

The income and capital value of the Company's investments can be affected by exchange rate movements as the Company's assets and income are denominated in currencies other than sterling which is the reporting currency.

The Board has identified four principal areas where foreign currency risk could impact the Company:

- movements in rates that affect the value of investments and foreign currency cash balances;
- movements in rates that affect the value of loans;
- movements in rates that affect short term timing differences on settlement of assets and liabilities; and
- movements in rates that affect income receivable.

The Company is exposed to currency risk due to exchange rate movement in the period between investment trade date and the date of settlement. Forward foreign currency contracts are used to manage this risk.

The Company's investments are nearly all priced in US\$, although their underlying trading currency is almost always in Roubles.

(b) Currency exposures

An analysis of the Company's net currency assets at 31st October 2007 is:

| | GBP £m | RUB £m | US\$ £m | Total £m |
|---------------------------------------------------|-------------------|-------------------|--------------------|---------------------|
| Investments | 1.7 | 7.7 | 432.4 | 441.8 |
| Net current assets/(liabilities) | 1.1 | – | (39.4) | (38.3) |
| Financial instruments outstanding at the year end | 2.8 | 7.7 | 393.0 | 403.5 |

An analysis of the Company's net currency assets at 31st October 2006 is:

| | RUB £m | US\$ £m | Total £m |
|---------------------------------------------------|-------------------|--------------------|---------------------|
| Investments | 5.8 | 269.0 | 274.8 |
| Net current liabilities | (1.8) | (8.0) | (9.8) |
| Financial instruments outstanding at the year end | 4.0 | 261.0 | 265.0 |

Notes to the Accounts continued

19. Financial instruments (continued)

(c) Cash flow interest rate risk profile of financial assets and financial liabilities

Financial assets

The Company's financial assets comprise equity investments, a holding in a liquidity fund, debtors and cash. The equity investments are all equity shares which neither pay interest nor have a maturity date. The liquidity fund is held as an alternative to cash and earns a floating rate of interest linked to the seven day US\$ LIBOR rate. The Company's debtors comprise unsettled broker balances for securities sold, dividends receivable, prepayments and other small balances on which no interest accrues. Cash balances in excess of a predetermined amount are placed on short term deposit and earn market rates of interest.

Financial liabilities

The Company's liabilities include unsettled broker balances for securities purchased, other accruals on which no interest is payable, short term loans and overdrafts. Overdraft interest is payable at the prevailing market rate. The interest rate profile of the Company's financial liabilities at 31st October is:

| | 2007 £m | 2006 £m |
|------------------------------------------|------------|------------|
| Floating rate financial liabilities | 33.7 | 9.5 |
| Liabilities on which no interest is paid | 24.9 | 3.1 |
| | 58.6 | 12.6 |

In August 2007 the Company arranged a US\$70 million One Year Floating Rate Loan Facility with ING Bank NV. Under the terms of this agreement the Company may draw down up to US\$70 million at an interest rate of 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. At 31st October 2007, the Company had drawn down the whole US\$70 million on this facility at an interest rate of 5.82%, with a maturity date of 5th November 2007.

At 31st October 2006 the Company had drawn down US\$18 million on a similar facility arranged with ING Bank NV.

(d) Maturity of the Company's financial liabilities

| | 2007 £m | 2006 £m |
|----------------------------------------------|------------|------------|
| Falling due in one year or less or on demand | 58.6 | 12.6 |

(e) Fair values of financial instruments

The Directors consider that all financial assets and liabilities are either included in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

Information about the Company

Financial Calendar

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

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 code: 3216473
 ISIN: GB0032164732
 Bloomberg code: JRS LN

Market Information

The Company's net asset values are published daily, via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange and are quoted daily in The Daily Telegraph, the Financial Times, The Times, The Independent, The Herald, on BBC Ceefax and on the JPMorgan internet site at www.jpmmussian.co.uk, where it is updated every fifteen minutes during trading hours.

Website

www.jpmmussian.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account ('ISA'), Personal Equity Plan ('PEP') and 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: 0870 600 3984

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

Landsbanki Securities (UK) Limited
 Beaufort House
 15a St. Botolph Street
 London EC3A 7QR

Savings Product Administrators

For queries on the JPMorgan ISA, PEP, 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 2007

| Class of Shareholder | Number of shares | % holding |
|-----------------------------------------------------------------------------------|-------------------|--------------|
| Unit Trusts | 22,926,891 | 41.0 |
| Investment Trusts ¹ | 7,722,686 | 13.8 |
| Pension Funds | 4,527,832 | 8.1 |
| Other Institutions | 4,662,438 | 8.3 |
| Hedge Funds | 1,276,522 | 2.3 |
| Foreign Government | 1,074,104 | 1.9 |
| Insurance Companies | 386,290 | 0.7 |
| Charities | 5,311 | 0.0 |
| Total Institutions | 42,582,074 | 76.1 |
| Private Client Brokers | 7,368,844 | 13.2 |
| Retail investors holding shares directly or through nominee accounts ² | 4,090,522 | 7.3 |
| Individuals in the Investment Trust Share Plan ³ | 1,170,559 | 2.1 |
| Individuals in the Investment Trust Individual Savings Account ³ | 606,253 | 1.1 |
| Individuals in the Investment Trust Pension Account ³ | 58,873 | 0.1 |
| Individuals in the Investment Trust Personal Equity Plan ³ | 55,687 | 0.1 |
| Total Retail | 13,350,738 | 23.9 |
| Total Shares in Issue | 55,932,812 | 100.0 |

¹ Includes 50,000 shares held by JPMorgan Elect plc.

² Includes shares below 10,000 threshold.

³ Savings product managed by JPMorgan.

Source: Thomson Financial.

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of JPMorgan Russian Securities plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Monday 3rd March 2008 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 2007.
- 2 To approve the Directors' Remuneration Report for the year ended 31st October 2007.
- 3 To re-elect Pamela Idelson Smith a Director of the Company.
- 4 To re-elect Patrick Gifford 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 2009 unless the authority is renewed at a general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By order of the Board
Alison Vincent ACIS, for and on behalf of
JPMorgan Asset Management (UK) Limited
Secretary
28th January 2008

Notice of Annual General Meeting continued

Notes

- 1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote on their behalf. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if they so wish.
- 2 Any instrument appointing a proxy, to be valid, must be lodged at the Company's Registrar not less than 48 hours before the time of the meeting.
- 3 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. on 1st March 2008 (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.
- 4 Entry to the above Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with section 375 of the Companies Act 1985. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.
- 5 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 and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- 6 No Director has any contract of service with the Company.

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. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's CREST Manual. The CREST message must be transmitted so as to be received by the issuer's agent (ID7RA01) by not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Glossary of Terms

Actual Gearing Factor

Investments 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 (net of tax) 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 company 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 company to trade at a discount than a premium.

Performance Attribution

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

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 (net of tax) were reinvested in the shares of the Company 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 (net of tax) 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.

In previous years the TER represented management fees and all other operating expenses (including tax relief, where applicable, but excluding interest), expressed as a percentage of the average month end net assets over the year. This change was made firstly to align our method of calculation with that used by Lipper (an agency which disseminates statistical information for the purpose of peer group comparison) and secondly to make the calculation more transparent, as all the numbers used in the calculation are now extracted from the audited accounts.

Performance Attribution Definitions:

Gearing Effect

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

Management Fees/Other Expenses

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

Stock/Sector Selection

Measures the effect of investing in securities and sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities/sectors outside the benchmark.

Notes

JPMorgan Helpline

Freephone 0800 40 30 30 or 0207 742 9999

9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 41 31 76 or 0172 241 4888

9.00 am to 5.30 pm Monday to Friday

Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmrussian.co.uk

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JPMorgan Russian Securities Investment Trust plc

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