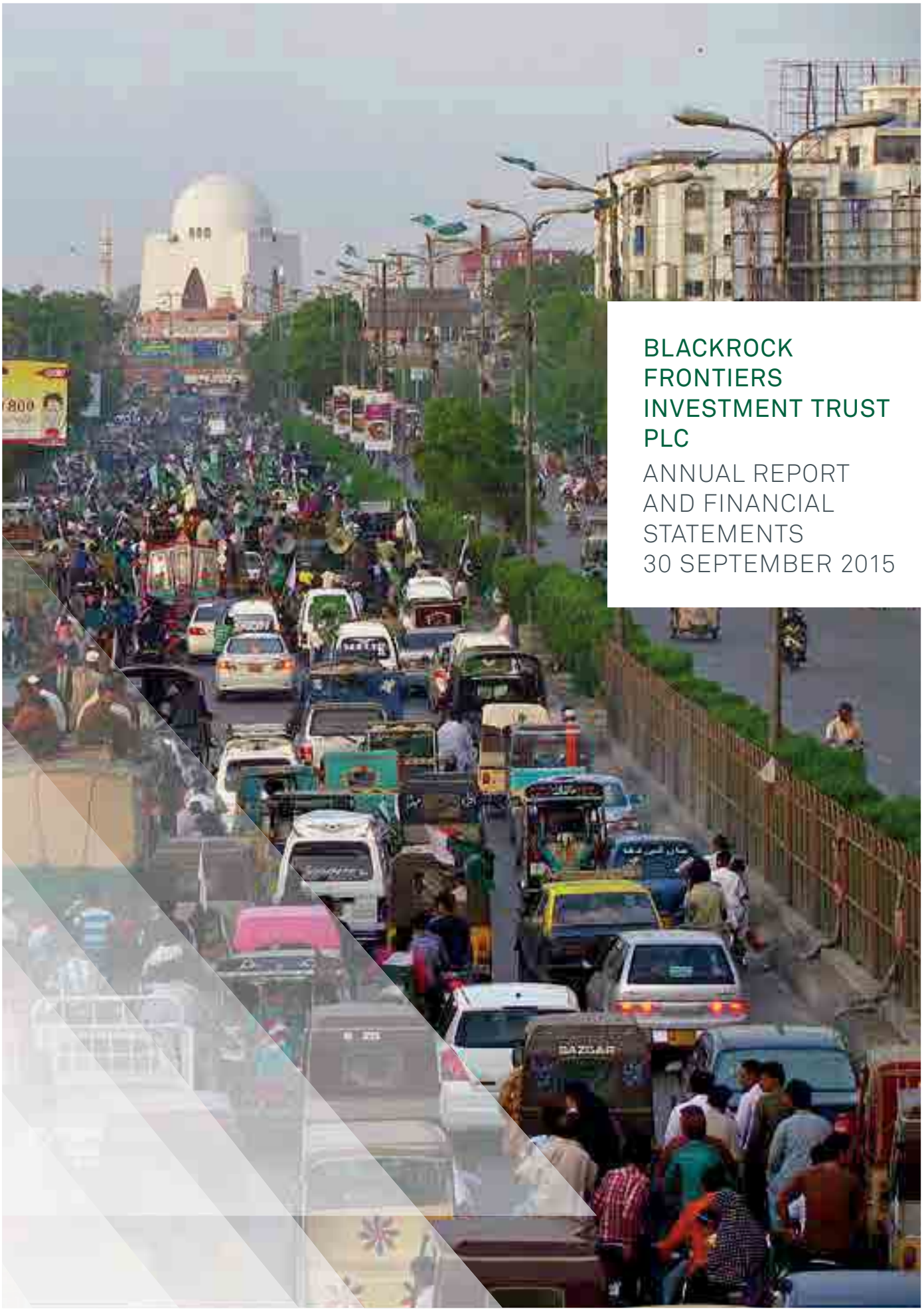


BLACKROCK FRONTIERS INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
30 SEPTEMBER 2015

BLACKROCK®

NM1123U-3242337-1/86

Investment Objective

The Company's investment objective is to achieve long term capital growth from investment in companies listed or operating in Frontier Markets (defined as any country which is not in either the MSCI Emerging Markets Index or the MSCI Developed Markets Index).

Summary Investment Policy

The Company will seek to maximise total return by investing in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, Frontier Markets.

Details about the Company are available at blackrock.co.uk/brfi

NM1123U-3242337-3/86

Contents

NM1123U-3242337-4/86

Overview

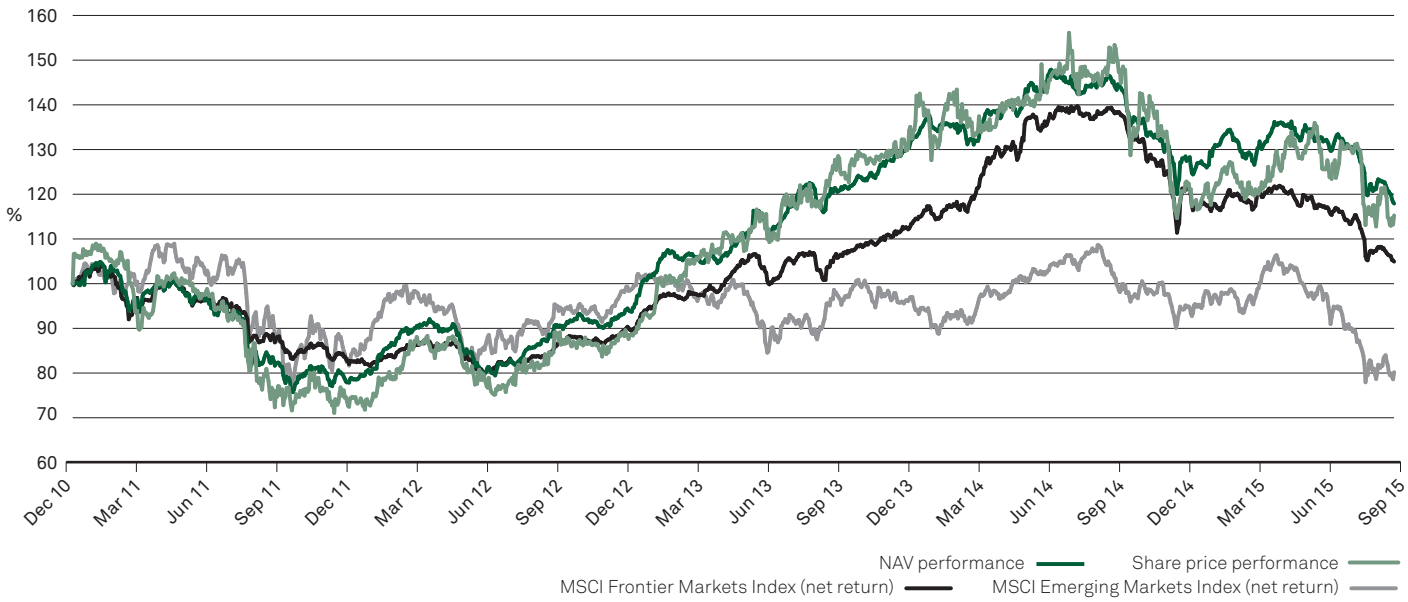
Performance record

	30 September 2015	30 September 2014
US Dollar		
Net assets (US$'000)	242,395	306,132
Net asset value per share (cum income)	160.93	203.25
Share price[1]	157.15	211.58
Sterling		
Net assets (£'000)[1]	160,028	188,819
Net asset value per share (cum income)[1]	106.25	125.36
Share price	103.75	130.50
(Discount)/Premium	(2.4%)	4.1%

Performance	Year ended 30 September 2015 %	Year ended 30 September 2014 %	Since inception[3] %
US Dollar			
Net asset value per share (with income reinvested)	-17.9	+21.2	+20.0
MSCI Frontier Markets Index (NR[2])	-24.2	+30.0	+4.8
MSCI Emerging Markets Index (NR[2])	-19.3	+4.3	-19.5
Ordinary share price (with income reinvested)	-22.9	+20.1	+15.4
Sterling			
Net asset value per share (with income reinvested)	-12.2	+21.1	+23.3
MSCI Frontier Markets Index (NR[2])	-18.9	+29.9	+7.9
MSCI Emerging Markets Index (NR[2])	-13.6	+4.2	-17.2
Ordinary share price (with income reinvested)	-17.5	+20.0	+18.4

1 Based on an exchange rate of $1.5147 to £1 at 30 September 2015 and $1.6213 to £1 at 30 September 2014.
2 Net return indices assume the reinvestment of dividends net of withholding taxes using the tax rates applicable to non-resident institutional investors.
3 The Company was incorporated on 15 October 2010 and its shares were admitted to trading on the London Stock Exchange on 17 December 2010.

PERFORMANCE FROM LAUNCH ON 17 DECEMBER 2010 TO 30 SEPTEMBER 2015



All performance figures calculated on a US dollar basis with income reinvested, rebased to 100.
Sources: BlackRock and Datastream.

NM1123U-3242337-5/86

Overview

Chairman's statement

I am pleased to present the Annual Report for the year ended 30 September 2015.

OVERVIEW

In a challenging year for world equity markets, and especially for Frontier and Emerging Markets, the Company's NAV outperformed the MSCI Frontier Markets Index during the reporting period. As the Company approaches its five year anniversary, the investment team has generated a return of 20%[1] since the Company's launch in December 2010 compared to an increase of 4.8%[1] for the MSCI Frontiers Markets Index and a fall of 19.5%[1] for the MSCI Emerging Markets Index.

Over the year to 30 September 2015, the Company's NAV per share fell by 17.9%[1] and the share price fell by 22.9%[1]. The MSCI Frontier Markets Index fell by 24.2%[1] and the MSCI Emerging Markets Index fell by 19.3%[1], respectively.

The Company's outperformance compared to the MSCI Frontier Markets Index can be attributed to the investment team's ability to navigate a changing economic landscape and the team's fundamental research process which yielded strong stock selection.

Specifically, returns were helped by the portfolio managers' decision early in the period to reduce exposure to oil exporting countries, like Nigeria, in favour of countries which would benefit from lower energy costs, including Sri Lanka, Pakistan and Bangladesh. The positioning in Pakistan was particularly timely as the team saw the ongoing turnaround in the macroeconomic environment backed by the government's desire to privatise businesses. Additionally, we expect Pakistan to come under consideration for Emerging Market status in the coming years.

Frontier Markets continue to exhibit the characteristics we believe represent a compelling opportunity for long-term investors and have shown a strong fundamental research team is able to outperform its benchmark index in both up and down years. The combination of an attractive investment universe, bottom-up and macroeconomic insights and the closed-ended structure provide our investors a unique investment capability in today's market. These building-blocks of Frontier Market investing have driven both the portfolio returns since inception and the strong relative outperformance over the previous 12 months.

We believe the next five years will prove equally interesting as the last. Countries as diverse as Romania and Pakistan will come under consideration for Emerging Market status in the coming years, while Saudi Arabia's market reforms may allow for inclusion in global indices for the first time. This should provide ample ground for investment opportunities.

Since the year end and up to 15 December 2015, the Company's NAV per share has decreased by 1.3% and the share price has fallen by 5.7%.

REVENUE RETURN AND DIVIDENDS

The Company's revenue return per share for the year amounted to 6.55 cents (2014: 6.59 cents). The Directors are recommending the payment of a final dividend of 4.15 cents per ordinary share (2014: 4.00 cents) in respect of the year ended 30 September 2015. Together with the interim dividend of 2.40 cents per share (2014: 2.25 cents per share), this represents a total of 6.55 cents per share (2014: 6.25 cents), an increase of 4.8% over total dividends paid in respect of the year to 30 September 2014. The dividend will be paid on 19 February 2016 to Shareholders on the register of members at close of business on 29 January 2016. The cost of the dividend amounts to US$6,250,797 in aggregate.

PERIODIC OPPORTUNITIES FOR RETURN OF CAPITAL

When the Company was launched in late 2010, the Board made a commitment that before the Company's fifth AGM and at five yearly intervals thereafter, it would formulate and submit to shareholders proposals to provide shareholders with an opportunity to realise the value of their ordinary shares at the applicable NAV per ordinary share less applicable costs.

Accordingly, it is proposed that all shareholders will be given the opportunity to tender their shares for repurchase by Winterflood (the Company's broker).

The Board is aware that certain investors may wish to increase their shareholdings in the Company and, to the extent practicable, the Company's broker may sell tendered shares in the market rather than the Company repurchasing them.

To implement the tender, a separate realisation pool will be set up, the proceeds of which will be paid to tendering shareholders when the assets have been fully realised. The Directors may, at their discretion, elect to transfer only cash and near cash assets to the tender pool (instead of a pro-rata share of the Company's assets) in order to expedite the tender process where they consider this to be in the best interests of shareholders as a whole.

The tender offer proposals will require the approval of shareholders at a general meeting to be held on 10 February 2016, immediately prior to the Company's fifth Annual General Meeting (AGM).

Full details of the proposals are set out in the Circular dated 17 December which has been posted to shareholders together with this Annual Report.

If the number of shares tendered is such that the Directors are of the view that the continuance of the Company is not in the best interests of the continuing shareholders, they may withdraw the tender offer, and in such circumstances the Company will put forward further proposals to shareholders.

All Directors hold shares in the Company, and no Director will exercise his or her option to exit for cash.

1 (all calculations on a US dollar basis with net income reinvested)

NM1123U-3242337-6/86

The Investment Manager believes that there is scope to increase the capacity of its Frontier Markets strategy and in current market conditions the Investment Manager could deploy an additional circa US$100 million in this strategy. As such, should there be limited take-up of the tender offer as well as sufficient demand from investors to be able to utilise this capacity, the Board will explore options available to satisfy such demand. Given the potentially illiquid nature of the Company's investment opportunities and the time it could take to deploy any proceeds, depending on the level of demand it may be appropriate for the Company to issue C shares to satisfy this demand. The Company is therefore seeking shareholder authority at the AGM to issue up to 65 million C shares at 100 pence per C share, as more fully described on page 29. The Board gives no assurance that any C shares will be issued, and a prospectus would be required in connection with any issue, but if shareholder approval is granted at the AGM the Company would have the required shareholder authorities to issue C shares without needing to convene a separate general meeting.

CHANGE TO INVESTMENT POLICY

The Company currently invests in companies listed or operating in Frontier Markets (defined as any country which is not in either the MSCI Emerging Markets Index or the MSCI Developed Markets Index). The Board is proposing an amendment to the Company's current investment objective and policy so as to define Frontier Markets as any country that is not a constituent of the MSCI Emerging Markets Index or the MSCI Developed Markets Index as at 1 December 2015. In addition to this, it is proposed that up to 20% of the gross value of the portfolio (on an ongoing basis) may be invested in Columbia, Egypt, Peru or The Philippines, which have been identified by the Investment Manager as countries that are members of the MSCI Emerging Markets Index as at 1 December 2015 but which share similar characteristics to those of less developed markets (such as low per capita GDP, high growth potential and less developed capital markets). The amended investment policy will apply, subject to shareholder approval, with effect from the date of the Company's AGM on 10 February 2016. Full details of the amended investment objective and policy are set out in the appendix on pages 80 and 81.

The Board believes that the amendment will provide the Investment Manager with additional flexibility to invest whilst remaining consistent with the spirit of the existing mandate. At the same time it will avoid the requirement to sell attractive securities as and when individual countries are moved from the Frontier to Emerging Market indices following a decision by the index compilers. Your Board strongly recommends that shareholders vote in favour of this resolution.

CHANGE OF ARTICLES

Since the Company was launched, the statutory rules governing investment trusts have been amended and, as a result of these changes, there is no longer a requirement for a company's articles to prohibit the distribution as a dividend of surpluses arising from the realisation of investments. Accordingly, the Board no longer considers it appropriate to have such a prohibition in the articles and will therefore be seeking shareholder approval at the forthcoming Annual General Meeting to remove it. While the Board has no present intention of making use of such powers, it believes it prudent to provide the Company with the necessary flexibility to do so should it prove appropriate in the future.

SHARE CAPITAL

The Directors recognise the importance to investors of ensuring that the Company's share price is as close to its underlying NAV as possible. Accordingly, the Directors monitor the share price closely and will consider the issue at a premium, or repurchase at a discount, of ordinary shares to balance supply and demand in the market. At 30 September 2015, the Company had 150,621,621 shares in issue. There were no share issues or share buybacks in the year.

For the year under review the Company's ordinary shares have traded at an average discount to NAV of 2.4%, and were trading at a discount of 6.7% on a cum-income basis at 15 December 2015. The Directors have the authority to buy back up to 14.99% of the Company's issued share capital (excluding any shares held in treasury) and also to issue on a non pre-emptive basis up to 5% of the Company's issued share capital. Neither of these authorities has been utilised to date. Both authorities expire on the conclusion of the 2016 AGM, when resolutions will be put to shareholders to renew the buy back authority and to seek authority to issue on a non pre-emptive basis up to 10% of the Company's share capital.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Wednesday 10 February 2016 at 12.05 p.m. (or such later time as the General Meeting to approve the tender proposals closes). Details of the business of the meeting are set out in the Notice of Meeting on pages 74 to 77 of this Annual Report and the portfolio manager will be making a presentation to shareholders on the Company's progress and the outlook for Frontier Markets.

OUTLOOK

Although the last financial year has been more challenging than previous ones, the case for investing in Frontier Markets as part of a diversified portfolio remains a strong one. The investment opportunities which can be accessed through Frontier Markets comprise a broad array of fast growing and often overlooked companies. The underlying economies to which they are exposed in many cases exhibit very little correlation to the world economy overall. Although individually Frontier Markets can exhibit significant political risk, this aspect can be mitigated by acquiring a spread of holdings.

NM1123U-3242337-7/86

Chairman's statement continued

An encouraging aspect of the Company's development since launch has been the growth in dividends from the underlying holdings, to the extent that the Company now offers an increasingly competitive dividend yield. As investors continue to search for attractive and diversified sources of income we anticipate that demand for the Company's shares – and its highly distinctive investment strategy – will remain strong. Your Board therefore looks forward to the next chapter in the Company's life with considerable confidence.

AUDLEY TWISTON-DAVIES
Chairman
17 December 2015

NM1123U-3242337-8/86

Performance

Investment manager's report

PORTFOLIO AND MARKET COMMENTARY

In the 12 months to September 2015, the Company's NAV per share outperformed the benchmark by 6.3%, returning -17.9% relative to the benchmark's -24.2%. Since inception the Company's NAV per share has cumulatively returned +20.0% compared to the MSCI Frontier Market Index's +4.8%. Over the same period, since December 2010, the MSCI Emerging Markets Index has fallen by 19.5% (all calculations on a US Dollar basis with net income reinvested).

As the Company reaches its five year anniversary, we remain convinced that the features which made for such a compelling investment case at launch in December 2010 still exist today. The virtues of Frontier Markets include access to some of the world's fastest growing markets, with the opportunity to invest in a range of attractively valued companies. Frontier Markets often have favourable demographic profiles, low levels of debt and untapped natural resources, which can be leveraged to support future economic growth. The low correlation between Frontier Markets and Developed and Emerging Markets means that the inclusion of a Frontier Markets fund within a portfolio can bring significant diversification benefits. Holdings within the Company's portfolio also generate a relatively high dividend yield.

Over the past five years, we have seen first-hand the rich diversity of Frontier countries in which we sought to uncover new opportunities. We have undertaken investment trips to countries as diverse as Argentina, Bangladesh, Iran, Kyrgyzstan, Myanmar, Nigeria, Saudi Arabia, and Zimbabwe. We believe that it is important to spend time on the ground in order to build a picture of the political, economic and competitive landscape in which a company operates. We are aware that the picture within many Frontier Markets is continuously evolving and so will be returning to many of those countries to continue our due diligence processes.

We believe that the Company's outperformance, since inception and over the previous 12 months, has been broadly driven by three features. Firstly, active management remains key to generating performance in Frontier Markets. We believe that as the Frontier Market investment universe offers a large and diverse range of investment opportunities, it is essential that managers remain active and construct portfolios that reflect conviction rather than benchmark weights. The portfolio has made use of this flexibility over the period through underweight positions in both Kuwait and Nigeria.

Secondly, the investment process combines insights from bottom-up fundamental analysis with top-down macroeconomic research. Our aim is to generate hard currency returns for our investors, which requires a comprehensive approach to Frontier Market investing. Divergent currency performance over the year highlights this. Specifically, the Pakistani rupee fared reasonably well over the year, depreciating by only 1.7% against the US Dollar. The Kazakh Tenge and Ukrainian Hryvnia on the other hand, depreciated by more than 30% relative to the US Dollar over the same period.

Finally, the closed-end structure of the Company allows us to take a long term view of stocks with high growth potential. These opportunities can often be found in smaller Frontier Markets, which are growing quickly from a low starting point. Subsequently, we have been able to identify attractive stocks in countries such as Bangladesh and Sri Lanka and the closed end structure has enabled the team to build positions which accurately represent the long-term potential of these companies.

These building-blocks of Frontier Market investing have driven both the portfolio returns since inception and the strong outperformance relative to the Company's benchmark over the previous 12 months.

Given the investment conditions outlined above, it is no surprise that the trend of Frontier Market companies identified as take-over targets continued. In previous years we have seen Japanese insurers, faced with weak growth prospects at home, looking to Vietnam's underpenetrated insurance markets and growth potential. Emerging Market companies have also joined the party, with Tiger Brands of South Africa entering Nigeria one of the most high profile examples.

The previous 12 months have been no different and the Company has been well-positioned to benefit from these developments. The Company benefitted from its holding in Turkmenistan focussed energy company, Dragon Oil. The company was subject to a takeover bid from its parent company, ENOC, which we believe vindicated the high conviction of the team in a position which we have held for a number of years.

Other holdings which were the subject of bid speculation during the year included Kuwait Foods, the operator of American fast food brands throughout the Middle East and North Africa. More recently, Cable and Wireless Communications, a London listed telecoms company with operations across the Caribbean, has been rumoured to be targeted by US Liberty Global, although no formal offer has yet been launched. Whether or not these deals come to fruition, we believe that the interest displayed in our holdings validates our opinion that these companies had and have significant upside.

2015 was a good year for our holdings in Pakistan which significantly outperformed the benchmark index, which fell by 10%. Domestic power producer, Hub Power, was the top performer, rising by 67% as investors were attracted to their sovereign guaranteed US Dollar return profile in an environment of falling interest rates. Dairy company, Engro Foods, rose by 43% over the year. The company benefited from substantial margin expansion as it took advantage of falling international milk powder prices. Pakistan remains one of the largest country weights in the portfolio as we believe that the ongoing turnaround in the macroeconomic environment, such that Pakistan actually reported a current account surplus in September 2015, will continue to drive stock market performance.

NM1123U-3242337-9/86

Performance

Investment manager's report continued

Positions in Bangladesh were also strong over the period. The Company has been well positioned in terms of stock selection with positive contributions coming from stocks in the health care, consumer and telecoms sector. The market has been driven by the easing of political problems and a large current account surplus which is driving liquidity and keeping interest rates stable and low. The standout performer was confectionary producer, Olympic Industries which rose by 63% over the period. The market has recognised the growth potential of the company, which has been driven by an increase in capacity. Olympic Industries sustains a competitive advantage by leveraging its distribution network and the strength of the brand.

Our underweight position in Nigeria also supported relative performance, as the reference index fell by 35% over the year. Despite our long-term structurally positive view of the country, in the near term we are far more cautious. Specifically, oil prices at current levels continue to place pressure on external balances and the fiscal budget. As such we retain our underweight position.

Stock selection was strong in 2015, the most notable example being Belarussian IT outsourcer, EPAM Systems, which we held for the majority of the year. We rotated our exposure into Luxoft in June on the belief that despite the company maintaining revenue growth rates above 25%, the valuation of EPAM was now fully reflecting this growth, selling the stock at a price 66% above where we had bought it. Holdings in Saigon Securities, a brokerage firm in Vietnam also added to returns. The first company in Vietnam to lift Foreign Ownership Restrictions under the new regulations, the stock rallied by nearly 20% from where we initiated the position as investors anticipated an increase in domestic trading volumes.

Positions in Kazakhstan had a negative impact on performance as the fall in oil price significantly impacted government revenues and export earnings forcing the Central bank to devalue the Kazakh Tenge. Halyk Bank has fallen by 45% over the period as expectations of devaluation constrained loan growth and raised concerns of loan quality deterioration. We maintain our position in the stock as we believe that it is reasonably priced at 4.5x price to earnings, 0.8x price to book value and has a very strong balance sheet (with a 19% Capital Adequacy Ratio).

Holdings in Iraqi oil stocks DNO and Genel also negatively impacted performance as they fell by 39% and 69% respectively. Despite very low internal lifting costs, the significant impact on the Kurdistan Regional Government budget from lower oil prices restricted their ability to make payments to the International Oil Companies, putting strain on the company balance sheets.

PORTFOLIO ACTIVITY

Over the 12 months to the end of September 2015, the team made more significant changes to portfolio allocations than in a typical year.

Holding a view that the substantial fall in oil prices that we saw in Q4 2014 required substantial portfolio action, positions in Nigeria were reduced aggressively at the end of 2014 on the back of our view that the fall in oil prices would likely weigh on domestic growth and force the Central Bank to devalue the currency. Additionally, the Company materially reduced exposure to Saudi Arabia which now represents less than 1% of portfolio exposure. We believe that the fall in the oil price has yet to be reflected in the equity market.

The majority of capital was redeployed to Asian markets. We have increased our weighting in Bangladesh, Pakistan and Sri Lanka believing that the macroeconomic trajectory of these countries was improving. More recently, we have increased positions in Argentina reflecting our conviction that the Presidential election brings an opportunity for the new government to shift towards more orthodox economic policy.

OUTLOOK

Over the previous five years, Frontier Markets have continued their gradual evolution. There has been a material change in index constituents following the transition of UAE and Qatar to Emerging Market status. Following this transition, an increasing number of Frontier Markets now believe that they can enact sufficient reforms to achieve Emerging Market status. We expect countries as diverse as Romania and Pakistan to come under consideration for Emerging Market status in the coming years, while Saudi Arabia's market reforms may allow for inclusion in global indices for the first time.

One of the key features which continues to drive the benefits of diversification is the composition of the investor base. Domestic investors are the driving force in many Frontier Markets. The assets under management of international institutional investors in Frontier Markets account for approximately US$20 billion which is dwarfed by the estimated US$1 trillion in Emerging Markets. As a consequence, Frontier Market performance is driven by domestic issues which vary greatly from country to country. Developments in Brussels, Washington and Tokyo can drive the capital markets of Emerging Markets yet are largely irrelevant to investors in Colombo, Karachi and Lagos. Frontier Markets are not yet fully integrated into the world economic system and local factors tend to be far more significant in these markets than global economic challenges.

Despite these changes, Frontier Markets still exhibit the characteristics that we believe represent a compelling opportunity for long-term investors. The combination of the countries with the fastest growing GDP, the best demographic profiles, the lowest government debt and a substantial commodity endowment where it is possible to invest in companies on some of the lowest valuations in the world provides an unrivalled investment opportunity. The low correlation between Frontier Markets and all Developed and Emerging Markets means that the inclusion of a Frontier Markets fund within a portfolio can bring significant diversification benefits to both global and regional investors.

SAM VECHT & EMILY FLETCHER
BlackRock Investment Management (UK) Limited
17 December 2015

NM1123U-3242337-10/86

Performance

Ten largest investments* as at 30 September 2015

MHP (Ukraine, Consumer Staples, 4.3% (2014: 5.2%)) is a food processor, specialising in poultry exports. From hatching through to finished poultry products, the production process is 100% owned. MHP also owns 11 distribution centres and a refrigerated delivery vehicle fleet which enables the company to distribute products directly to customers.

Kuwait Foods (Americana) (Kuwait, Consumer Discretionary, 4.1% (2014: 5.4%)) operates fast food franchises across North Africa, Central Asia and the Middle East.

Hub Power** (Pakistan, Utilities, 3.3% (2014: 2.5%)). The Hub power station was one of the first Independent Power Producers in Pakistan financed by the private sector.

BRD Groupe Société Générale (Romania, Financials, 3.3% (2014: 3.2%)) is the second largest Romanian Bank, with over 2 million clients and 900 branches.

Square Pharmaceuticals** (Bangladesh, Health Care, 3.3% (2014: 2.9%)) is the largest pharmaceutical company in Bangladesh, with a market share of 16%.

United Bank for Africa (Nigeria, Financials, 3.0% (2014: 1.8%)) is based in Nigeria and is recognised as the country's third largest bank. The company has a footprint covering 19 African markets, serving 9 million customers.

Halyk Savings Bank (Kazakhstan, Financials, 2.9% (2014: 4.2%)) is one of Kazakhstan's leading financial services groups and a leading retail bank with the largest customer base and distribution network in Kazakhstan. Halyk's branch network consists of 566 outlets across the country, with 1,913 ATMs.

S.N.G.N. Romgaz (Romania, Energy, 2.9% (2014: 2.3%)) is the largest natural gas producer and the main supplier in Romania, privatised in November 2013.

Mobile Telecommunications (Kuwait, Telecommunications 2.9% (2014: 5.1%)) also known as Zain, Mobile Telecommunications has a commercial presence in 8 countries across the Middle East and North Africa with over 44 million subscribers. The company enjoys a 40% market share in its home market, Kuwait.

Telecom Argentina (Argentina, Telecommunications, 2.8% (2014: 1.6%)) is primarily engaged in the provision of national fixed-line telecommunications services, international long-distance service, data transmission and internet services, as well as mobile telephony.

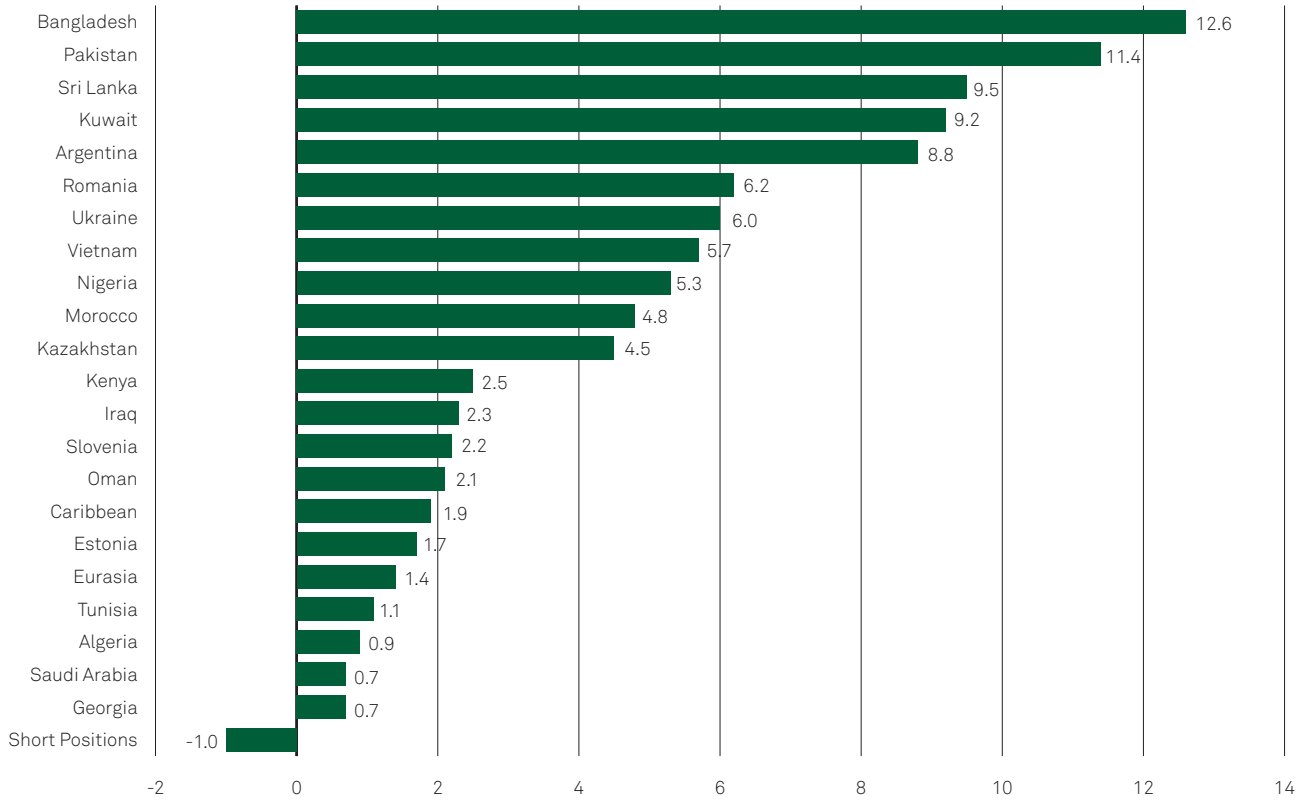
* Gross market exposure as a % of net assets. Percentages in brackets represent the portfolio holding at 30 September 2014.
** Includes exposure gained via both contracts for difference and equity holdings.

NM1123U-3242337-11/86

Performance

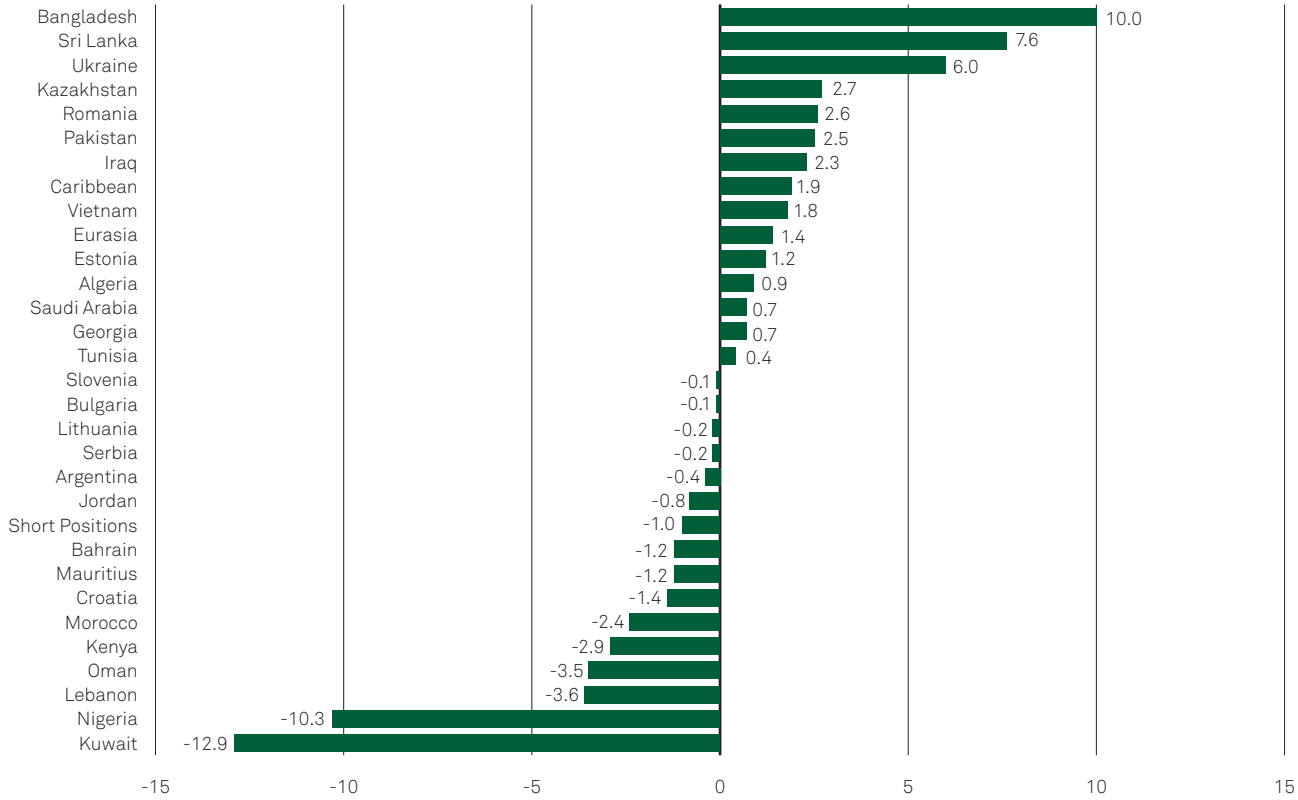
Portfolio analysis

COUNTRY ALLOCATION: ABSOLUTE WEIGHTS (% OF GROSS ASSETS)



Source: BlackRock.

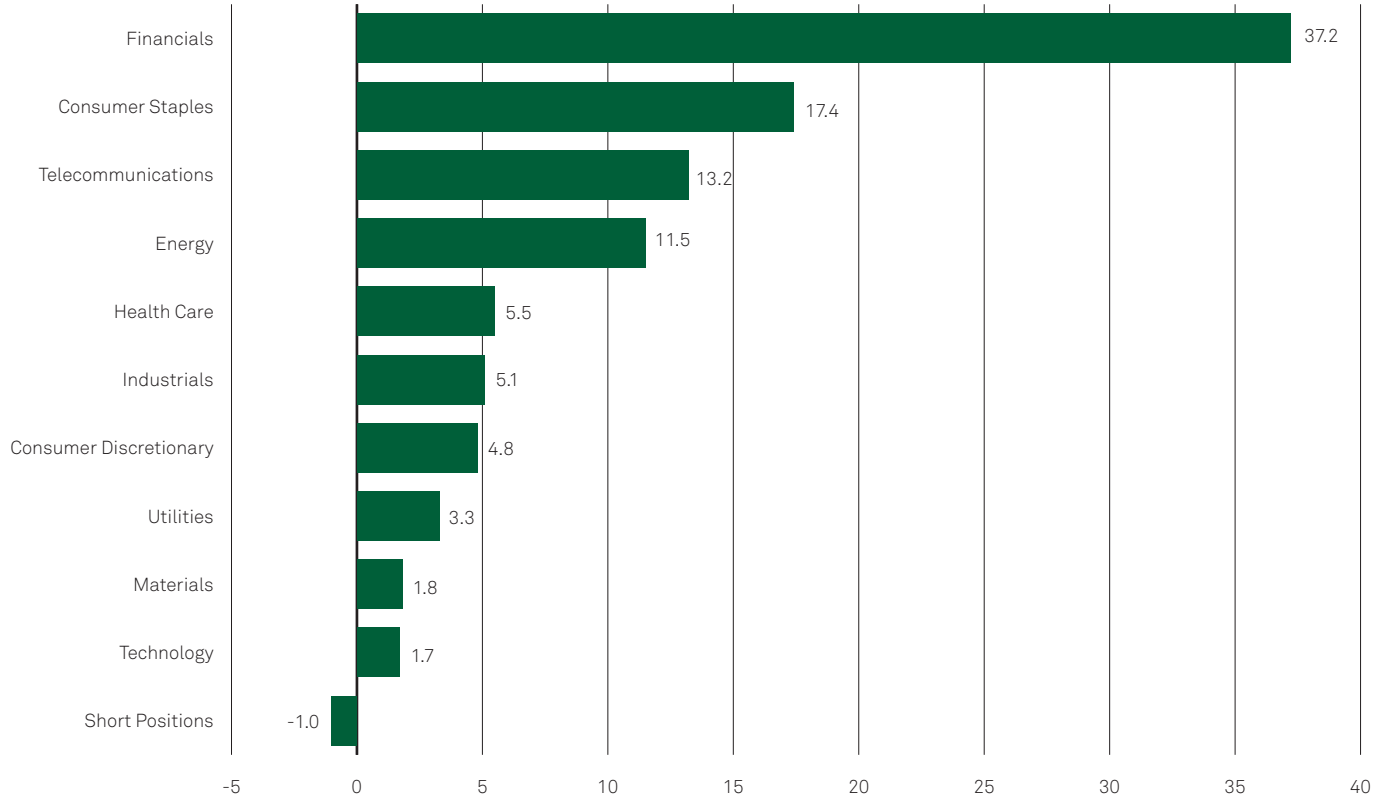
COUNTRY ALLOCATION RELATIVE TO THE MSCI FRONTIER MARKETS INDEX (%)



Source: BlackRock.

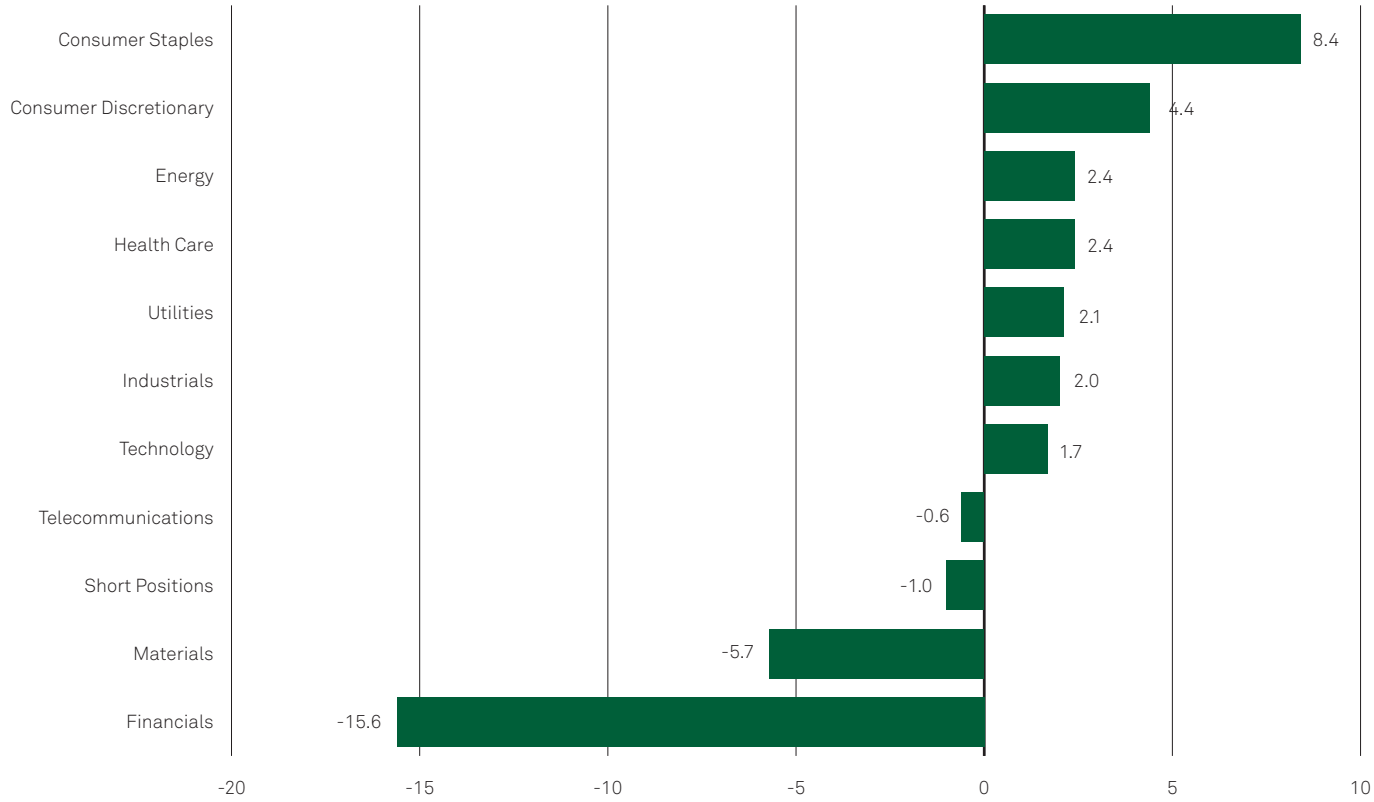
NM1123U-3242337-12/86

SECTOR ALLOCATION: ABSOLUTE WEIGHTS (% OF GROSS ASSETS)



Source: BlackRock.

SECTOR ALLOCATION RELATIVE TO THE MSCI FRONTIER MARKETS INDEX (%)



Source: BlackRock.

Performance

Investments as at 30 September 2015

Company	Principal country of operation	Sector	Fair value and market exposure[1] US$'000	Gross market exposure as a % of net assets[3]
Equity portfolio				
Agility	Kuwait	Industrials	5,358	2.2
Attijariwafa Bank	Morocco	Financials	5,411	2.2
Banco Macro	Argentina	Financials	6,086	2.5
Bank of Georgia	Georgia	Financials	1,639	0.7
BankMuscat	Oman	Financials	5,120	2.1
BRD Groupe Société Générale	Romania	Financials	7,928	3.3
Cable & Wireless	Caribbean	Telecommunications	4,629	1.9
Chevron Lubricants	Sri Lanka	Energy	5,972	2.5
Commercial Bank of Ceylon	Sri Lanka	Financials	1,315	0.5
Distilleries Co of Sri Lanka	Sri Lanka	Consumer Staples	5,099	2.1
DNO ASA	Iraq	Energy	5,163	2.1
Engro Foods	Pakistan	Consumer Staples	3,041	1.3
Equity Group	Kenya	Financials	2,095	0.9
Genel Energy	Iraq	Energy	423	0.2
Global Telecom	Algeria	Telecommunications	2,209	0.9
Grupo Financiero Galicia	Argentina	Financials	5,881	2.4
Guaranty Trust Bank	Nigeria	Financials	1,498	0.6
Habib Bank	Pakistan	Financials	6,235	2.6
Halyk Savings Bank	Kazakhstan	Financials	7,145	2.9
Hatton National Bank	Sri Lanka	Financials	3,194	1.3
Hub Power	Pakistan	Utilities	6,354	2.6
KazMunaiGas Exploration Production	Kazakhstan	Energy	3,892	1.6
KRKA	Slovenia	Health Care	5,253	2.2
Kuwait Food (Americana)	Kuwait	Consumer Discretionary	10,152	4.1
Luxoft	Ukraine	Technology	4,126	1.7
MCB Bank	Pakistan	Financials	4,143	1.7
MHP	Ukraine	Consumer Staples	10,690	4.3
Millat Tractors	Pakistan	Industrials	2,798	1.2
Mobile Telecommunications	Kuwait	Telecommunications	6,982	2.9
Olympic Industries	Bangladesh	Consumer Staples	4,260	1.8
Pampa Energia	Argentina	Financials	2,603	1.1
S.N.G.N. Romgaz	Romania	Energy	7,123	2.9
Safaricom	Kenya	Telecommunications	3,793	1.6
Square Pharmaceuticals	Bangladesh	Health Care	2,131	0.9
Tallink	Estonia	Industrials	4,040	1.7
Telecom Argentina	Argentina	Telecommunications	6,765	2.8
United Bank	Pakistan	Financials	3,041	1.3
United Bank for Africa	Nigeria	Financials	7,249	3.0
Zenith Bank	Nigeria	Financials	4,001	1.7
Equity Investments			184,837	76.3
BlackRock's Institutional Cash Fund			52,924	21.8
Total equity investments (including BlackRock's Institutional Cash Fund)			237,761	98.1
P-Notes				
Herfy Food Services 08/10/15	Saudi Arabia	Consumer Discretionary	1,685	0.7
Total P-Notes			1,685	0.7
Total investments excluding CFDs			**239,446**	**98.8**

NM1123U-3242337-14/86

Company	Principal country of operation	Sector	Fair value[1] US$'000	Gross market exposure[2] US$'000	Gross market exposure as a % of net assets[3]
CFD portfolio					
Long positions					
British American Tobacco	Bangladesh	Consumer Staples		6,364	2.6
Coca Cola Icecek	Eurasia	Consumer Staples		3,437	1.4
Commercial Bank of Ceylon	Sri Lanka	Financials		2,175	0.9
Distilleries Co of Sri Lanka	Sri Lanka	Consumer Staples		1,635	0.7
Hatton National Bank	Sri Lanka	Financials		3,523	1.5
Hub Power	Pakistan	Utilities		1,687	0.7
Maroc Telecom	Morocco	Telecommunication		6,455	2.6
Masan	Vietnam	Consumer Staples		5,113	2.1
Mobile World	Vietnam	Telecommunication		1,158	0.5
Petrovietnam Fertilizers & Chemicals	Vietnam	Materials		4,305	1.8
Saigon Securities	Vietnam	Financials		3,204	1.3
Societe Frigorifique et Brasserie de Tunis	Tunisia	Consumer Staples		2,662	1.1
Square Pharmaceuticals	Bangladesh	Health Care		5,708	2.4
Titas Gas Transmission & Distribution	Bangladesh	Energy		5,301	2.2
United Commercial Bank	Bangladesh	Financials		6,761	2.7
Total long CFD positions			**926**	**59,488**	**24.5**
Total short CFD positions			**55**	**(2,533)**	**(1.0)**
Total CFD portfolio			**981**	**56,955**	**23.5**
Equity investments (excluding BlackRock's Institutional Cash Fund) and P-Notes			**186,522**	**186,522**	**77.0**
BlackRock's Institutional Cash Fund[4]			**52,924**	**52,924**	**21.8**
Total Investments			**240,427**	**296,401**	**122.3**
Cash and cash equivalents[4]			**6,520**	**(49,454)**	**(20.4)**
Net current liabilities			**(4,552)**	**(4,552)**	**(1.9)**
Net assets			**242,395**	**242,395**	**100.0**

1 Fair value is determined as follows:
- Listed and AIM quoted investments are valued at bid prices where available, otherwise at published price quotations.
- The sum of the fair value column for the CFD contracts totalling US$981,000 represents the fair valuation of all the CFD contracts, which is determined based on the difference between the purchase price and value of the underlying shares in the contract (in effect the unrealised gains/(losses) on the exposed positions). The cost of purchasing the securities held through long CFD positions directly in the market would have amounted to US$58,562,000 at the time of purchase, and subsequent market rises in prices have resulted in unrealised gains on the CFD contracts of US$926,000, resulting in the value of the total market exposure to the underlying securities rising to US$59,488,000 as at 30 September 2015. The cost of acquiring the securities to which exposure was gained via the short CFD positions would have been US$2,588,000 at the time of entering into the contract, and subsequent price rises have resulted in unrealised gains on the short CFD positions of US$55,000 and the value of the market exposure of these investments decreasing to US$2,533,000 at 30 September 2015. If the short position had been closed on 30 September 2015 this would have resulted in a gain of US$55,000 for the Company.
- P-Notes are valued based on the quoted bid price of the underlying security to which they relate.

2 Market exposure in the case of equity and P-Note investments is the same as fair value. In the case of CFDs it is the market value of the underlying shares to which the portfolio is exposed via the contract.

3 % based on the total market exposure.

4 The gross market exposure column for Cash and Cash Fund investments has been adjusted to assume the Company purchased direct holdings rather than exposure being gained through CFDs.

Performance

Strategic report

The Directors present the Strategic Report of the Company for the year ended 30 September 2015. As noted in the Chairman's Statement on page 5, a proposal is being put forward at the Company's AGM to seek approval from shareholders to make an amendment to the investment policy of the Company. The proposed amendment, if approved, shall come into effect from 10 February 2016. The proposed amendment to the Company's investment policy and consequential amendment to the Company's investment objective are described in the appendix on pages 80 and 81.

PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio investment.

INVESTMENT OBJECTIVE

The Company's investment objective is to achieve long-term capital growth from investment in companies listed or operating in Frontier Markets (defined as any country which is not in either the MSCI Emerging Markets Index or the MSCI Developed Markets Index).

STRATEGY, BUSINESS MODEL AND INVESTMENT POLICY

Strategy

To achieve its objective, the Company invests globally in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, Frontier Markets. Investment may also be made in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, more developed markets but with significant business operations in Frontier Markets. A Frontier Market is defined as a country which, at the time of any relevant investment, is not a constituent of the Emerging Markets Index or the Developed Markets Index.

Business model

The Company's business model follows that of an externally managed investment trust, therefore the Company does not have any employees and outsources its activities to third party service providers including BlackRock Fund Managers Ltd (BFM) ('The Manager') which is the principal service provider.

The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager. The Manager has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Ltd (BIM (UK)) ('the Investment Manager'). The contractual arrangements with, and assessment of the Manager are summarised on pages 25 and 26. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. Other service providers include the Depositary, BNY Mellon Trust & Depositary (UK) Limited, the Administrator, Bank of New York Mellon (International) Limited, and the Registrar, Computershare Investor Services PLC (Computershare). Details of the contractual terms with third party service providers are set out in the Directors' Report.

Investment policy

The Company will seek to maximise total return and will invest globally in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, Frontier Markets. Investment may also be made in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, more developed markets with significant business operations in Frontier Markets. The Company will exit any investment relating to a Frontier Market as soon as reasonably practicable following that Frontier Market becoming a constituent of the Emerging Markets Index or the Developed Markets Index.

With effect from 10 February 2016, subject to shareholder approval, the Board proposes to amend the wording of this policy to clarify that investment may be made in the securities of companies domiciled or listed in any Frontier Market country, defined as any country that is not a constituent of the MSCI Emerging Markets Index or the MSCI Developed Markets Index as at 1 December 2015. In addition to this, it is proposed that up to 20% of the gross value of the portfolio (on an ongoing basis) may be invested in the securities of companies domiciled in Columbia, Egypt, Peru or The Philippines, which have been identified by the Investment Manager as countries that are members of the MSCI Emerging Markets Index as at 1 December 2015 but which share similar characteristics to those of less developed markets (such as low per capita GDP, high growth potential and less developed capital markets). The amended investment policy will apply, subject to shareholder approval, with effect from the date of the Company's AGM on 10 February 2016. Full details of the amended investment objective and policy are set out in the appendix on pages 80 and 81.

In order to achieve the Company's investment objective, the Investment Manager selects stocks by fundamental analysis of countries, sectors and companies, looking for long-term appreciation from mispriced value or growth. The Investment Manager employs both a top-down and bottom-up approach to investing. Risk is spread through investing in a number of holdings and, typically, it is expected that the Company will invest in between 35 to 65 holdings.

Where possible, investment will generally be made directly in the stock markets of Frontier Markets. Where the Investment Manager determines it appropriate, investment may be made in Frontier Markets through collective investment schemes, although such investment is not likely to be substantial. Investment in other closed-ended investment funds admitted to the Official List will not exceed more than 10%., in aggregate, of the value of the Gross Assets (calculated at the time of any relevant investment).

It is intended that the Company will generally be invested in equity investments, however, the Investment Manager may invest in equity related investments such as convertibles or

NM1123U-3242337-16/86

fixed-interest securities where there are perceived advantages in doing so. The Investment Manager may invest in bonds or other fixed-income securities, including high risk debt securities. These securities may be below investment grade.

Due to national and/or international regulation, excessive operational risk, prohibitive costs and/or the time period involved in establishing trading and custody accounts in certain of the Company's target Frontier Markets, the Company may temporarily, or, on an on-going basis, be unable to invest (whether directly or through nominees) in certain of its target Frontier Markets or, in the opinion of the Company and/or the Investment Manager, it may not be advisable to do so. In such circumstances, the Company intends to gain economic exposure to such target Frontier Markets by investing indirectly through derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes. Save as provided below, there is no restriction on the Company investing in derivatives and/or structured financial instruments in such circumstances.

If the Company invests in derivatives and/or structured financial instruments for investment purposes (other than to gain access to a target Frontier Market as described above) and/or for efficient portfolio management purposes it shall only hold up to, in aggregate, 20% of its Gross Assets in derivatives and/or structured financial instruments for such purposes. The Company may take both long and short positions. The Company may short up to a limit of 10% of Gross Assets. For shorting purposes the Company may use indices or individual stocks.

The maximum exposure the Company may have to derivatives and/or structured financial instruments for investment purposes (including gaining access to target Frontier Markets) and efficient portfolio management purposes, in aggregate, shall be 100% of the Company's portfolio. When investing via derivatives and/or structured financial instruments (whether for investment purposes (including gaining access to target Frontier Markets) and/or for efficient portfolio management purposes), the Company will seek to mitigate and/or spread its counterparty risk exposure by collateralisation and/or contracting with a potential range of counterparty banks, as appropriate, each of whom shall, at the time of entering into such derivatives and/or structured financial instruments, have a Standard & Poors credit rating of at least A- long-term senior unsecured. When investing via derivatives and/or structured financial instruments, the Company could have exposure to between 35 to 65 underlying companies.

The Investment Manager will invest directly in securities only in countries where it is satisfied that acceptable custodial and other arrangements are in place to safeguard the Company's investments.

The Company's portfolio will frequently be overweight or underweight relative to the Reference Index.

The Company may invest up to 5% of its Gross Assets (at the time of such investment) in unquoted securities. The Company will invest so as not to hold more than 15% of its Gross Assets in any one stock or derivative position at the time of investment (excluding cash management activities).

The Company may use borrowings for settlement of transactions, to facilitate share repurchases (where applicable) and to meet on-going expenses and may be geared through borrowings and/or by entering into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance. The aggregate of gearing through borrowing and the use of derivatives will not exceed 40% of the Gross Assets. It is anticipated that the aggregate of such gearing will not exceed 20% of the Gross Assets at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

A detailed analysis of the Company's portfolio has been provided on pages 10 to 13.

PERFORMANCE

Details of the Company's performance for the year are given in the Chairman's Statement on pages 4 to 6. The Investment Manager's Report on pages 7 and 8 includes a review of the main developments during the period, together with information on investment activity within the Company's portfolio.

RESULTS AND DIVIDENDS

The results for the Company are set out in the Statement of Comprehensive Income on page 40. The total loss for the year, after taxation, was US$54,097,000 (2014: profit of US$54,288,000) of which the revenue return amounted to US$9,870,000 (2014: US$9,922,000) and the capital loss amounted to US$63,967,000 (2014: profit of US$44,366,000).

The Directors are recommending the payment of a final dividend of 4.15 cents per ordinary share in respect of the year ended 30 September 2015 (2014: 4.00 cents) as set out in the Chairman's Statement on page 4.

KEY PERFORMANCE INDICATORS

The Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

Performance measured against the benchmark

At each meeting the Board reviews the performance of the portfolio as well as the net asset value and share price for the Company and compares this to the return of the Company's benchmark. The Board considers this to be an important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to BlackRock.

NM1123U-3242337-17/86

Performance

Strategic report continued

Share rating

The Directors recognise the importance to investors that the Company's share price should not trade at a significant discount to NAV. Accordingly, the Directors monitor the share rating closely and will consider share repurchases in the market if the discount widens significantly, or the issue of shares to the market to meet demand to the extent that the Company's shares are trading at a premium. In addition, in accordance with the Directors' commitment at launch the Company has formulated and submitted to shareholders proposals to provide shareholders with an opportunity at this, the five year anniversary since launch, to realise the value of their ordinary shares at the applicable NAV per share less costs.

For the year under review the Company's shares have traded at an average discount to NAV of 2.4%, and were trading at a discount of 6.7% on a cum-income basis at 15 December 2015. The Directors have the authority to buy back up to 14.99% of the Company's issued share capital (excluding treasury shares). This authority, which has not so far been utilised, expires at the 2016 AGM, when a resolution will be put to shareholders to renew it. The Directors also have the authority to issue up to 5% of the Company's issued share capital on a non pre-emptive basis; the Board will put a resolution to shareholders to issue up to 10% of the Company's issued share capital on a non pre-emptive basis at the next AGM.

Ongoing charges

The ongoing charges reflect those expenses which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective investment fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments and performance fees. The ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charges and monitors the expenses incurred by the Company. The table below sets out the key KPIs for the Company.

	Year ended 30 September 2015[1]		Year ended 30 September 2014[1]	
	£%	US$%	£%	US$%
Change in Net Asset Value[2]	-12.2	-17.9	21.1	21.2
Change in Share price[3]	-17.5	-22.9	20.0	20.1
Change in Benchmark index[4]	-18.9	-24.2	29.9	30.0
(Discount)/Premium to cum income NAV		-2.4		4.1
Ongoing charges[5]		1.5		1.5
Ongoing charges plus taxation and performance fees		1.6		1.5

1 Based on an exchange rate of $1.5147 to £1 at 30 September 2015 and $1.6213 to £1 as at 30 September 2014.
2 Calculated in accordance with AIC guidelines.
3 Calculated on a mid to mid basis.
4 MSCI Frontier Markets Index, (Net Return).
5 Calculated as a percentage of average net assets and using expenses, excluding performance fees, VAT refunded, finance costs and taxation.

The Board also regularly reviews a number of indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also reviews the performance of the Company against a peer group of Frontier Markets open and closed-ended funds.

PRINCIPAL RISKS

The key risks faced by the Company are set out below. The Board has in place a robust process to assess and monitor the principal risks of the Company. A core element of this is the Company's risk register, which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk, and the quality of the controls operating to mitigate the risk. A residual risk rating is then calculated for each risk based on the outcome of this assessment. This approach allows the effect of any mitigating procedures to be reflected in the final assessment.

The register, its method of preparation and the operation of the key controls in the BlackRock's and other third party service providers systems of internal control are reviewed on a regular basis by the Audit & Management Engagement Committee. In order to gain a more comprehensive understanding of the BlackRock's and other third party service providers' risk management processes and how these apply to the Company's business, the Audit Committee periodically receives presentations from BlackRock's Internal Audit and Risk & Quantitative Analysis teams, and reviews SOC 1 reports from the Company's custodian and administrator.

In relation to the 2014 update to the UK Corporate Governance Code, the Board is comfortable that the procedures that the Company has in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout 2015.

The current risk register includes 46 risks spread between performance risk, income/dividend risk, regulatory risk, operational risk and market risk, political risk and financial risk. The principal risks and uncertainties faced by the Company in 2015, together with the potential effects, controls and mitigating factors, are set out below and on the following pages.

Performance risk – The Board is responsible for setting the investment policy to fulfil the Company's objectives and for monitoring the performance of the Company's Investment Manager and the strategy adopted. An inappropriate policy or strategy may lead to poor performance, dissatisfied shareholders and a widening discount. The Company's investment policy permits the use of both exchange-traded and over-the-counter derivatives (including contracts for difference). To manage these risks the Board regularly reviews the Company's investment mandate and long term strategy, and has put in place appropriate limits over levels of gearing and the use of derivatives. Levels of portfolio exposure through derivatives, including the extent to which the portfolio is

NM1123U-3242337-18/86

geared in this manner and the value of any short positions, are reported regularly to the Board and monitored. The Board also reviews the controls put in place by the Investment Manager to monitor and to minimise counterparty exposure, which include intra-day monitoring of exposures to ensure these are within set limits. The Investment Manager provides an explanation of significant stock selection decisions, the rationale for the composition of the investment portfolio and movements in the level of gearing. The Board monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the Company's investment policy.

Income/dividend risk – The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by shareholders. The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting.

Regulatory risk – The Company operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments. The Investment Manager monitors investment movements, the level and type of forecast income and expenditure and the amount of proposed dividends, if any, to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached and the results are reported to the Board at each meeting. Following authorisation under the Alternative Investment Fund Managers' Directive (AIFMD), the Company and its appointed Alternative Investment Fund Manager (AIFM) are subject to the risks that the requirements of this Directive are not correctly complied with. The Board and the AIFM also monitor changes in government policy and legislation which may have an impact on the Company.

Operational risk – In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of BlackRock, BNY Mellon Trust & Depositary (UK) Limited (the Depositary) and the Bank of New York Mellon (International) Limited (the Administrator), which maintains the Company's accounting records. The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These have been regularly tested and monitored throughout the year which is evidenced through their Service Organisation Control (SOC 1) reports to provide assurance regarding the effective operation of internal controls which are reported on by their service auditors and give assurance regarding the effective operation of controls. The Board also considers succession arrangements for key employees of the Manager and the Investment Manager and the business continuity arrangements for the Company's key service providers.

Market risk – Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through realising investments in the face of negative market movements. The securities markets of Frontier Markets are not as large as the more established securities markets and have substantially less trading volume, which may result in a lack of liquidity and higher price volatility. There are a limited number of attractive investment opportunities in Frontier Markets and this may lead to a delay in investment and may affect the price at which such investments may be made and reduce potential investment returns for the Company. There is also exposure to currency risk due to the location of the operation of the businesses in which the Company may invest. As a consequence of this and other market factors the Company may invest in a concentrated portfolio of shares and this focus may result in higher risk when compared to a portfolio that has spread or diversified investments more broadly.

Corruption also remains a significant issue across Frontier Markets and the effects of corruption could have a material adverse effect on the Company's performance. Accounting, auditing and financial reporting standards and practices and disclosure requirements applicable to many companies in developing countries are less rigorous than in developed markets. As a result there may be less information available publicly to investors in these securities, and such information as is available is often less reliable.

The Company also gains exposure to Frontier Markets by investing indirectly through Promissory Notes (P-Notes) which presents additional risk to the Company as P-Notes are uncollateralised resulting in the Company being subject to full counterparty risk via the P-Note issuer. P-Notes also present liquidity issues as the Company, being a captive client of a P-Note issuer, may only be able to realise its investment through the P-Note issuer and this may have a negative impact on the liquidity of the P-Notes which does not correlate to the liquidity of the underlying security. 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 the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager.

Political Risk – Investments in Frontier Markets may include a higher element of risk compared to more developed markets due to greater political instability. Political and diplomatic events in Frontier Markets where the Company invests (for example, governmental instability, corruption, adverse changes in legislation or other diplomatic developments such as the outbreak of war) could substantially and adversely

affect the economies of such countries or the value of the Company's investments in those countries.

The Investment Manager recognises this in applying stringent controls over where investments are made and close monitoring of political risks in reaching this assessment. The Investment Manager's approach to filtering the investment universe takes account of the political background to regions, and is backed up by rigorous stock specific research and risk analysis, individually and collectively, in constructing the portfolio. The management team has a wide network of business and political contacts which provides economic insights with public and private bodies, and enables the Investment Manager to assess potential investments in an informed and disciplined way, as well as being able to conduct regular monitoring of investments once made. However, given the nature of political risk, all investments will be exposed to a degree of risk and the Investment Manager will ensure that the portfolio remains diversified across countries to mitigate the risk.

Financial risks – The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk. Further details are disclosed in note 17 to the financial statements, together with a summary of the policies for managing these risks.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 Code on UK Corporate Governance, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to by the 'Going Concern' guidelines. The Board conducted this review for the period up to the AGM in 2021 which is the second deadline (following the tender offer in 2016) by which the Board will formulate and submit to shareholders proposals (which may constitute a tender offer and/or other method of distribution) to provide an opportunity to realise the value of their investment in the Company at NAV less applicable costs.

In making this assessment the Board has considered the following factors:

- The Company's principal risks as set out above;
- The ongoing relevance of the Company's investment objective in the current environment;
- The level of demand for the Company's ordinary shares; and
- The expected outcome of the 2016 tender opportunity.

The Board has also considered a number of financial metrics, including:

- The level of current and historic ongoing charges incurred by the Company;
- The premium or discount to NAV;
- The level of income generated by the Company;
- Future income forecasts; and
- The liquidity of the Company's portfolio.

BlackRock Frontiers Investment Trust plc is an investment company with a relatively liquid portfolio (as at 30 September 2015, 78% of the portfolio was capable of being liquidated in 20-40 days) and largely fixed overheads (excluding performance fees) which comprise a very small percentage of net assets (1.5%). In addition, any performance fees are capped at 1% of NAV in years where the NAV per share has fallen or 2.5% in years where the NAV per share has increased. Therefore the Board has concluded that even in exceptionally stressed operating conditions, the Company would comfortably be able to meet its ongoing operating costs as they fall due.

However, investment companies may face other challenges, such as a significant decrease in size due to substantial share buy-back activity, which may result in the company no longer being of sufficient market capitalisation to represent viable investment propositions or no longer being able to continue in operation. As explained in more detail in the Chairman's Statement on pages 4 and 5, the Company will offer all shareholders the opportunity to tender their shares for repurchase by Winterflood at the applicable NAV less applicable costs in early 2016, with results of the tender offer elections being available on 10 February 2016. The Board has reviewed the potential impact that these proposals may have on the Company's viability, and in particular has considered feedback received from the Company's broker, Winterflood, regarding shareholder demand for the Company's shares and investor appetite for the Company's investment strategy. Winterflood remains in regular communication with shareholders and, based on shareholder views at the time of publication of this report, does not expect that demand for the tender offer will be at a level which jeopardises the ongoing viability of the Company. Therefore the Board is confident that, in current market conditions, the tender offer proposals will not have a detrimental impact on the Company's ongoing viability.

Based on the results of their analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

FUTURE PROSPECTS

The Board's main focus is the achievement of capital growth and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in both the Chairman's Statement on pages 5 and 6 and in the Investment Manager's Report on page 8.

NM1123U-3242337-20/86

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment trust, the Company has no direct social or community responsibilities. However, the Company believes that it is in shareholders' interests to consider environmental, social and governance factors and human rights issues when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on page 23.

DIRECTORS, GENDER REPRESENTATION AND EMPLOYEES

The Directors of the Company on 30 September 2015, all of whom held office throughout the year, are set out in the Directors' biographies on page 20. The Board consists of four men and one woman. The Company does not have any employees.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
17 December 2015

NM1123U-3242337-21/86

Governance

Governance structure and directors' biographies

Responsibility for good governance lies with the Board. The governance framework of the Company reflects the fact that as an Investment Company it has no employees and outsources investment management and administration to the Manager and other external service providers.

The Board

Five non-executive Directors (NEDs), four of whom are independent of the Manager[1]

Chairman: Audley Twiston-Davies

5 scheduled meetings per annum

Objectives:

- To determine the Company's strategy including, investment policy and investment guidelines;
- To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed and the Company's assets to be safeguarded; and
- To challenge constructively and to scrutinise performance of all outsourced activities.

Other functions:

- To carry out the duties of a Nomination Committee, including a regular review of the Board's structure and composition, making recommendations for any new Board appointments and reviewing the Directors' conflicts of interest.
- To set the remuneration policy for the Company.

Committees

Audit & Management Engagement Committee

2 scheduled meetings per annum

Chairman: Lynn Ruddick

Membership: All NEDs

Key objectives:

- To oversee financial reporting;
- To consider the adequacy of the control environment;
- To review the performance of the Manager;
- To review and form an opinion on the effectiveness of the external audit process; and
- To review other service providers.

Directors

Audley Twiston-Davies	Lynn Ruddick	Nick Pitts-Tucker	John Murray	Sarmad Zok
Chairman, Appointed 23 November 2010	Audit & Management Engagement Committee Chairman, Appointed 23 November 2010	Appointed 23 November 2010	Appointed 12 July 2011	Appointed 8 February 2011
currently non-executive chairman of TR European Growth Trust plc and Kasimir Russian Growth Fund. He was formerly Chairman of Taylor Young Investment Management Limited and also the Chief Executive Officer of Foreign & Colonial Emerging Markets Limited.	a Fellow of the Chartered Association of Certified Accountants. She is non-executive chairman of Fidelity Special Values plc and a non-executive director of BlackRock Income Strategies Trust plc, Standard Life UK Smaller Companies Trust plc, a member of the Investment Committee of the Pearson Group Pension Plan and Chairman of the Scottish & Newcastle and Western Provident Association Pension Plans. Before retiring from Merrill Lynch Investment Managers in 2004 she headed their investment trust business unit.	currently acting in a number of non-executive roles, including container shipping company Seaspan Corporation, Health Impact Partners and University of Northampton. He is also a Member for the Royal Society for Asian Affairs and a Fellow of the Royal Asiatic Society. These follow a 36 year career in Emerging Markets with Japanese, British and American banks, arranging corporate and project finance loans for borrowers in those markets.	chairman and one of the founders of Ecofin Limited, a London based investment firm which specialises in the global utilities, infrastructure, renewable energy and energy sectors. He was previously a director of Ecofin Water & Power Opportunities plc, a quoted investment trust, and a number of other funds managed by Ecofin. Mr Murray has held senior corporate finance positions at Swiss Bank Corporation in London and at Morgan Stanley Group, Inc., in New York, London and Australia.	chairman and chief executive officer of Kingdom Hotel Investments. He is a Board Director of Kingdom Holding Company ("KHC") and a member of the company's Investment Committee where he is responsible for KHC's global hotel portfolio. Mr Zok is also a Director of Four Seasons Hotels & Resorts, Fairmont Raffles Hotels and Mövenpick Hotels and Resorts AG. Previously, Mr Zok headed Forte PLC's development effort in emerging markets and worked at HVS International, a leading hotel consulting and valuation firm, covering European markets.
Attendance record:	**Attendance record:**	**Attendance record:**	**Attendance record:**	**Attendance record:**
Board: 5/5	Board: 5/5	Board: 5/5	Board: 5/5	Board: 5/5
Audit & Management Engagement Committee: 2/2	Audit & Management Engagement Committee: 2/2	Audit & Management Engagement Committee: 2/2	Audit & Management Engagement Committee: 2/2	Audit & Management Engagement Committee: 2/2

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

[1] As Ms Ruddick serves as a Director of another BlackRock managed investment trust, she is deemed to be non-independent of the Manager.

NM1123U-3242337-22/86

Governance

Corporate governance statement

CHAIRMAN'S INTRODUCTION

Corporate governance is the process by which the Board seeks to look after shareholders' interests and to protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run our Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

The Board is accountable to shareholders for the governance of the Company's affairs. The Directors have considered the principles and recommendations of the 2015 AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2014 UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The AIC Code is available from the Association of Investment Companies (theaic.co.uk). The UK Code is available from the Financial Reporting Council website (frc.org.uk).

COMPLIANCE

Throughout the year, the Company has complied with the recommendations of the AIC Code and provisions of the UK Code, except the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- nomination of a senior independent director (explained in the "Board composition" paragraph on this page).

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of BlackRock Frontiers Investment Trust plc, being an externally managed investment company with no executive employees and, in relation to the internal audit function, in view of BlackRock having an internal audit function.

Information on how the Company has applied the principles of the AIC Code and the UK Code is provided in the Directors' Report as set out below:

Board composition

The Board currently consists of five non-executive Directors, of whom four are independent of the Company's Manager. The structure of the Board is such that it is considered unnecessary to identify a Senior Independent Director.

The UK Code recommends that the Board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Code states that the senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate. However as the Board's structure is relatively simple, with no executive directors and just 5 non-executive Directors, the Board does not consider it to be necessary to nominate a senior independent director.

The Directors' biographies, on page 20, demonstrate a breadth of investment knowledge, business and financial skills which enables them to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can also be found on page 20. Board composition will be kept under review and when the need arises, care will be taken to ensure that appointees have enough time to devote to the job. External consultants may be used to identify potential candidates.

Board independence and tenure

The Board's independence, including that of the Chairman, has been considered, and all the Directors, with the exception of Ms Ruddick are deemed to be independent. Ms Ruddick was deemed independent until 27 February 2015, when BlackRock was appointed as Manager to another investment trust where Ms Ruddick also serves as a board member. Accordingly, under the terms of the Listing Rules Ms Ruddick is therefore no longer deemed to be independent of the Manager.

Ms Ruddick has been the Chairman of the Audit & Management Engagement Committee since the Company's inception, and her experience, combined with the proximity of the tender offer (as previously detailed in the Chairman's Statement) mean that the Board is keen that she continue as Chairman of the Audit & Management Engagement Committee, until the approval of the Annual Report for the year ending 30 September 2015 by shareholders and until such time as the tender offer has been implemented.

The Board does not consider it appropriate to appoint a new Audit & Management Engagement Committee Chairman prior to the tender offer in 2016, given that the outcome of this event is uncertain. Once the outcome of shareholder elections

NM1123U-3242337-23/86

in respect of the tender offer is known, the Board intends to revisit the composition of the Committee and will identify and recruit an independent Director with the expertise necessary to replace Ms Ruddick as Chairman of the Committee.

Notwithstanding Ms Ruddick's position on the Board of two BlackRock-managed investment trusts, the Board considers her to be independent. In addition, as all the other members of the Committee are deemed to be independent, the Board considers that there is an adequate level of independent representation on the Committee.

Further information is given on page 20 regarding terms of the Directors' appointment.

Directors' appointment, retirement and rotation
The rules concerning the appointment and replacement of Directors are contained in the Company's Articles and are set out in more detail on page 27 of the Directors' Report. The Board has considered the position of each of the Directors as part of the annual evaluation process and believes it would be in the Company's best interests for each of the Directors retiring to be proposed for re-election at the forthcoming AGM, given their material level of contribution and commitment to the Company. The Directors support a planned and progressive renewing of the Board. The Board's tenure and succession policy seeks to ensure that the Board is well-balanced through the appointment of new Directors with the skills and experience necessary. Directors must be able to demonstrate commitment to the Company, including in terms of time.

Directors' training and induction
When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Manager and the Investment Manager whereby he or she will become familiar with the various processes which the Manager and the Investment Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the Auditor's and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors.

Directors' liability insurance
The Company has maintained appropriate Directors' Liability Insurance cover throughout the year.

BOARD'S RESPONSIBILITIES
The Board's responsibilities are set out on page 20 along with information on the schedule of meetings held in the year. The Board may have additional meetings to consider strategy and other issues and between meetings there is regular contact with the Manager and the Investment Manager. A formal schedule of matters specifically reserved for decision by the Board has been defined. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board. The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 2006. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports. The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PERFORMANCE EVALUATION
The Board reviews its performance formally on a regular basis, together with that of the Audit & Management Engagement Committee. An appraisal system has been agreed by the Board for the evaluation of the Board, its Committees and individual Directors, including the Chairman. The evaluation for the year ended 30 September 2015 has been carried out. This took the form of self and peer group assessment followed by individual discussions between the Chairman and individual Directors. The performance of the Chairman was reviewed by the other Directors, led by Ms Ruddick. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the Board reflected a suitable mix of skills and experience, and that the Board, as a whole, continues to function effectively.

DELEGATION OF RESPONSIBILITIES
The Board has delegated the following areas of responsibility:

Management and administration
The management of the investment portfolio and the administration of the Company have been delegated to BlackRock Fund Managers Ltd (BFM) as the Company's AIFM, and BFM (with the permission of the Company) has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Ltd (BIM (UK)) ("the Investment Manager"). The contractual arrangements with, and assessment of the Manager are summarised on pages 25 and 26. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company.

NM1123U-3242337-24/86

The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is Bank of New York Mellon Trustee & Depositary (UK) Limited. The address at which this business is conducted is given on page 68.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 26.

INTERNAL CONTROLS

The Board is responsible for establishing and maintaining the Company's systems of internal controls and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board reviews the effectiveness of the internal control systems on an ongoing basis to identify, evaluate and manage the Company's significant risks. As part of that process, there are procedures designed to capture and evaluate any failings or weaknesses. Should a case be categorised by the Board as significant, procedures exist to ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by BlackRock's corporate audit department. This accords with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the UK Corporate Governance Code".

The Company's risk register sets out the risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third party service providers to mitigate these risks.

The Audit & Management Engagement Committee (the Committee) formally review this register on a semi-annual basis and BFM as the Company's AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock's internal audit department report to the Committee on a semi-annual basis on the results of testing performed in relation to BlackRock's internal control processes. The Depositary also reviews the control processes in place at the custodian, the fund administrator and the AIFM and reports formally to the Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Committee outside of these meetings on an ad hoc basis to the extent that this is required. The Committee also receives annual and quarterly Service Organisation Control (SOC) Reports respectively from BlackRock and Bank of New York Mellon on the internal controls of their respective operations, together with the opinion of their reporting accountants.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Manager, the Investment Manager and BNYM. The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

The Company does not have its own internal audit function, as all the administration is delegated to the Investment Manager. The Board monitors the controls in place through BlackRock's internal audit department and feels that there is currently no need for the Company to have its own internal audit function although this matter is kept under review.

There are no agreements between the Company and its Directors concerning compensation for loss of office. Powers to issue or buy back the Company's shares, which are sought annually, and any amendments to the Company's Articles of Association require a special resolution to be passed by shareholders.

FINANCIAL REPORTING

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 36, the Independent Auditor's Report on pages 37 to 39 and the statement of Going Concern on page 27 and on longer term viability on page 18.

SOCIALLY RESPONSIBLE INVESTMENT

Investment trusts do not employ staff and accordingly have no direct impact on social matters but can be significant investors in the economies of the regions in which they invest. The Company invests in a range of Frontier countries having varying degrees of political and corporate governance standards. BlackRock's evaluation procedures and financial analysis of the companies within the portfolio take into account environmental policies and other business issues. The Company invests primarily on financial grounds to meet its stated objectives. The Investment Manager's policies on Socially Responsible Investment and Corporate Governance are detailed on the website at blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports. The Investment Manager is supportive of the UK Stewardship Code, which is voluntary and operates on a "comply or explain basis".

NM1123U-3242337-25/86

BRIBERY PREVENTION POLICY

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

COMMUNICATION WITH SHAREHOLDERS

All shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting is sent out at least 20 working days in advance of the meeting and sets out the business of the meeting and any item not of an entirely routine nature is explained in the Directors' Report on pages 28 and 29. Separate resolutions are proposed for substantive issues.

In addition, regular updates on performance are available to shareholders and the portfolio managers will review the Company's portfolio and performance at the Annual General Meeting, where the Board and representatives of the Investment Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the Annual General Meeting and will be made available on the Company's website at blackrock.co.uk/brfi shortly after the meeting.

The Company's willingness to enter into discussions with institutional shareholders is also demonstrated by the programmes of institutional presentations made by the Investment Manager. The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders and it also receives reports from its corporate broker.

There is a section within this report entitled "Additional Information – shareholder Information", on pages 69 to 71 which provides an overview of useful information available to shareholders.

The Company's accounts, regular factsheets and other information are also published on the BlackRock website at blackrock.co.uk/brfi. The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 28 and 29 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

- Substantial share interests;
- Share capital;
- Share issues;
- Share repurchases; and
- Greenhouse gas emissions.

In addition, information on Directors' shareholdings is given on page 32 in the Directors' Remuneration Report.

FOR AND ON BEHALF OF THE BOARD

AUDLEY TWISTON-DAVIES
Chairman
17 December 2015

NM1123U-3242337-26/86

Governance

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2015.

STATUS OF THE COMPANY

The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is domiciled in the UK as an investment company within the meaning of section 833 of the Companies Act 2006. It is not a close company and has no employees.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers' Directive. The Company is governed by the provisions of the European Union (Alternative Investment Fund Managers) Regulations 2013 ("The Regulations") and is required to be authorised by the FCA and must comply with a number of new obligations, including the appointment of an AIFM and a depositary to carry out certain functions. The AIFM must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the FCA. Further details are set out on the Company's website at blackrock.co.uk/brfi, the Regulatory Disclosures section on pages 72 and 73 and in the notes to the financial statements on pages 54 to 66.

The Company is a qualifying company for the purposes of Stocks & Shares Individual Savings Accounts.

FACILITATING RETAIL INVESTMENTS

The Company currently conducts its affairs so that its securities can be recommended by independent financial advisers to retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The securities are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

FUTURE PROSPECTS

Commentary on future prospects for the Company is set out in both the Chairman's Statement on pages 5 and 6 and the Investment Manager's Report on page 8.

DIVIDENDS

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 15.

INVESTMENT MANAGEMENT AND ADMINISTRATION

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM with effect from 2 July 2014, having been authorised as an AIFM by the FCA on 1 May 2014. The management contract is terminable by either party on six months' notice.

BlackRock Investment Management (UK) Limited (BIM (UK)) continues to act as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Secretary of the Company throughout the year. BFM receives an annual fee of 1.1% of the Company's gross asset value plus a performance fee equal to 10% of any increase in the NAV at the end of a performance period over and above what would have been achieved had the cumulative NAV since Admission increased in line with the MSCI Frontier Markets Index (All calculations on a US dollar basis with income reinvested). The performance fee payable in any year is capped at 2.5% or 1% of the net assets of the Company if there is an increase or decrease in the NAV per Share at the end of the relevant performance period respectively, and is also subject to a high watermark such that any performance fee payable is only payable to the extent that the cumulative relative outperformance of the NAV is greater than what would have been achieved had the NAV increased in line with the MSCI Frontier Markets Index (US dollar basis with income reinvested) since the last date in relation to which a performance fee had previously been paid. For the year ended 30 September 2015 a performance fee of US$234,000 was payable. Further details are given in note 4 on page 47. The Board believes the current fee structure and performance fee to be appropriate for an investment company in this sector.

The Company contributes to a focused investment trust sales and marketing initiative operated by BIM (UK) on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities, represented 0.03% per annum of its net assets (£174 million) as at 31 December 2014 and this contribution is matched by BIM (UK). For the year ended 30 September 2015, US$73,000 (excluding VAT) has been accrued in respect of these initiatives. The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

BFM and BIM (UK) are subsidiaries of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm. The PNC Financial Services Group, Inc. has a significant economic interest in BlackRock, Inc. PNC Financial Services Group, Inc. is a U.S. public company.

NM1123U-3242337-27/86

APPOINTMENT OF THE MANAGER

The Board considers the arrangements for the provision of management services to the Company on an ongoing basis and a formal review is conducted annually. As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. The Board believes that the appointment of BFM as AIFM, and the delegation of investment management services to BIM (UK), on the terms disclosed above, is in the interests of all shareholders as a whole given BlackRock's proven track record in successfully investing in Frontier Markets.

DEPOSITARY AND CUSTODIAN

The Company appointed BNY Mellon Trust & Depositary (UK) Limited ("the Depositary") with effect from 2 July 2014. Their duties and responsibilities are outlined in the investment fund legislation (as defined in the FCA AIF Rulebook). The main role of the Depositary under AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including monitoring cash flows and ensuring that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Depositary receives a fee payable at 0.0115% of the net assets of the Company. The Company has appointed the Depositary in a tripartite agreement, to which BlackRock as AIFM is also a signatory, The Depositary is also liable for the loss of financial instruments held in custody.

Under the depositary agreement, custody services in respect of the Company's assets have been delegated to the Bank of New York Mellon (International) Limited. BNYM receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. The depositary agreement is subject to 90 days' notice of termination by any party.

REGISTRAR

The Company has appointed Computershare Investor Services PLC as its Registrar (the Registrar). The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to any corporate actions, dividend administration and shareholder documentation.

CFD COUNTERPARTIES

The Company uses derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes, to gain exposure to Frontier Markets in certain circumstances. Citigroup, HSBC, Deutsche Bank and Bank of America Merrill Lynch act as contracts for difference ("CFD") counterparties to the Company under separate International Swaps and Derivatives Association ("ISDA") master agreements. The ISDA agreements are terminable subject to 30 days' notice by either party.

CHANGE OF CONTROL

There are no agreements to which the Company is a party that might be affected by a change in control of the Company.

EXERCISE OF VOTING RIGHTS IN INVESTEE COMPANIES

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager by BFM. BIM (UK)'s approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. BIM (UK) believes that sound corporate governance practices by companies contribute to their long term financial performance and thus to better risk-adjusted returns. BIM (UK)'s proxy voting process is led by its Corporate Governance and Responsible Investment team, located in six offices around the world. In addition to its own professional staff, the Corporate Governance and Responsible Investment team draws upon the expertise of BIM (UK)'s portfolio managers, researchers and other internal and external resources globally.

BIM (UK)'s global corporate governance and engagement principles are published on the website blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment/engagement-and-proxy-voting. The principles set out BIM (UK)'s views on the overarching features of corporate governance that apply in all markets. For each region, BIM (UK) also publishes market-specific policies, which are updated every year to ensure that they remain relevant.

The voting guidelines are principles-based and not prescriptive because BIM (UK) believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BIM (UK) believe in their professional judgement will best protect the economic interests of their clients.

During the year under review, the Investment Manager voted on 288 proposals at 41 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, as should be expected when investing in well-run companies, but voted against 18 management resolutions and abstained from voting on 3 resolutions. Most of the votes against were in respect of proposals which contained insufficient disclosure for the Investment Manager to make an informed decision, or in respect of executive remuneration packages which were considered to be poorly structured.

PRINCIPAL RISKS

The key risks faced by the Company are set out in the Strategic Report on pages 16 to 18.

NM1123U-3242337-28/86

GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the period and the Directors believe that this is the appropriate basis and the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. The Company is able to meet all of its liabilities from its assets and the ongoing charges are approximately 1.5% of the net assets (excluding performance fees).

For the reasons set out in the viability statement on page 18, the Board do not consider the tender offer in 2016 has any impact on the Company's going concern status.

DIRECTORS

The Directors of the Company as at 30 September 2015 and their biographies are set out on page 20. Details of Directors' interests in the ordinary shares of the Company are set out on page 32 of the Directors' Remuneration Report. All the Directors held office throughout the year under review. The Company's Articles of Association ("the Articles") require that one third of the Directors retire by rotation each year and seek re-election at the AGM and also that every Director submit himself or herself for re-election at least every three years. Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board.

In accordance with the provisions of the Articles of Association, Mr Pitts-Tucker will retire by rotation at the AGM and, being eligible, will offer himself for re-election. Ms Ruddick will be retiring both in accordance with the Company's Articles of Association and having been deemed non-independent in accordance with the Listing Rules. The Directors retiring at the forthcoming AGM both bring extensive knowledge and commercial experience to the Board.

The Board has considered the appointment of Ms Ruddick in light of her independence in accordance with the Listing Rules and in their view, her position on the boards of two BlackRock managed investment trusts does not compromise her independence. The Board also consider that her significant level of experience can add strength to a Board and its Committees. The Board is conscious of the need to maintain continuity, particularly in light of the proposed tender offer, and believes that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. Further information is given on pages 21 and 22.

The Board believes that the performance of both Ms Ruddick and that of Mr Pitts-Tucker continues to be effective and that they demonstrate a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. The Board, having considered the retiring Directors' performance within the annual Board performance evaluation process, hereby recommends that shareholders vote in favour of each Director's proposed re-election.

There were no contracts subsisting during the year under review or up to the date of this report in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company.

DIRECTORS' INDEMNITY

In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into deeds of indemnity with Directors individually which are available for inspection at the Company's registered office and will also be available at the Annual General Meeting.

CONFLICTS OF INTEREST

The Board has put in place a framework in order for Directors to report conflicts of interests or potential conflicts of interest. All Directors are required to notify the Company Secretary of any situations, or potential situations where they consider that they have or may have a direct or indirect interest or duty that conflicted or possibly conflicted with the interests of the Company. The Board has considered that the framework worked effectively throughout the period under review. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis.

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report is set out on pages 30 to 32. An ordinary resolution to approve this report will be put to shareholders at the Company's AGM in 2016. More details are given on pages 30 to 32.

NM1123U-3242337-29/86

SUBSTANTIAL SHARE INTERESTS

As at 30 September 2015, the Company had received notification in accordance with the FCA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of ordinary shares	% of issued share capital
BlackRock*	32,308,239	21.4
Investec	13,481,736	9.0
Brewin Dolphin	8,526,523	5.7
South Yorkshire Pension Authority	6,195,006	4.1
Rathbones	5,730,206	3.8

* BlackRock's holdings represent shareholdings of investment vehicles managed by the BlackRock Investment Group and discretionary managed money.

As at 15 December 2015, the Company had received the following notifications of interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of ordinary shares	% of issued share capital
BlackRock*	28,437,651	18.9
Investec	13,481,736	9.0
Brewin Dolphin	8,526,523	5.7
South Yorkshire Pension Authority	6,195,006	4.1
Rathbones	5,730,206	3.8

* BlackRock's holdings represent shareholdings of investment vehicles managed by the BlackRock Investment Group and discretionary managed money.

SHARE CAPITAL, ORDINARY SHARE ISSUES AND REPURCHASES

Details of the Company's issued share capital are given in note 15 to the Financial Statements on page 53. No shares were issued or repurchased in the year.

TREASURY SHARES

As described above, the Company is authorised to purchase its own ordinary shares to be held in treasury for reissue or cancellation at a future date. This authority was not utilised in the year and the Company does not currently hold any ordinary shares in treasury.

GLOBAL GREENHOUSE GAS EMISSIONS FOR THE PERIOD 1 OCTOBER 2014 TO 30 SEPTEMBER 2015

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles of Association must be made by special resolution.

ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming AGM is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM.

Resolution 8 Amendment to the Company's investment policy

Resolution 8, if approved, will amend the Company's investment policy so as to permit investment in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, certain countries within the MSCI Emerging Markets Index which share similar characteristics to those of Frontier Markets (such as low per capita GDP, high growth potential and less developed capital markets). For further details regarding the proposed amendment to the Company's investment policy, please refer to the Chairman's Statement on page 5. For the complete investment policy of the Company (including the proposed changes) please refer to the appendix on pages 80 and 81.

The Board considers the proposed amendment to the Company's investment policy to constitute a material change to the current investment policy and, in accordance with the Listing Rules, is required to seek shareholder approval for the proposed amendment.

Resolution 9 Authority to allot ordinary shares

The Directors seek to renew the authority of the Directors to allot ordinary shares for cash up to an aggregate nominal amount of US$150,621.62 which is equivalent to 15,062,162 ordinary shares of 1 cent each and represents 10% of the Company's issued ordinary share capital (excluding any treasury shares). The Directors have no present intention of

NM1123U-3242337-30/86

exercising such authority, but it will give them flexibility should appropriate business opportunities arise.

Resolution 10 Authority to allot C Shares

The Directors seek the authority to allot up to 65 million C shares of US$0.10 each in the capital of the Company ("**C Shares**"). The Directors' current intention is only to utilise such authority should there be limited take-up of the tender offer and market demand for the Company's shares.

Resolution 11 Authority to dis-apply pre-emption rights

Resolution 11 empowers the Directors to allot new shares for cash or to sell ordinary shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of US$150,621.62 which is equivalent to 15,062,162 ordinary shares of 1 cent each and represents 10% of the Company's issued ordinary share capital (excluding any treasury shares). The special resolution to be proposed will enable the Directors, at their discretion, to allot a limited number of equity securities for cash and will also provide the Directors with greater flexibility should appropriate business opportunities arise. The Directors have no present intention to exercise this authority.

Resolution 12 Authority to dis-apply pre-emption rights in respect of the C Shares

Resolution 12, which will be proposed as a special resolution, empowers the Directors to allot up to 65 million C Shares for cash, otherwise than to existing shareholders on a pro rata basis. The Directors current intention is only to utilise such power should there be limited take-up of the tender offer and market demand for the Company's shares.

Resolution 13 Authority to buy back shares

The special resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own ordinary shares. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority the maximum price which can be paid shall be the higher of (i) an amount equal to 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The Directors are seeking authority to purchase up to 22,578,180 ordinary shares (being approximately 14.99% of the issued ordinary share capital as at the date of the Notice of Annual General Meeting).

Resolution 14 Changes to the Company's Articles of Association

As a result of changes to tax and company law rules, onshore investment companies are generally now permitted to pay out accumulated realised capital profits in the form of dividends. While the Directors have no present intention of making use of such powers, they believe it prudent to provide the Company with the necessary flexibility to do so should it prove appropriate in the future.

Resolution 14 seeks to amend the Company's Articles accordingly. The Board is proposing to update Article 146.2 to permit distributions out of capital profits and for Articles 156.1 and 156.2 to be amended to reflect the changes to Article 146.2. A copy of the Articles, showing the proposed changes, will be available for inspection at the Company's registered office.

Recommendation

Your Board considers that the resolutions to be proposed at the Annual General Meeting are likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 21 to 24. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR

The Auditor, Ernst & Young LLP, has indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be submitted at the AGM.

The Directors' Report was approved by the Board at its meeting on 17 December 2015.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
17 December 2015

NM1123U-3242337-31/86

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 30 September 2015 which has been prepared in accordance with sections 420-422 of the Companies Act 2006.

The law requires the Company's Auditor 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 pages 37 to 39.

STATEMENT BY THE CHAIRMAN

A key driver of the remuneration policy is that fees payable to Directors should be sufficient to attract and retain individuals with suitable knowledge and experience.

The Board agreed to maintain Directors remuneration at current levels as set out in the policy table on the following page. The remuneration of the Chairman and other Directors was last reviewed on 19 September 2015, when it was determined that no changes would be made for the year to 30 September 2016. The basis for determining the level of any increase in Directors' remuneration is set out in the Policy Report below.

REMUNERATION COMMITTEE

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. A separate Committee has therefore not been established. The Company's Directors are all non-executive and are independent of the Manager, with the exception of Ms Ruddick. Other relationships and positions served on other boards are not regarded prima facie as compromising independent behaviour, and notwithstanding Ms Ruddick's position on the Board of two BlackRock-managed investment trusts, the Board considers her to be independent by virtue of her integrity, commitment and independence of mind and character.

POLICY REPORT

In setting the appropriate level of Directors' fees, a number of factors are considered, including the average rate of inflation during the period since the last increase, the level of Directors' remuneration for other investment trusts of a similar size as well as the level and complexity of the Directors' responsibilities.

To ensure fees are set at an appropriate level, the Company Secretary provides a comparison of the Directors' remuneration with other investment trusts of a similar size and/or mandate as well as taking account of any data published by the Association of Investment Companies. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary. It is the Company's policy that no Director shall be entitled to any performance related remuneration, benefits in kind, long term incentive schemes, share options, pensions or other retirement benefits or, compensation for loss of office. Directors are entitled to claim expenses in respect of duties undertaken on behalf of the Company.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting Directors' fees.

REMUNERATION/SERVICE CONTRACTS

The maximum remuneration of the Directors is determined within the limits of the Company's Articles of Association and currently amounts in aggregate to £200,000. No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long term performance incentives to any of the Directors. None of the Directors has a service contract with the Company or receive any non-cash benefits or pension entitlements. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

CONSIDERATION OF SHAREHOLDERS' VIEWS

An ordinary resolution to approve the remuneration report is put to shareholders at each AGM, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of remuneration policy. In accordance with the Companies Act 2006, the Company has obtained shareholder approval for its remuneration policy at the AGM in 2014. The remuneration policy is subject to a triennial binding shareholder vote and will next be reviewed at the AGM in 2017.

At the Company's AGM held on 11 February 2015, 99.98% of votes cast were in favour of the resolution to approve the Directors' remuneration report in respect of the year ended 30 September 2014 and 0.02% against.

NM1123U-3242337-32/86

POLICY TABLE

	Purpose and link to strategy	Fees payable to Directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the responsibilities borne by the Directors.
	Description	Current levels of fixed annual fee: Chairman – £34,000 Audit Committee Chairman – £28,000 Directors – £24,000 All reasonable expenses to be reimbursed.
	Maximum and minimum levels	Remuneration consists of a fixed fee each year, set in accordance with the stated policies and any increase granted must be in line with the stated policies. The Company's Articles of Association set a limit of £200,000 in respect of the total remuneration that may be paid to Directors in any financial year. In addition, the Directors propose a limit of £50,000 in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.
	Policy on share ownership	Directors are not required to own shares in the Company, although all Directors are currently shareholders.
Operation	Fixed fee element	The Board reviews the quantum of Directors' pay each year to ensure this is in line with the level of Directors' remuneration for other investment trusts of a similar size. When making recommendations for any changes in pay, the Board will consider wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). There is no compensation for loss of office.
Operation	Taxable benefits	Taxable benefits comprise expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Company's registered offices in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred.

REMUNERATION IMPLEMENTATION REPORT

A single figure for total remuneration of each Director is set out in the table below for the year ended 30 September 2015:

	Year ended 30 September 2015			Year ended 30 September 2014		
	Base Salary £	Taxable Benefits £	Total £	Base Salary £	Taxable Benefits[5] £	Total £
Audley Twiston-Davies (Chairman)[1]	34,000	117	34,117	33,000	237	33,237
John Murray[2]	24,000	–	24,000	23,000	144	23,144
Nick Pitts-Tucker	24,000	–	24,000	23,000	166	23,166
Lynn Ruddick[3]	28,000	1,034	29,034	27,000	1,724	28,724
Sarmad Zok[4]	24,000	–	24,000	23,000	–	23,000
	134,000	1,151	135,151	129,000	2,271	131,271

1 Appointed on 23 November 2010.
2 Appointed as a Director on 12 July 2011.
3 Appointed as Chairman of the Audit & Management Engagement Committee and as a Director on 23 November 2010.
4 Appointed as a Director on 2 February 2011.
5 Taxable benefits relate to travel and subsistence costs.

The information in the above table has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

At 30 September 2015, fees of £11,000 (2014: £11,000) were outstanding to Directors in respect of their annual fees.

NM1123U-3242337-33/86

RELATIVE IMPORTANCE OF SPEND ON PAY

As the Company has no employees, the table above also comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared to the Company's net profit on ordinary activities after taxation, total operating expenditure and dividend distributions.

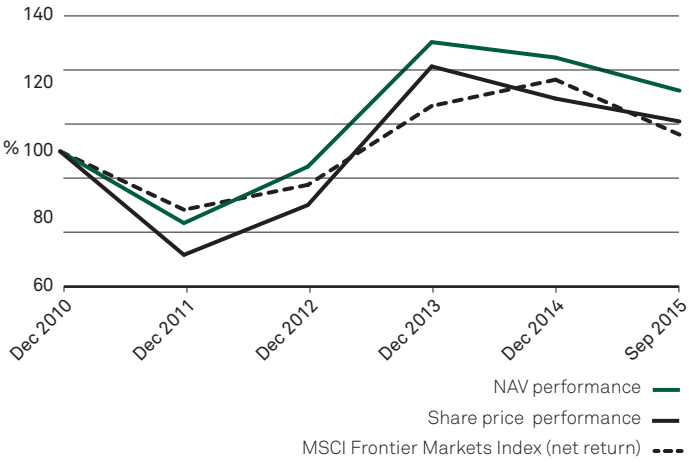
	2015	2014	Change
Directors' total remuneration	£135,151	£131,271	+£3,880
Total dividends paid and payable	US$9,866,000	US$9,414,000	+US$452,000
Net revenue profit on ordinary activities after tax	US$9,870,000	US$9,922,000	-US$52,000

No payments were made in the period to any past Directors (2014: £nil).

PERFORMANCE

The graph below compares the Company's NAV and share price total returns with the total return on an equivalent investment in the MSCI Frontier Markets Index. This Index is deemed to be the most appropriate as the Company has a Frontier Markets objective.

PERFORMANCE FROM LAUNCH ON
17 DECEMBER 2010 TO 30 SEPTEMBER 2015



Sources: BlackRock and Datastream.
Total return performance record in US dollar terms, rebased to 100 at 17 December 2010.

SHAREHOLDINGS

The interests of the Directors in the ordinary shares of the Company are set out in the table below. None of the Directors has an interest in any share options in the Company.

	2015	2014
Audley Twiston-Davies (Chairman)	128,935	128,935
John Murray	121,967	121,967
Nick Pitts-Tucker	110,148	110,148
Lynn Ruddick[1]	47,456	47,456
Sarmad Zok	38,787	38,787

[1] Chairman of the Audit & Management Engagement Committee. Ms Ruddick's holding includes 9,665 shares held by Ms Ruddick's husband, Mr Dewar, through an ISA.

The information in the table above has been audited.

All of the holdings of the Directors are beneficial. No changes to these holdings have been notified up to the date of this report.

RETIREMENT OF DIRECTORS

Further details are given in the Directors' Report on page 27.

ON BEHALF OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
AUDLEY TWISTON-DAVIES
Chairman
17 December 2015

NM1123U-3242337-34/86

Governance

Report of the audit & management engagement committee

As Chairman of the Audit & Management Engagement Committee I am pleased to present the Committee's report to shareholders for the year ended 30 September 2015.

ROLE AND RESPONSIBILITIES

The Company has established a separately chaired Audit & Management Engagement Committee ("the Committee") which meets at least twice a year and whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external Auditor's reporting thereon and is responsible for forming an opinion on the effectiveness of the external audit process and quality of the audit. Other duties include reviewing the appropriateness of the Company's accounting policies, ensuring the adequacy of the internal control systems and reviewing the terms of the investment management agreement, as well as other service provider contracts. The Committee operates within written terms of reference detailing its scope and duties and these are available on the Company's website at blackrock.co.uk/brfi.

The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results, including the valuation of any unquoted investments, and the Committee receives information from BlackRock's internal audit and compliance departments. The Committee does not consider that as an investment trust company it needs to hold an additional meeting although this is kept under review.

All of the Directors are members of the Committee. The Directors' biographies are given on page 20 and the Board considers that at least one member of the Committee has sufficient recent and relevant financial experience for the Committee to discharge its function effectively. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise.

The review of the external audit process involves considering the scope, quality of performance, cost effectiveness and independence of the external auditors. The Committee reviews and approves the external audit plan in advance of the audit and throughout the year, any non-audit services proposed to be performed by the external auditor. The external audit plan includes an analysis of the key audit risks and calculations of audit materiality, which the Committee considers in forming our own assessment of key risks to the Company's financial statements.

The Committee considers the quality of the audit plan, subsequent execution and composition of the audit team in formulating its recommendation to the board regarding the reappointment of the external auditor. Length of tenure and independence (with due regard to the level of non-audit services) are considerations underpinning this assessment, which is carried out within the framework laid down by EU legislation on auditor rotation that is supplemented by application guidance from the UK's Financial Reporting Council.

The Committee has also reviewed and accepted the "whistleblowing" policy that has been put in place by BlackRock under which its staff, in confidence, can raise concerns about possible improprieties in matters of financial reporting or other matters, in so far as they affect the Company.

AUDIT INFORMATION

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

INTERNAL AUDIT

Due to the nature of the Company, being an externally managed investment company with no employees, and in view of BlackRock having an internal audit function, which reports to the Audit & Management Engagement Committee, the Company does not have its own internal audit function.

SIGNIFICANT ISSUES CONSIDERED REGARDING THE ANNUAL REPORT AND FINANCIAL STATEMENTS

During the year, the Committee considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified in the audit plan and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table on page 34 sets out the key areas of risk identified and also explains how these were addressed by the Committee.

NM1123U-3242337-35/86

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices by third party vendors. Unquoted or illiquid investments, if any, are valued by the Directors based on recommendations from BlackRock's Pricing Committee. The Board reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from BlackRock that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company, and that the carrying values are materially correct. The Board also relies on BlackRock's and Fund Accountant's (BNYM) controls which are documented in semi-annual internal control reports and reviewed by the Committee.
The risk of misappropriation of assets and unsecured ownership of investments	The Depositary is responsible for financial restitution for loss of financial investments held in custody. The Depositary reports to the Audit & Management Engagement Committee on a twice yearly basis and is also available to attend the Company's Annual General Meeting. The Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets. BlackRock's New Market Opening Committee reports regularly to the Board on the status of opening of new markets and any potential risks and exposures that might arise as a result.
The accuracy of the calculation of management and performance fees	The Investment Manager reports to the Board on the calculation of any performance fee accruals that have been included in the Company's NAV on a regular basis. The management fee and any performance fee are calculated in accordance with the contractual terms in the investment management agreement by the administrator and are reviewed in detail by the Investment Manager and are also subject to an analytical review by the Board. The audit also includes checks on the calculation of the management fee and any performance fee to ensure that they are correctly calculated.
The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income	The Committee reviews income forecasts, including special dividends, and receives explanations from the Investment Manager for any variations or significant movements from previous forecasts and prior year figures. The audit includes checks on the completeness and accuracy of income, and also checks that this has been recognised in accordance with stated accounting policies.

As the provision of portfolio valuation, fund accounting and administration services is delegated to BIM (UK), which sub-delegates fund accounting to a third party service provider, and the provision of Depositary services is contracted to BNYMTD, the Committee has also reviewed the Service Organisation Control Reports (SOC) prepared by BlackRock, the Custodian and the Fund Accountants to ensure that the relevant control procedures are in place to cover these areas of risk as identified above and are adequate and appropriate and have been designated as operating effectively by the reporting auditor.

AUDITORS AND AUDIT TENURE

The Company's current auditor, Ernst & Young LLP, was appointed on launch of the Company in 2010.

The Committee also considers the risks associated with audit firms withdrawing from the market and the relationship with the Company's Auditor. The appointment of the Auditor is reviewed each year and the audit partner rotates at least every five years.

The EU recently implemented regulations on mandatory auditor rotation which require the appointment of a new auditor every ten years, although this can be extended up to ten additional years if tenders are carried out at the decade mark or another audit firm is appointed to do a joint audit. In view of that change, the Company will put its audit contract out to tender no later than 2020. The EU legislation also prohibits certain non-audit consulting services and caps the amount of additional fees auditors can charge their clients. There are no contractual obligations that restrict the Company's choice of auditor. The only fees paid to the Auditor in respect of non-audit services relate to the review of the half yearly financial statements and amounted to £6,500 (US$10,000) (2014: £6,000 (US$9,700)). No other non-audit services were provided to the Company by the auditor in either 2014 or 2015.

The Auditor has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the Audit & Management Engagement Committee to determine its remuneration for the ensuing year will be proposed at the AGM.

ASSESSMENT OF THE EFFICIENCY OF THE EXTERNAL AUDIT PROCESS

To assess the effectiveness of the external audit, members of the Committee work closely with BlackRock to obtain a good understanding of the progress and efficiency of the audit. The Committee has adopted a formal framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- the quality of the audit engagement partner and the audit team;

NM1123U-3242337-36/86

- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Committee, the Manager, the Investment Manager and third party service providers in an effective audit process;
- communications by the Auditor with the Committee;
- how the Auditor supports the work of the Committee and how the audit contributes added value;
- a review of the independence and objectivity of the audit firm; and
- the quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The Auditor attends the Committee meetings on at least one occasion at which they have the opportunity to meet with the Committee without representatives of the Manager being present. The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the Auditor and the Committee.

To form a conclusion with regard to the independence of the Auditor, the Committee considers whether the skills and experience of the Auditor make them a suitable supplier of non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of any such services. On an annual basis, Ernst & Young LLP review the independence of their relationship with the Company and report to the Committee, providing details of any other relationship with BlackRock. As part of this review, the Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's Auditor, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the audit firm and its staff and the Company as well as an overall confirmation from the Auditor of their independence and objectivity. As a result of their review, the Committee has concluded that Ernst & Young LLP is independent of the Company.

CONCLUSIONS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Committee advise on whether these criteria are satisfied. In so doing, the Committee has given consideration to the following:

- The comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;
- the extensive levels of review that are undertaken in the production process of the Annual Report and Financial Statements by BlackRock, the Depositary and the Committee, applying its knowledge and expertise of the investment industry and Frontier Markets sector;
- the controls that are in place at BlackRock and third party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control Reports that have been reviewed and reported on by external auditors to verify the effectiveness of the internal controls of BlackRock, Depositary, Custodian and Fund Accountants.

In addition to the work outlined above, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry. The Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 36.

LYNN RUDDICK
Chairman
Audit & Management Engagement Committee
17 December 2015

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements under IFRS as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules. The Directors have delegated responsibility to the Investment Manager and the AIFM for the maintenance and integrity of the Company's corporate and financial information included on BlackRock's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 20 of the Annual Report, confirms to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The 2014 UK Corporate Governance Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit & Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit & Management Engagement Committee's report on pages 33 to 35 of the Annual Report. As a result, the Board has concluded that the Annual Report for the year ended 30 September 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

FOR AND ON BEHALF OF THE BOARD
AUDLEY TWISTON-DAVIES
Chairman
17 December 2015

NM1123U-3242337-38/86

Financial statements

Independent auditor's report to the members of BlackRock Frontiers Investment Trust plc

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

We have audited the financial statements of BlackRock Frontiers Investment Trust plc for the year ended 30 September 2015 which comprises the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The risks that we have identified are consistent with those risks that were identified in the prior year. The Audit & Management Engagement Committee have set out their assessment of the significant issues in relation to the financial statements on page 34. The table below also includes our responses to the risks:

Risk Identified	Our Response
The performance fees are calculated using a methodology as set out in the Investment Management Agreement between the Company and the Manager. Incorrect calculation of these fees could have a material impact on the return generated for shareholders.	We performed the following procedures: ▸ Performed a walkthrough of the systems and controls in respect of the performance fee calculations. ▸ Recalculated the performance fees and checked the calculations are in line with the Investment Management Agreement. ▸ Agreed all key inputs used in the calculations to the accounting records and benchmark data to an independent source.
The investment portfolio at the year-end comprised of quoted securities including contracts for difference and a P-note. The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: ▸ We assessed the controls in place at the accounting administrator, BNY Mellon, to confirm there were no significant exceptions in security pricing or position reconciliations. ▸ We agreed all the year-end prices of the investments to an independent source. ▸ We agreed the number of shares held for each security to confirmations of legal title received from the Company's custodian Bank of New York Mellon (International) Limited and third party evidence.

NM1123U-3242337-39/86

Independent auditor's report to the members of BlackRock Frontiers Investment Trust plc continued

Risk Identified	Our Response
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. **The largest income stream relates to overseas dividends, totalling an amount of US$9.9 million for the year ended.**	We performed the following procedures: ▸ Agreed a sample of dividends received from the underlying financial records to an independent source. ▸ To ensure completeness of revenue, we identified all dividends declared during the year for a sample of equities held, and agreed to revenue accrued. ▸ We discussed any special dividends with management and through our testing have not identified any received during the year.

OUR APPLICATION OF MATERIALITY

We determined planning materiality for the Company to be US$2,424,000 (2014: US$3,061,000) which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being US$1,818,000 (2014: US$2,296,000). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing materiality of US$559,000 (2014: US$553,000) for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation.

We agreed with the Audit Committee that we would report all audit differences in excess of US$121,000 (2014: US$153,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

In addition we have not identified anything material to add or to draw attention to in relation to:

- The Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

NM1123U-3242337-40/86

- The Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement in relation to going concern, set out on page 27, and longer term viability, set out on page 18; and

- The part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
17 December 2015

NM1123U-3242337-41/86

Financial statements

Statement of Comprehensive Income for the year ended 30 September 2015

	Notes	Revenue 2015	Revenue 2014	Capital 2015	Capital 2014	Total 2015	Total 2014
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
(Loss)/Profit on investments held at fair value through profit or loss	10	–	–	(53,524)	37,157	(53,524)	37,157
Profit/(loss) on foreign exchange		–	–	272	(199)	272	(199)
Net profit/(loss) from contracts for difference	3 & 11	3,171	2,540	(8,446)	9,732	(5,275)	12,272
Income from investments held at fair value through profit or loss	3	9,704	10,112	–	–	9,704	10,112
Other income	3	1	64	–	–	1	64
Total revenue		12,876	12,716	(61,698)	46,690	(48,822)	59,406
Expenses							
Investment management and performance fees	4	(598)	(633)	(2,633)	(2,523)	(3,231)	(3,156)
Other expenses	5	(1,094)	(1,019)	(49)	(202)	(1,143)	(1,221)
Total operating expenses		(1,692)	(1,652)	(2,682)	(2,725)	(4,374)	(4,377)
Net profit/(loss) on ordinary activities before finance costs and taxation		11,184	11,064	(64,380)	43,965	(53,196)	55,029
Finance costs		(1)	–	(6)	(1)	(7)	(1)
Net profit/(loss) on ordinary activities before taxation		11,183	11,064	(64,386)	43,964	(53,203)	55,028
Taxation	7	(1,313)	(1,142)	419	402	(894)	(740)
Net profit/(loss) on ordinary activities after taxation		9,870	9,922	(63,967)	44,366	(54,097)	54,288
Earnings/(losses) per ordinary share (cents)	9	6.55	6.59	(42.47)	29.45	(35.92)	36.04

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations.

The Company does not have any other recognised gains or losses. The net (loss)/profit for the year disclosed above represents the Company's total comprehensive (loss)/income.

The notes on pages 44 to 66 form part of these financial statements.

Financial statements

Statement of Changes in Equity for the year ended 30 September 2015

	Notes	Called up share capital	Share premium account	Capital redemption reserve	Special reserve	Capital reserves	Revenue reserve	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
For the year ended 30 September 2015								
At 30 September 2014		1,506	–	5,798	231,030	59,716	8,082	306,132
Total comprehensive income:								
Net (loss)/profit for the year		–	–	–	–	(63,967)	9,870	(54,097)
Dividend paid*	8	–	–	–	–	–	(9,640)	(9,640)
At 30 September 2015		1,506	–	5,798	231,030	(4,251)	8,312	242,395
For the year ended 30 September 2014								
At 30 September 2013		1,506	88,326	5,798	142,704	15,350	1,549	255,233
Total comprehensive income:								
Net profit for the year		–	–	–	–	44,366	9,922	54,288
Cancellation of share premium		–	(88,326)	–	88,326	–	–	–
Dividends paid**	8	–	–	–	–	–	(3,389)	(3,389)
At 30 September 2014		1,506	–	5,798	231,030	59,716	8,082	306,132

* Final dividend of 4.00 cents per share for the year ended 30 September 2014, declared on 1 December 2014 and paid on 20 February 2015 and interim dividend paid in respect of the year ended 30 September 2015 of 2.40 cents per share, declared on 18 May 2015 and paid on 3 July 2015.
** Interim dividend paid in respect of the year ended 30 September 2014 of 2.25 cents per share, declared on 20 May 2014 and paid on 4 July 2014.

The notes on pages 44 to 66 form part of these financial statements.

Financial statements

Statement of Financial Position as at 30 September 2015

	Notes	30 September 2015	30 September 2014
		US$'000	US$'000
Non current assets			
Investments designated as held at fair value through profit or loss	10	239,446	292,318
Current assets			
Other receivables	12	5,371	2,142
Derivative financial assets held at fair value through profit or loss	11	1,828	18,493
Cash held on margin deposit with brokers	11	1,145	90
Cash and cash equivalents	11	5,635	14,770
		13,979	35,495
Current liabilities			
Other payables	13	(9,904)	(2,841)
Collateral held in respect of contracts for difference	11	(260)	(11,924)
Derivative financial liabilities held at fair value through profit or loss	11	(847)	(6,897)
		(11,011)	(21,662)
Net current assets		2,968	13,833
Total assets less current liabilities		242,414	306,151
Non current liability			
Management shares of £1.00 each (one quarter paid)	14	(19)	(19)
Net assets		242,395	306,132
Capital and reserves			
Called up share capital	15	1,506	1,506
Capital redemption reserve	16	5,798	5,798
Special reserve	16	231,030	231,030
Capital reserves	16	(4,251)	59,716
Revenue reserve	16	8,312	8,082
Total equity		242,395	306,132
Net asset value per share (US cents)	9	160.93	203.25

The financial statements on pages 40 to 66 were approved and authorised for issue by the Board of Directors on 17 December 2015 and signed on its behalf by Mr Twiston-Davies, Chairman.

BlackRock Frontiers Investment Trust plc
Registered in England, No. 7409667

The notes on pages 44 to 66 form part of these financial statements.

NM1123U-3242337-44/86

Financial statements

Cash flow statement for the year ended 30 September 2015

	30 September 2015	30 September 2014
	US$'000	US$'000
Operating activities		
(Loss)/profit before taxation	(53,203)	55,028
Loss/(profit) on investments and CFDs held at fair value through profit or loss (including transaction costs)	61,368	(47,591)
Net movement on foreign exchange	(272)	199
Sale of investments held at fair value through profit or loss	198,588	264,935
Purchase of investments held at fair value through profit or loss	(199,240)	(341,002)
Realised losses on closure of CFD contracts	(40,864)	(3,571)
Gains on realisation of CFDs	43,635	4,009
Decrease/(increase) in other receivables	496	(404)
Increase/(decrease) in other payables	416	(1,347)
Increase in amounts due from brokers	(3,725)	(531)
Net movement in cash held on margin deposit with brokers	(1,055)	1,115
Increase/(decrease) in amounts due to brokers	6,647	(10,866)
Collateral received in respect of contracts for differences	(11,664)	9,204
Taxation paid	(894)	(740)
Net cash inflow/(outflow) from operating activities before financing activities	233	(71,562)
Financing activities		
Equity dividend paid	(9,640)	(3,389)
Net cash outflow from financing activities	(9,640)	(3,389)
Decrease in cash and cash equivalents	(9,407)	(74,951)
Effect of foreign exchange rate changes	272	(199)
Change in cash and cash equivalents	(9,135)	(75,150)
Cash and cash equivalents at start of year	14,770	89,920
Cash and cash equivalents at end of year	5,635	14,770
Comprised of:		
Cash and cash equivalents	5,635	14,770
	5,635	14,770

The notes on pages 44 to 66 form part of these financial statements.

1. PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010. The Company was incorporated on 15 October 2010, and this is the fifth Annual Report.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are set out below.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. All of the Company's operations are of a continuing nature. The Company's financial statements are presented in US Dollars, which is the currency of the primary economic environment in which the Company operates.

All values are rounded to the nearest thousand dollars (US$'000) except where otherwise indicated.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the AIC, revised in January 2009, is compatible with IFRS, the financial statements have been prepared in accordance with the guidance set out in the SORP.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2015, and have not been applied in preparing these financial statements (major changes and new standards issued detailed below). None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

IFRS 9 Financial Instruments (2014) replaces IAS 39 and deals with a package of improvements including principally a revised model for classification and measurement of financial instruments, a forward looking expected loss impairment model and a revised framework for hedge accounting. In terms of classification and measurement the revised standard is principles based depending on the business model and nature of cash flows. Under this approach instruments are measured at either amortised cost or fair value, though the standard retains the fair value option allowing designation of debt instruments at initial recognition to be measured at fair value.

The standard is effective from 1 January 2018 with earlier application permitted but has not yet been endorsed by the European Commission. The Company does not plan to early adopt this standard.

IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016) allows first time IFRS adopters to continue to account for 'regulatory deferral account balances' in accordance with previous GAAP.

As the Company has already adopted IFRS the provisions of this standard are not applicable.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) specifies how and when an entity should recognise revenue and enhances the nature of revenue disclosures.

Given the nature of the Company's revenue streams from financial instruments the provisions of this standard are not expected to be applicable.

Amendments to IFRS 10, IFRS 12 and IAS 28 (effective 1 January 2016) are in relation to applying the consolidation exception for investment entities.

The Company does not control any of its investments or have any subsidiaries hence the provisions of this statement are not applicable.

Amendments to IAS 1 (effective 1 January 2016) requires changes to the presentation of financial instruments.

The amendments are not expected to have a significant effect on the measurement of amounts recognised in the financial statements of the Company.

NM1123U-3242337-46/86

(b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and a capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles, and as at the date of publication of this report, net capital returns may not be distributed by way of dividend. The Board is seeking shareholder approval to amend the Company's Articles to permit the Company to pay out accumulated realised capital profits in the form of dividends at the AGM on 10 February 2016.

(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

(d) Income

Dividends receivable on equity shares are recognised as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Special dividends, if any, are treated as a capital or a revenue receipt depending on the facts or circumstances of each particular case. The return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Interest income and expenses are accounted for on an accruals basis.

(e) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue column of the Statement of Comprehensive Income, except as follows:

- expenses which are incidental to the acquisition or sale of an investment are charged to capital. Details of transaction costs on the purchases and sales of investments are disclosed within note 10 to the Financial Statements on page 50;
- expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated;
- the investment management fees and finance costs of borrowing borne by the Company have been allocated 80% to the capital column and 20% to the revenue column of the Statement of Comprehensive Income in line with the Board's expectations of the long term split of returns, in the form of capital gains and income, respectively, from the investment portfolio;
- performance fees are allocated 100% to the capital column of the Statement of Comprehensive Income as fees are generated in connection with enhancing the value of the investment portfolio.

(f) Taxation

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(g) Investments held at fair value through profit or loss

The Company's investments are classified as held at fair value through profit or loss in accordance with IAS 39 – "Financial Instruments: Recognition and Measurement" and are managed and evaluated on a fair value basis in accordance with its investment strategy.

All investments are initially recognised as held at fair value through profit or loss and subsequently at fair value. Purchases of investments are recognised on a trade date basis. The sale of investments are recognised at the trade date of the disposal. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs.

The fair value of the financial investments is based on their quoted bid price, or as otherwise stated at the financial reporting date, without deduction for the estimated future selling costs. This policy applies to all current and non current asset investments held by the Company. The fair value of the P-Note is based on the quoted bid price of the underlying equity to which it relates.

2. ACCOUNTING POLICIES continued

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as "Gains or losses on investments held at fair value through profit or loss". Also included within the heading are transaction costs in relation to the purchase or sale of investments.

Fair values for unquoted investments, or investments for which the market is inactive, are established by using various valuation techniques. These may include recent arm's length market transactions or the current fair value of another instrument which is substantially the same. Where no reliable fair value can be estimated for such instruments, they are carried at cost subject to any provision for impairment. The Company held no unquoted investments at 30 September 2015.

(h) Derivatives

Derivatives are held at fair value based on the bid prices of the underlying securities in respect of long positions, and the offer prices of the underlying securities in respect of short positions, which the Company is exposed to through the use of contracts for difference ("CFD"). Gains and losses on derivative transactions are recognised in the Statement of Comprehensive Income. They are recognised as capital and are shown in the capital column of the Statement of Comprehensive Income if they are of a capital nature and are recognised as revenue and shown in the revenue column of the Statement of Comprehensive Income if they are of a revenue nature. To the extent that any gains or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly.

(i) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly stated at their nominal value.

(j) Dividends payable

Under IFRS interim dividends are recognised when paid to shareholders. Final dividends, if any, are only recognised after they have been approved by shareholders.

(k) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Foreign currency monetary assets and liabilities are translated into US dollars at the rate ruling on the financial reporting date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income as a revenue or capital item depending on the income or expense to which they relate.

(l) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

In the Cash Flow Statement within the Annual Report and Financial Statements for the year ended 30 September 2015, cash held on margin deposit with brokers and collateral received in respect of contracts for difference is shown as a receivable from and payable to the broker and does not form part of cash and cash equivalents in the Cash Flow Statement. The comparative numbers in the Cash Flow Statement have been updated to reclassify these amounts from cash and cash equivalents to receivables and payables.

(m) Bank borrowings

Bank overdrafts are recorded as the proceeds are received. Finance charges are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instruments to the extent that they are not settled in the year in which they arise.

NM1123U-3242337-48/86

3. INCOME

	2015 US$'000	2014 US$'000
Investment Income:		
UK listed dividends	207	314
Overseas listed dividends	9,495	9,796
Fixed interest income	2	2
	9,704	10,112
Income from contracts for difference	3,171	2,540
	12,875	12,652
Interest receivable and other income:		
Deposit interest	1	64
Total income	12,876	12,716

4. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

	2015			2014		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Investment management fee	598	2,399	2,997	633	2,523	3,156
Performance fee	–	234	234	–	–	–
Total	598	2,633	3,231	633	2,523	3,156

An investment management fee equivalent to 1.10% per annum of the Company's gross assets (defined as the aggregate value of the total assets of the Company) is payable to the Investment Manager. In addition, the Investment Manager is also entitled to receive a performance fee at a rate of 10% of any increase in the NAV at the end of a performance period over and above what would have been achieved had the cumulative NAV since launch increased in line with the MSCI Frontier Markets Index (the Reference Index). The performance fee payable in any year is capped at an amount equal to 2.5% or 1% of the gross assets if there is any increase or decrease in the NAV per share at the end of the relevant performance period, respectively. Any capped excess outperformance for a period may be carried forward to the next two performance periods, subject to the then applicable annual cap. The performance fee is also subject to a high watermark such that any performance fee is only payable to the extent that the cumulative relative outperformance of the NAV is greater than what would have been achieved had the NAV increased in line with the Reference Index since the last date in relation to which a performance fee had been paid. The management and performance fees are payable to BFM.

For the year to 30 September 2015, the Company's NAV had outperformed the Reference Index by 6.5% (2014: not outperformed) on a US dollar basis and a performance fee of US$234,000 (2014: nil) has been accrued at 30 September 2015.

5. OPERATING EXPENSES

	2015 US$'000	2014 US$'000
Custody fee	336	359
Auditors' remuneration:		
– audit services	39	46
– other non-audit services[1]	10	10
Depositary fee	31	9
Directors' emoluments	191	215
Marketing fees	73	72
Registrar's fee	25	25
Other administration costs	389	283
	1,094	1,019

[1] Fees for non-audit services of US$10,100 (2014: US$9,700) relate to the review of the interim financial statements.

5. OPERATING EXPENSES continued

The Company's ongoing charges, calculated as a percentage of average net assets and using expenses, excluding performance fees and interest costs were 1.5% (2014: 1.5%). Inclusive of performance fees the ongoing charges for 2015 were 1.6% (2014: 1.5%).

For the year ended 30 September 2015, expenses of US$49,000 (2014: US$202,000) were charged to the capital column of the Statement of Comprehensive Income, these relate to transaction costs. No fees were payable in 2015 or 2014 in relation to investing in new markets.

6. DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are given in the Directors' Remuneration Report on page 31.

7. TAXATION

a) Analysis of charge in year

	2015			2014		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Current tax:						
Corporation tax	419	(419)	–	402	(402)	–
Overseas tax	894	–	894	740	–	740
Total current tax	1,313	(419)	894	1,142	(402)	740
Total deferred tax	–	–	–	–	–	–
Total tax (note 7(b))	1,313	(419)	894	1,142	(402)	740

b) Factors affecting total tax charge for the year

The main rate of corporation tax in the UK was reduced from 21% to 20% on 1 April 2015. This change in the tax rate results in an average rate for the accounting year ended 30 September 2015 of 20.5% (2014: 22.0%) on a weighted average basis.

	2015			2014		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Profit on ordinary activities before taxation	11,183	(64,386)	(53,203)	11,064	43,964	55,028
Profit on ordinary activities multiplied by standard rate of corporation tax 20.5% (2014: 22.0%)	2,293	(13,199)	(10,906)	2,434	9,671	12,105
Effects of:						
Non taxable UK dividends	(42)	–	(42)	(69)	–	(69)
Non taxable overseas dividends	(1,832)	–	(1,832)	(1,963)	–	(1,963)
Capital management expenses not utilised	–	123	123	–	153	153
Losses/(gains) on investments held at fair value through profit or loss	–	10,972	10,972	–	(8,130)	(8,130)
Foreign exchange loss	–	(56)	(56)	–	–	–
Net loss/(profits) from contracts for difference	–	1,731	1,731	–	(2,141)	(2,141)
Overseas tax suffered	894	–	894	740	–	740
Disallowed expenses	–	10	10	–	45	45
Total current taxation charge for the year (note 7(a))	1,313	(419)	894	1,142	(402)	740

The Company is exempt from corporation tax on capital gains provided it maintains its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. Due to the Company's intention to meet the conditions required to maintain its investment trust status, it has not provided for deferred tax on any capital gains or losses.

NM1123U-3242337-50/86

At 30 September 2015 the Company had net surplus management expenses of US$2,643,000 (2014: US$2,050,000). A deferred tax asset has not been recognised in respect of these losses because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus management expenses. The estimated value of this unrecognised deferred tax asset at 30 September 2015 was US$529,000 (30 September 2014: US$410,000).

8. DIVIDENDS

Dividends paid on equity shares	Record date	Payment date	2015 US$'000	2014 US$'000
2014 final of 4.00 cents per ordinary share	30 January 15	20 February 15	6,025	–
2015 interim of 2.40 cents per ordinary share	5 June 15	3 July 15	3,615	3,389
			9,640	3,389

The Directors have proposed a final dividend of 4.15 cents per share (2014: 4.00 cents). The dividend will be paid on 19 February 2016, subject to shareholder approval on 10 February 2016, to shareholders on the Company's register on 29 January 2016. Under IFRS the proposed final dividend has not been recognised as a liability in the financial statements as final dividends are only recognised in the financial statements when they have been approved by shareholders, and special and interim dividends are not recognised until they are paid. They are also debited directly to revenue reserves.

The total dividends payable in respect of the period ended 30 September 2015 which form the basis of section 1158 of the Corporation Tax Act 2010 and section 833 of the Companies Act 2006, and the amounts proposed, meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares:	2015 US$'000	2014 US$'000
Interim dividend of 2.40 cents per ordinary share (2014: 2.25 cents)	3,615	3,389
Final proposed dividend of 4.15 cents per ordinary share (2014: 4.00 cents)*	6,251	6,025
	9,866	9,414

* Based on 150,621,621 ordinary shares in issue on 17 December 2015.

9. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE

	2015	2014
Net revenue profit attributable to ordinary shareholders (US$'000)	9,870	9,922
Net capital (loss)/profit attributable to ordinary shareholders (US$'000)	(63,967)	44,366
Total (loss)/profit attributable to ordinary shareholders (US$'000)	(54,097)	54,288
Total equity attributable to shareholders (US$'000)	242,395	306,132
The weighted average number of ordinary shares in issue during the year, on which the earnings per ordinary share was calculated, was:	150,621,621	150,621,621
The actual number of ordinary shares in issue at the end of the year, on which the net asset value per ordinary share was calculated, was:	150,621,621	150,621,621
Revenue earnings per share – (US cents)	6.55	6.59
Capital (losses)/earnings per share – (US cents)	(42.47)	29.45
Total (losses)/earnings per share – (US cents)	(35.92)	36.04
Net asset value per share – (US cents)	160.93	203.25
Share price* – (US cents)	157.15	211.58
Net asset value per share – (pence)	106.25	125.36
Share price (pence)	103.75	130.50

* The Company's share price is quoted in sterling and the above represents the US dollar equivalent.

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 US$'000	2014 US$'000
Equity investments held at fair value through profit or loss	184,837	201,135
P-Notes	1,685	21,799
BlackRock's Institutional Cash Fund	52,924	69,384
	239,446	292,318
Valuation brought forward	292,318	179,094
Investment holding gains	(9,422)	(7,032)
Opening cost of equity investments	282,896	172,062
Acquisitions at cost	199,240	341,002
Disposal proceeds	(198,588)	(264,935)
Realised (losses)/gains on sales	(9,136)	34,767
Cost carried forward	274,412	282,896
Investment holding (losses)/gains	(34,966)	9,422
Closing valuation of equity investments	239,446	292,318

During the period, transaction costs of US$548,000 (2014: US$782,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the period amounted to US$380,000 (2014: US$493,000). All transaction costs have been included within the capital reserves.

Gains and losses on investments held at fair value through profit or loss

	2015 US$'000	2014 US$'000
Realised (losses)/gains on sales	(9,136)	34,767
Changes in investment holding (losses)/gains	(44,388)	2,390
	(53,524)	37,157

NM1123U-3242337-52/86

11. DERIVATIVES

The Company may use a variety of derivative contracts, and during the year it entered into a number of contracts for difference ("CFD"). CFDs are synthetic equities and are valued by reference to the investments' underlying market values.

The sources of the return under the derivative contracts (e.g. notional dividends, financing costs, interest returns and capital changes) are allocated to the revenue and capital accounts in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP. Notional dividend income or expense arising on long or short positions is apportioned wholly to the revenue account. Notional interest income on short positions is allocated wholly to the revenue account. Notional interest expense on long positions is apportioned between revenue and capital in accordance with the Board's long term expected returns of the Company (currently determined to be 20% to revenue and 80% to capital). Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated to capital. A summary of the various sources of return on the derivative contracts are given in the table below.

	2015			2014		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Net unrealised (losses)/gains relating to underlying price movements	–	(10,615)	(10,615)	–	9,996	9,996
Net realised gains relating to underlying price movements	–	2,771	2,771	–	438	438
Notional dividend income on long positions	3,321	–	3,321	2,843	–	2,843
Notional dividend expense on short positions	(4)	–	(4)	(129)	–	(129)
Notional interest income on short positions	4	–	4	2	–	2
Notional interest expense on long and short positions	(150)	(602)	(752)	(176)	(702)	(878)
Total return on derivative contracts for the year	3,171	(8,446)	(5,275)	2,540	9,732	12,272

The net fair values of derivative financial assets are set out in the table below:

	2015 US$'000	2014 US$'000
Amounts due from brokers in respect of revaluation gains on CFDs	1,828	18,493
Derivative financial liabilities: Amounts due to brokers in respect of revaluation losses on CFDs	(847)	(6,897)
Total net derivative financial assets	981	11,596

Net realised gains on CFD positions of US$2,771,000 (2014: US$438,000) comprised realised gains of US$43,635,000 (2014: US$4,009,000) and realised losses of US$40,864,000 (2014: US$3,571,000).

The Company also invested in P-Notes during the year. These are promissory notes issued by certain counterparty banks that are designed to offer the holder a return linked to the performance of a particular underlying equity security or market, and used where direct investment in the relevant underlying equity security or market is not possible for regulatory or other reasons. To the extent dividends are received on the securities to which the P-Notes are linked, these are taken to investment income in the revenue column of the Statement of Comprehensive Income. Changes in value of the P-Notes relating to movements in the underlying prices of the linked securities are taken to gains or losses on investments held at fair value in the capital column of the Statement of Comprehensive Income. At 30 September 2015 the Company held one P-Note (2014: four), to obtain exposure to Saudi Arabia where direct investment in equities is not possible for foreign investors. A summary of the returns from investment in P-Notes is given below.

11. DERIVATIVES continued

	2015			2014		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Profits on investments held at fair value through profit or loss						
Net gains relating to underlying price movements	–	219	219	–	7,924	7,924
Income from investments held at fair value through profit or loss						
Dividend income from underlying securities	450	–	450	743	–	743
Total	450	219	669	743	7,924	8,667

At 30 September 2015, the fair value of the Company's holding in P-Notes amounted to US$1,685,000 (2014: US$21,799,000) representing 0.7% of net assets (2014: 7.0%).

As at 30 September 2015 the Company held cash and cash equivalent balances of US$5,635,000 (2014: US$14,770,000) (all of which was held as cash at bank). The Company also held cash of US$1,145,000 (2014: US$90,000) on margin deposit accounts with counterparty brokers. This cash represents collateral posted to broker margin deposit accounts in relation to amounts due to brokers in respect of unrealised losses on open contracts for difference. The nature of the Company's portfolio means that the Company gains significant exposure to a number of markets through CFDs. The Company may be geared through the use of CFDs up to 20% of gross assets. However, to the extent the Investment Manager has elected not to be geared, the Company will always hold a level of cash (or equivalent holding in BlackRock's Institutional Cash Fund) on its balance sheet representative of the difference between the cost of purchasing investments directly and the lower initial cost of making a margin payment on a CFD contract. The Company was not geared through its use of CFDs as at 30 September 2015 and 2014 and the difference between the cost of direct investment and the purchase costs associated with holding the same exposures via a CFD contract amounted to US$55,974,000 (2014: US$69,915,000). Had the Company been able to acquire all of the underlying CFD positions through direct equity investment, its cash position (taking into account cash invested in BlackRock's Institutional Cash Fund at 30 September 2015 of US$52,924,000 (2014:US$69,384,000)) at the period end would therefore have been lower by US$55,974,000 (2014: US$69,915,000).

As at 30 September 2015 the Company also owed US$260,000 (2014: US$11,924,000) to brokers in respect of cash collateral received relating to amounts owed by these brokers to cover unrealised gains on open contracts for difference. These cash balances are disclosed separately under current liabilities on the Company's Statement of Financial Position. To the extent there are unrealised losses on CFD contracts, the Company will transfer deposit monies across to these broker margin deposit accounts. The Investment Manager monitors margin positions on a daily basis to ensure any margin deposit balances are minimised and any amounts owed to the Company are transferred on a timely basis. In the event of default, legal ownership of any monies held in the margin deposit accounts resides with the counterparty broker.

12. OTHER RECEIVABLES

	2015 US$'000	2014 US$'000
Sales for future settlement	4,410	685
Prepayments and accrued income	961	1,457
	5,371	2,142

13. OTHER PAYABLES

	2015 US$'000	2014 US$'000
Purchases for future settlement	7,158	511
Accruals for expenses and interest payable	2,020	1,804
Other payables	726	526
	9,904	2,841

14. NON CURRENT LIABILITIES

The management shares of £1 each carry the right to receive a fixed cumulative preferential dividend at the rate of 0.01% per annum on the nominal amount thereof, payable on demand and any such dividend is payable in priority to the payment of dividend to holders of any other class of shares. To the extent that there are no shares of any other class in issue, each management share carries one vote. To the extent there are shares of any other class in issue these shares do not carry any voting rights. On a return of assets of the Company, the holders of these management shares are entitled to be paid the amount paid up or treated as paid up on their share, such return payable in priority to the return to holders or any other class of shares. The management shares are not redeemable.

15. CALLED UP SHARE CAPITAL

	Number of ordinary shares in issue	Nominal value US$'000
Allotted, called up and fully paid share capital comprised: Ordinary shares of 1 cent each		
At 30 September 2014	150,621,621	1,506
At 30 September 2015	150,621,621	1,506

The Company also has in issue 50,000 management shares which carry the right to a fixed cumulative preferred dividend. Additional information is given in note 14.

16. RESERVES

	Capital redemption reserve US$'000	Special reserve US$'000	Capital reserve arising on investments sold US$'000	Capital reserve arising on revaluation of investments US$'000	Revenue reserve US$'000
At 30 September 2014	5,798	231,030	38,731	20,985	8,082
Movement during the year:					
Total Comprehensive Income:					
Loss on realisation of investments	–	–	(9,136)	–	–
Changes in investment holding gains	–	–	–	(44,388)	–
Gains on foreign currency transactions	–	–	242	30	-
Gains/(losses) on contracts for differences	–	–	2,169	(10,615)	–
Finance costs, capital expenses, investment management and performance fee charged to capital after taxation	–	–	(2,269)	–	–
Revenue return for the year	–	–	–	–	9,870
Dividends paid	–	–	–	–	(9,640)
At 30 September 2015	5,798	231,030	29,737	(33,988)	8,312

17. RISK MANAGEMENT POLICIES AND PROCEDURES

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive Fund 3.2.2R Disclosures which can be found at blackrock.co.uk/brfi for a more detailed discussion of the risks inherent in investing in the Company.

The following information refers to the risk management framework of the Alternative Investment Fund Manager ("AIFM"); however, as disclosed in the Corporate Governance Statement on page 23 and in the Statement of Directors' Responsibilities on page 36, it is the ultimate responsibility of the Board to ensure that the company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of relevant agreements. The AIFM reports to the Board at each meeting on key risk metrics and risk management processes; in addition the Depositary monitors the performance of the AIFM and reports to the Audit & Management Engagement Committee at each meeting. Any issues are reported to the Board on an ad hoc basis as they arise.

Risk management framework

The Directors of the Alternative Investment Fund Manager ("AIFM") review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Manager' Directive 3.2.2R Disclosures which can be found at blackrock.co.uk/brfi. The AIFM reserves to itself the investment performance, product risk monitoring and oversight and the responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group ("RQA") which is a centralised group which performs an independent risk management function. RQA independently identifies measures and monitors investment risk. RQA tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA have the ability to determine if the appropriate risk management processes are in place across the Company. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The risk exposures of the Company are set out as follows:

(a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Company may suffer through holding market positions in Frontier equities in the face of market movements. The Companyis also exposed to Frontier Market fluctuations through CFDs which are valued based on the price of the underlying equity holding and through P-Notes.

Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 day and a historical observation period of not less than 1 year (250 days). A VaR number is defined at a specified profitability and a specified time horizon. A 99% 1 day VaR means that the expectation is that 99% of the time over a 1 day period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one-day VaR as at 30 September 2015 and 30 September 2014 (based on a 99% confidence level) was 1.98% and 0.83% respectively.

NM1123U-3242337-56/86

(i) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments, CFDs and P-Notes. The movements in the prices of these investments result in movements in the performance of the Company.

Management of other price risk

By diversifying the portfolio, where this is appropriate and consistant with the Company's objectives, the risk that a price change of a particular investment will have a material impact on the NAV of the Company is minimised which is in line with the investment objectives of the Company.

The Company's exposure to other changes in market prices at 30 September 2015 on its equity investments, excluding its holding in BlackRock's Institutional Cash Fund, was US$186,522,000 (2014: US$222,934,000). In addition, the Company's gross market exposure to these price changes through its CFD portfolio was US$59,488,000 through long positions (2014: US$83,945,000) and US$2,533,000 through short positions (2014: US$2,434,000).

Concentration of exposure to market risks

An analysis of the Company's investment portfolio is shown on pages 10 to 13. At 30 September 2015 this shows that the majority of the portfolio was invested in Bangladesh, Pakistan, Kuwait, Sri Lanka and Romania. Accordingly, there is a concentration of exposure to those countries, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

(ii) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in foreign currency exchange rates. The fair values of the Company's monetary items which have foreign currency exposure at 30 September 2015 and 30 September 2014 are shown below. Where the Company's' equity investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2015	Bangladeshi Taka US$'000	Pakistan Rupee US$'000	Kuwaiti Dinar US$'000	Sri Lankan Rupee US$'000	Romanian Leu US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	83	552	596	71	6	969
Contracts for differences (gross exposure)	24,134	1,687	–	7,334	–	26,333
Cash	–	–	7	–	–	1
Payables	–	–	(1)	–	–	(1,559)
Total foreign currency exposure on net monetary items	24,217	2,239	602	7,405	6	25,744
Investments at fair value through profit and loss that are equities	6,391	25,612	22,492	15,580	15,051	50,316
Total net foreign currency exposure	30,608	27,851	23,094	22,985	15,057	76,060

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

2014	Kuwaiti Dinar US$'000	Nigerian Naira US$'000	Pakistani Rupee US$'000	Bangladeshi Taka US$'000	Saudi Arabian Riyal US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	–	39	1,195	76	–	683
Contracts for differences (gross exposure)	1,345	11,046	12,358	23,152	–	33,610
Cash	(1,078)	(379)	144	(215)	(527)	2,151
Payable	–	–	(98)	(413)	–	(1,429)
Total foreign currency exposure on net monetary items	267	10,706	13,599	22,600	(527)	35,015
Investments at fair value through profit and loss that are equities	35,536	16,916	12,189	454	21,800	82,064
Total net foreign currency exposure	35,803	27,622	25,788	23,054	21,273	117,079

Management of foreign currency risk
The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board of the Company on a regular basis.

The Investment Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Derivative contracts are not used to hedge against exposure to foreign currency risk.

Consequently, the Company is exposed to risk that the exchange rate of its reporting currency relative to other currencies may change in a manner which has an adverse effect on the value of the portion of the Company's assets which are denominated in currencies other than the reporting currency.

(iii) Market risk arising from interest rate risk
Exposure to interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and its borrowing facilities for investment purposes. Interest rate movements may effect the interest payable on the Company's multi-currency overdraft facility and the level of income receivable from cash at bank and on deposit. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

NM1123U-3242337-58/86

Interest rate exposure

The exposure at 30 September 2015 of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re-set
- fixed interest rates – when the financial instrument is due for repayment

	2015 Within one year US$'000	2014 Within one year US$'000
Exposure to floating interest rates:		
CFD derivative contract		
– Notional long positions	(59,488)	(83,945)
– Notional short positions	2,533	2,434
BlackRock's Institutional Cash Fund	52,924	69,384
Cash at bank and Money Market Deposits	5,635	14,770
Cash held on margin deposit with brokers	1,145	90
Collateral received in respect of contracts for differences	(260)	(11,924)

The Company is exposed to interest rate risk on positions within the CFD portfolio. The Company incurs charges on long and short positions held. These are based on:

	US$ based	EUR based
Notional long positions	Overnight US Federal Funds Effective rate	Euro OverNight Index Average
Notional short positions	Overnight US Federal Funds Effective rate	Euro OverNight Index Average

Notional interest is determined on a gross basis; i.e. for this purpose long and short positions or exposures within the master agreements are not netted. Further details of notional interest arising in the year in relation to the CFD portfolio are given in note 11 to the Financial Statements.

The Company has additional exposure to interest rate risk in relation to its holding in BlackRock's Institutional Cash Fund. Interest received on this holding in the year was on average 0.22% (2014: 0.16%). There were no money market deposits as at 30 September 2015 or 30 September 2014.

The Company does not have any fixed rate exposure at 30 September 2015 or 30 September 2014. Interest rates received on cash balances or paid on bank overdrafts, respectively, by major currency account are set out in the table below.

	Interest received %	Interest paid %
US dollar	0.000	2.000
Sterling	0.150	1.683

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Company's uncommitted overdraft facility from BNYM was cancelled on 7 August 2015. No new facility was put in place. The Company's investment guidelines permit it to be geared up to 40% of gross assets through the use of derivatives or borrowings, although the Board currently envisage that any such gearing will not exceed 20% of gross assets. Derivative contracts are not used to hedge against exposure to interest rate risk.

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

b) Counterparty credit risk

Credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments and through its investments in long and short CFDs and P-Notes.

Credit risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer.

The BlackRock RQA Counterparty and risk Concentration Risk Team completes a formal review of each counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposure and the collateral management process.

There were no past or impaired assets as of 30 September 2015 (30 September 2014: nil).

The major counterparties engaged with the Company are all widely recognised and regulated entities. Short CFD positions are backed by sufficient margin cash to reduce risk.

Depositary

The Company's Depositary is BNY Mellon Trust & Depositary (UK) Limited (the "Depositary") (Moody's long term credit rating as at 1 October 2015: Aa2). All of the equity assets and cash of the Company are held within the custodial network of the Depositary. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk at 30 September 2015 is the total value of equity investments held with the Depositary and cash and cash equivalents in the Statement of Financial Position.

In accordance with the requirements of the depositary agreement, the Depositary will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depositary, the Company's non-cash assets are segregated and this reduces counterparty credit risk. The Company will, however, be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company.

Counterparties/Brokers

The Company only invests directly in markets that operate on a "delivery versus payment" basis, and consequently most investment transactions in listed securities involve simultaneous delivery of securities against cash payment using an approved broker. The risk of default is considered minimal, and the trade will fail if either party fails to meet its obligation.

For a few markets that the Company invests in from time to time, although they operate on a "delivery versus payment" basis, there may be a very short time gap between stock delivery and payment, giving potential rise to counterparty credit risk with the broker in relation to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used for those markets. The Company monitors the credit rating and financial position of the broker used to further mitigate this risk.

Cash held as security by the counterparty to financial derivative contracts is subject to the credit risk of the counterparty. The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, the collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long term credit rating of any one counterparty (or its ultimate parent if unrated).

NM1123U-3242337-60/86

2015	Total number of counterparties	Maximum exposure to any one counterparty** US$'000	Collateral Held** US$'000	Total exposure to all other counterparties** US$'000	Lowest credit rating of any one counterparty*
2015	4	1,095	260	–	BBB+
2014	3	11,322	11,909	274	A

* Standard & Poors ratings.
** calculated on a net basis.

The Company may also be exposed to counterparty risk should there be any rehypothecation of pledged collateral. Rehypothecation refers to the practice by banks and brokers of using, for their own purposes, assets that have been posted as collateral by their clients; clients who permit rehypothecation of their collateral my be compensated either through a lower cost of borrowing or a rebate on fees. Collateral is received/paid where the client service agreement states that there should be collateral movements agreed with the counterparty, where there is a requirement for a mark-to-market process or collateralisation to ensure that the Company is protected against any counterparty default.

Over-the-counter ("OTC") financial derivative instruments

The Company may utilise both exchange traded and over-the-counter derivatives, including, but not limited to, CFDs and P-Notes, as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying CFD positions. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The Company's current investment strategy specifically utilises CFDs. The Company limits the gross market exposure, and therefore the leverage, of this strategy to approximately 20% of the Company's gross assets. The CFDs utilised have a linear performance to the referenced stocks quoted on exchanges and therefore have a volatility profile similar to the underlying stocks.

Management of OTC financial derivative instruments

Economic exposure through derivatives is resticted to 100% of the gross asset value of the Company. The gross value represents the aggregate of the long and short exposure without netting and so within this limit market exposure may be significantly less. The net exposure refers to the market exposure the Company has to the underlying securities on long CFD positions, less the market exposure of the underlying securities on which the Company has taken short positions. Further definitions are provided in the glossary on page 78. To the extent derivatives are used to gear the Company's portfolio, aggregate gearing will not exceed 20% of gross assets. Short positions may not exceed 10% of gross assets.

Exposures are monitored daily by the Investment Manager and its independent risk management team. The Company's board also reviews exposures regularly.

The CFD positions are diversified across sectors and geographies comprising 18 positions as at 30 September 2015 (2014: 20).

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

The gross underlying notional exposures within the CFD portfolio at 30 September 2015 were:

	2015 US$'000	% of gross assets	2014 US$'000	% of gross assets
CFDs – gross exposure relating to short positions	2,533	1.0	2,434	0.7
CFDs – gross exposure relating to long positions	59,488	24.5	83,945	22.5
Gross economic exposure subject to a 100% restriction (see above)	62,021	25.5	86,379	23.2
Net market exposure	56,955	23.5	81,511	21.8

The economic exposures within the CFD portfolio can be closed out at any time by the counterparty with immediate effect. Details of securities and exposures to market risk, interest rate risk and credit risk implicit within the CFD portfolio are given in note 17(a)(i), 17(a)(ii), 17(a)(iii), 17(b) and 17(c) to the Financial Statements.

Collateral

The Company engages in activities which may require collateral to be provided to a counterparty ("pledged Collateral") or may hold collateral received ("inbound collateral") from a counterparty. The Company uses inbound collateral received from a counterparty to reduce the counterparty credit risk associated with any trading activity in which the Company has engaged.

Cash collateral pledged by the Company is separately identified as an asset in the Statement of Financial Position and is not included as a component of cash and cash equivalents.

Inbound cash collateral received by the Company is reflected as a liability on the Statement of Financial Position as cash collateral payable. The cash is subject to certain counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt. Collateral received in the form of securities is not reflected on the Statement of Financial Position. The Company has the right to sell or re-pledge collateral received in the form of securities in circumstances such as default.

The fair value of inbound securities collateral and securities collateral pledged is reflected in the table below:

	Pledged collateral		Inbound collateral	
	30 September 2015 US$'000	30 September 2014 US$'000	30 September 2015 US$'000	30 September 2014 US$'000
BlackRock Frontiers Investment Trust plc	1,145	90	260	11,924

Receivables

Amounts due from brokers are disclosed on the Statement of Financial Position as receivables. The counterparties included in debtors are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty and Concentration Risk Team. The Company monitors the ageing of receivables to mitigate the risk of debtor balances becoming overdue.

In summary, the exposure to credit risk at 30 September 2015 was as follows:

	2015 3 months or less US$'000	2014 3 months or less US$'000
Cash at bank and on deposit and held on margin account with brokers	6,780	14,860
BlackRock's Institutional Cash Fund	52,924	69,384
P-Notes	1,685	21,799
CFD portfolio	1,828	18,493
Other receivables (amounts due from brokers, dividends and interest receivable)	5,371	2,142

Offsetting disclosures

In order to better define its contractual rights and to secure rights that will help the Company mitigate its counterparty risk, the Company may enter into an ISDA Master Agreement or similar agreement with its OTC derivative contract counterparties. An ISDA Master Agreement is an agreement between the Company and the counterparty that governs OTC derivatives and foreign exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Company has a contractual right to offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

For financial reporting purposes, the Company does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statements of Financial Position on the basis that it does not always intend to settle contracts on a net basis.

At 30 September 2015, the Company's derivative assets and liabilities (by type) are as follows:

	At 30 September 2015		At 30 September 2014	
Derivatives	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
CFD position – long position	1,773	(847)	18,227	(6,897)
CFD position – short position	55	–	266	–
Total derivative assets and liabilities in the Statement of Financial Position	1,828	(847)	18,493	(6,897)
Derivatives not subject to a master netting agreement	–	–	–	–
Total assets and liabilities subject to a master netting agreement	1,828	(847)	18,493	(6,897)

The following table presents the Company's derivative assets and liabilities by counterparty, net of amounts available for offset, under a master netting agreement and net of any related collateral paid by the Company as at 30 September 2015:

	Derivative assets subject to a master netting agreement US$'000	Derivatives available for offset US$'000	Non-cash collateral US$'000	In bound cash collateral US$'000	Net amount of derivative assets US$'000
As at 30 September 2015					
Deutsche Bank AG	1,744	–	–	(260)	1,484
Citibank N.A.	–	–	–	–	–
HSBC	84	–	–	–	84
Bank of America Merrill Lynch	–	–	–	–	–
Total as at 30 September 2015	1,828	–	–	(260)	1,568
As at 30 September 2014					
Deutsche Bank AG	18,023	–	–	(11,909)	6,114
Citibank N.A.	367	–	–	–	367
Morgan Stanley	103	–	–	(15)	88
Total as at 30 September 2014	18,493	–	–	(11,924)	6,569

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Counterparty	Derivative liabilities subject to a master netting agreement by a counterparty US$'000	Derivatives available for offset US$'000	Non-cash collateral given US$'000	Pledged cash collateral US$'000	Net amount of derivative liabilities US$'000
As at 30 September 2015					
Deutsche Bank AG	(649)	–	–	–	(649)
Citibank N.A.	(85)	–	–	85	–
HSBC	–	–	–	–	–
Bank of America Merrill Lynch	(113)	–	–	–	(113)
Total as at 30 September 2015	(847)	–	–	85	(762)
As at 30 September 2014					
Deutsche Bank AG	(6,701)	–	–	–	(6,701)
Morgan Stanley	(196)	–	–	–	(196)
Total as at 30 September 2014	(6,897)	–	–	–	(6,897)

Management of counterparty credit risk
RQA are responsible for the risk management of the Company, with duties comprising of identifying, monitoring and managing risk, including counterparty risk. RQA are supported in this role by the Investment Manager.

The Company has a low level of counterparty/credit risk, which is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker;
- the Company's listed investments are held on its behalf by the Depositary. The Board monitors the Company's risk by reviewing the Depositary's internal control reports;
- the creditworthiness of financial institutions with whom cash held is reviewed regularly by the Investment Manager;
- all transactions in quoted securities are settled on a payment against delivery basis using approved brokers. The risks of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchaser once the securities have been delivered by the broker. The trade will fail if either party fails to meet its obligation.

c) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. At the year end, the Company did not have a multi-currency overdraft facility (2014: US$27.75 million). The Company is also exposed to liquidity risk for margin calls on derivatives.

NM1123U-3242337-64/86

Liquidity risk exposure

The remaining undiscounted gross cash flows of the financial liabilities as at 30 September 2015 and 30 September 2014, based on the earliest date on which payment can be required, were as follows:

2015	3 months or less US$'000	Between 3 months and one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	9,904	–	9,904
Amounts due to CFD counterparty brokers in respect of collateral held on account	260	–	260
Derivative financial liabilities held at fair value through profit or loss	847	–	847
	11,011	–	11,011

2014	3 months or less US$'000	Between 3 months and one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	2,841	–	2,841
Amounts due to CFD counterparty brokers in respect of collateral held on account	11,924	–	11,924
Derivative financial liabilities held at fair value through profit or loss	6,897	–	6,897
	21,662	–	21,662

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. The Company is also exposed to liquidity risks from the leverage employed through exposure to long and short CFD positions. However, the timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company may experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is not significant as the Company's assets are investments in listed securities that are readily realisable.

The underlying securities of the CFD portfolio are all quoted investments that are readily realisable. Short CFD positions are backed by sufficient margin cash to reduce risk. Additional cash is held within the portfolio to further mitigate risk. It is recognised that the underlying securities to which P-Notes relate may not be readily or easily realisable. The Company mitigates this risk by holding sufficient cash reserves.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward-looking cash reports which project cash obligations. These reports allow them to manage their obligations.

None of the assets of the Company are subject to special liquidity arrangements.

d) Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair values (investments and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2(g) to the Financial Statements on pages 45 and 46.

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

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

The fair value hierarchy has the following levels:

Level 1 – quoted market price in an active market for identical instrument. A financial instrument is regarded as quoted in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – valuation techniques used to price securities based on observable inputs. Valuation techniques used for non-standard instruments such as options, currency swaps and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs.

As at the year end the P-Notes were valued using the underlying equity bid price and the inputs to the valuation were the exchange rates used to convert the P-Note valuation from the relevant local currency to US Dollars at the year end date. There have been no changes to the valuation technique since the previous year or as at the date of this report.

As at the year end the CFDs were valued using the underlying equity bid price and the inputs to the valuation were the exchange rates used to convert the CFD valuation from the relevant local currency in which the underlying equity was priced to US Dollars at the year end date. There have been no changes to the valuation technique since the previous year or as at the date of this report.

Level 3 – valuation techniques using significant unobservable inputs other than quoted prices within level 1. This category includes all instuments where the valuation technique includes inputs not based on observable market data and unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The level in the fair value hierarchy within the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Contracts for difference and P-Notes have all been classified as level 2 investments as their valuation has been based on market observable inputs represented by the market prices of the underlying quoted securities to which these contracts expose the Company.

The table below sets out fair value measurements using IFRS 13 fair value hierarchy.

Financial assets/liabilities as at fair value through profit or loss at 30 September 2015	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	184,837	–	–	184,837
P-Notes	–	1,685	–	1,685
BlackRock's Institutional Cash Fund	52,924	–	–	52,924
Contracts for difference (gross exposure)	–	59,488	–	59,488
Liabilities:				
Contracts for difference (gross exposure)	–	(2,533)	–	(2,533)
	237,761	58,640	–	296,401

Financial assets/liabilities as at fair value through profit or loss at 30 September 2014	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	201,135	–	–	201,135
P-Notes	–	21,799	–	21,799
BlackRock's Institutional Cash Fund	69,384	–	–	69,384
Contracts for difference (gross exposure)	–	83,945	–	83,945
Liabilities:				
Contracts for difference (gross exposure)	–	(2,434)	–	(2,434)
	270,519	103,310	–	373,829

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 30 September 2015 and 30 September 2014. The Company did not hold any level 3 securities throughout the financial year or as at 30 September 2015 (2014: nil).

Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- to achieve long term capital growth, investing primarily in companies operating in or having exposure to Frontier Markets.

This is to be achieved through an appropriate balance of equity capital, investment in derivatives and structured financial instruments, and gearing. The maximum exposure the Company may have to derivatives and structured financial instruments for investment purposes and efficient portfolio management purposes, in aggregate, is 100% of the Company's portfolio. The Company may use borrowings and enter into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance. The aggregate gearing of the Company in these circumstances is currently not anticipated to exceed 20% of gross assets.

The Company's total capital as 30 September 2015 was US$242,395,000 (2014: US$306,132,000).

18. RELATED PARTY DISCLOSURE: DIRECTORS' EMOLUMENTS

The related party transactions with Directors are set out in the Directors' Remuneration Report on page 31. At 30 September 2015, £11,000 (2014: £11,000) was outstanding in respect of Directors fees.

19. TRANSACTIONS WITH INVESTMENT MANAGER AND AIFM

BlackRock Fund Managers Limited ("BFM") was appointed as the Company's AIFM with effect from 2 July 2014. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BIM (UK). Details of the fees payable to BFM are set out in note 4 on page 47. Transaction and relationship details are set out in the Director's Report on pages 25 and 26.

The investment management fee for the year was US$2,997,000 (2014: US$3,156,000) as disclosed in note 4 to the Financial Statements on page 47. In addition, a performance fee was payable of US$234,000 (2014: US$ nil). At the year end, an amount of US$1,471,000 was outstanding in respect of management fees (2014: US$834,000) and US$234,000 (2014: US$ nil) was outstanding in respect of performance fees.

In addition to the above services, BlackRock provides the Company with marketing services. The total fees paid or payable for these services for the year ended 30 September 2015 amounted to US$73,000 excluding VAT (2014: US$72,000) of which US$145,000 excluding VAT (2014: US$72,000) was outstanding at 30 September 2015.

The Company has an investment in BlackRock's Institutional Cash Fund of US$52,924,000 (2014: US$69,384,000) at the year end.

20. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2015 (2014: nil).

NM1123U-3242337-68/86

Additional information

Analysis of shareholders

ANALYSIS OF CATEGORIES AS AT 30 SEPTEMBER 2015

	Holdings	%	Shares	%
Individuals	76	8.89	629,864	0.42
Bank or Nominees	752	87.95	148,319,345	98.47
Insurance Company	6	0.7	99,084	0.07
Other Company	14	1.64	1,509,631	1.00
Pension Trust	1	0.12	1	0.00
Other Corporate Body	6	0.7	63,696	0.04
Total	855	100.00	150,621,621	100.00

BAND ANALYSIS AS AT 30 SEPTEMBER 2015

Range	No. of Shareholders	%	No. of Shares	%
1-1,000	38	4.44	21,240	0.01
1,001-5,000	294	34.39	959,121	0.64
5,001-10,000	183	21.40	1,408,278	0.94
10,001-100,000	221	25.85	6,700,670	4.45
100,001-500,000	57	6.67	15,142,312	10.05
500,001-1,000,000	20	2.34	14,460,186	9.60
1,000,001 and above	42	4.91	111,929,814	74.31
	855	100.00	150,621,621	100.00

NM1123U-3242337-69/86

Additional information

Management & other service providers

Registered Office
(Registered in England, No. 7409667)
12 Throgmorton Avenue
London EC2N 2DL

Alternative Investment Fund Manager[1]
BlackRock Fund Managers Limited[2]
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Investment Manager and Company Secretary
BlackRock Investment Management (UK) Limited[2]
12 Throgmorton Avenue
London EC2N 2DL

Depositary
BNY Mellon Trust & Depositary (UK) Limited[2]
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Registrar
Computershare Investor Services PLC[2]
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 4027

Auditor
Ernst & Young LLP
25 Churchill Place
London E14 5EY

Stockbrokers
Winterflood Securities Limited[2]
The Atrium Building
25 Dowgate Hill
London EC4R 2GA

Solicitors
Wragge Lawrence Graham & Co.
4 More London Riverside
London SE1 2AU

Savings Plan and ISA Administrator
BlackRock Investment Management (UK) Limited[2]
Freepost RLTZ-KHUH-KZSB
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

[1] BlackRock Fund Managers Limited (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager of the Company under a delegation agreement with BFM.
[2] Authorised and regulated by the Financial Conduct Authority.

NM1123U-3242337-70/86

Additional information

Shareholder information

FINANCIAL CALENDAR

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

November/December

Annual results.

November/December

Annual Report and Financial Statements published.

February

Final dividend paid.

February

Annual General Meeting.

May

Half yearly figures to 31 March announced and half yearly financial report published.

June

Interim dividend paid.

Ordinary share price

The Company's mid-market ordinary share price is quoted daily in The Financial Times and The Times under "Investment Companies" and in The Daily Telegraph under "Investment Trusts". The share price is also available on the BlackRock website at blackrock.co.uk/brfi.

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. The Board has arranged for all shareholders to receive their dividends in Sterling unless they elect otherwise. Shareholders who wish to receive their dividends in US Dollars should complete and return the enclosed Currency Election Form.

Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services on 0370 707 4027 or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Tax vouchers will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

DIVIDEND – 2015

The proposed final dividend in respect of the year ended 30 September 2015 is 4.15 cents per share. The Board also declared an interim dividend of 2.40 cents per share which was paid on 3 July 2015 to shareholders on the register on 5 June 2015.

Dividend timetable

Ex-div date:	28 January 2016
Record date:	29 January 2016
Last day for receipt of currency elections:	2 February 2016
Pay date:	19 February 2016

ISIN/SEDOL NUMBERS

The ISIN/SEDOL numbers and mnemonic codes for the Company's shares are:

ISIN	GB00B3SXM832
SEDOL	B3SXM83
Bloomberg code	BRFI LN Equity
Ticker	BRFI

SHARE DEALING

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. For existing shareholders the Company's registrar, Computershare Investor Services PLC, has both internet and telephone share dealing services. To access the internet share dealing service, log on to computershare.com/sharedealingcentre. The telephone share dealing service is available on 0370 703 0084. To use these services, you will need your shareholder reference number, which is detailed on your share certificate.

Internet dealing – The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone dealing – The fee for this service will be 1% of the value of the transaction plus £35. Stamp duty of 0.5% is payable on purchases.

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading. Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

ELECTRONIC PROXY VOTING

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at eproxyappointment.com using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures

NM1123U-3242337-71/86

described in the CREST manual. More details are set out in the notes on the Form of Proxy and the Notice of Annual General Meeting.

NOMINEE CODE

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and
- that investors in the BIM (UK) Investment Trusts Savings Plan and NISA are automatically sent shareholder communications, including details of general meetings, together with a Form of Direction to facilitate voting and to seek authority to attend.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

PUBLICATION OF NET ASSET VALUE/PORTFOLIO ANALYSIS

The net asset value (NAV) per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly. The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at blackrock.co.uk/brfi and through the Reuters News Service under the code "BLRKINDEX", on page 8800 on Topic 3 (ICV terminals) and under "BLRK" on Bloomberg (monthly information only).

ONLINE ACCESS

Other details about the Company are available on the BlackRock website at blackrock.co.uk/brfi. The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction. Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website, at investorcentre.co.uk. To access Computershare's website you will need your shareholder reference number (SRN) which can be found on paper or electronic communications you have previously received from Computershare. Listed below are the most frequently used features of the website.

- Holding enquiry – view balances, values, history, payments and reinvestments.
- Payments enquiry – view your dividends and other payment types.
- Address change – change your registered address.
- Bank details update – choose to receive your dividend payment directly into your bank account instead of by cheque.
- e-Comms sign-up – choose to receive email notification when your shareholder communications become available instead of paper communications.
- Outstanding payments – reissue payments using the online replacement service.
- Downloadable forms – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

SAVINGS PLAN

The Company participates in the BIM (UK) Investment Trust Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call BIM (UK) free on 0800 44 55 22.

STOCKS AND SHARES INDIVIDUAL SAVINGS ACCOUNTS (NISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments within the BIM (UK) Investment Trust Stocks and Shares NISA. In the 2015/2016 tax year investors will be able to invest up to £15,240 in New ISAs either as cash or shares. Details are available from BlackRock by calling free on 0800 44 55 22.

SHAREHOLDER ENQUIRIES

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from your share certificate, tax voucher or other electronic communications you have previously received from Computershare. The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0370 707 4027.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

NM1123U-3242337-72/86

GENERAL ENQUIRIES

Enquiries about the Company should be directed to:

The Secretary
BlackRock Frontiers Investment Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Enquiries about the Savings Plan or NISA should be directed to:

BlackRock Investment Management (UK) Limited
Freepost RLTZ-KHUH-KZSB
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

NM1123U-3242337-73/86

Regulatory disclosures

AIFMD disclosures

REPORT ON REMUNERATION

The Alternative Investment Fund Managers' Directive (the AIFMD) requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the website at blackrock.co.uk/brfi and have applied to the Manager since 1 January 2015, being the beginning of the first financial year of BlackRock following the Manager's authorisation as an AIFM.

QUANTITATIVE REMUNERATION DISCLOSURE

Appropriate disclosures will be made in due course in accordance with FUND 3.3.5, Article 22(2)e and 22(2)(f) of the AIFMD and Article 107 of the Delegated Regulation.

LEVERAGE

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objective and policy, the Company may utilise derivative instruments as part of its investment policy.

The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject. No derivatives were used for leverage purposes during the year.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment Leverage as at 30 September 2015	Gross Leverage as at 30 September 2015
Leverage ratio	1.03	1.04

OTHER RISK DISCLOSURES

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 17 to the notes to the financial statements on pages 54 to 66.

PRE INVESTMENT DISCLOSURES

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

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

BLACKROCK INVESTMENT MANAGEMENT (UK) LTD
Company Secretary
17 December 2015

NM1123U-3242337-74/86

Regulatory disclosures

Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and (6) No director of the Company has waived or agreed to waive any current or future emoluments from the Company or any subsidiary undertaking.

9.8.4 (7) The Company has not allotted any equity securities during the year.

Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

BLACKROCK INVESTMENT MANAGEMENT (UK) LTD
Company Secretary
17 December 2015

NM1123U-3242337-75/86

Annual general meeting

Notice of annual general meeting

Notice is hereby given that the next Annual General Meeting of BlackRock Frontiers Investment Trust plc ("the Company") will be held at the offices of BlackRock Investment Management (UK) Limited, at 12 Throgmorton Avenue, London EC2N 2DL on Wednesday, 10 February 2016 at 12.05 p.m. (or such later time as the General Meeting to approve the tender proposals closes) for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 10, as ordinary resolutions and, in the case of resolutions 11 to 14, as special resolutions).

ORDINARY BUSINESS

Ordinary Resolutions

1. To receive the report of the Directors of the Company ("the Directors") and the Financial Statements for the year ended 30 September 2015 together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2015.

3. To approve the payment by the Company of a final dividend of 4.15 cents per ordinary share in respect of the year ended 30 September 2015.

4. To re-elect Ms Lynn Ruddick as a Director.

5. To re-elect Mr Nicholas Pitts-Tucker as a Director.

6. To reappoint Ernst & Young LLP as Auditor to the Company to hold office from the conclusion of the Annual General Meeting of the Company on 10 February 2016 until the conclusion of the next general meeting at which financial statements and reports are laid before the Company.

7. To authorise the Audit & Management Engagement Committee to determine the Auditor's remuneration.

SPECIAL BUSINESS

Ordinary Resolution

8. That, the proposed amendment to the Company's investment policy as set out in the appendix on pages 80 and 81, be and is hereby approved.

9. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot ordinary shares of US$0.01 each in the capital of the Company ("Shares") and to grant rights to subscribe for or to convert any security into Shares ("Securities"), up to an aggregate nominal amount of US$150,621.62 (being 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice) provided this authority shall expire at earlier of 31 March 2017 and the conclusion of the annual general meeting to be held in 2017 but so that the Company may, before such expiry, make any offer or agreement which would or might require Securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

10. That, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act, to exercise all powers of the Company to allot 65 million C shares of US$0.10 each in the capital of the Company ("C Shares") at an issue price of 100 pence per C Share, such authority shall expire on 31 July 2016, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of C Shares after the expiry of such authority in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

To consider and, if thought fit, pass the following resolutions as special resolutions:

11. That, in substitution for all existing authorities and subject to the passing of resolution numbered 9 above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot and make offers or agreements to allot equity securities (as defined in section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash pursuant to the authority granted by the resolution numbered 9 above, as if section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

    (a) shall expire at the earlier of 31 March 2017 and the conclusion of the annual general meeting of the Company to be held in 2017, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;

    (b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of US$150,621.62 (representing approximately 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice); and

    (c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per ordinary share.

12. That, subject to the passing of resolution 10 above, the Directors be and are generally hereby empowered (pursuant to section 570 of the Act) to allot C Shares for cash pursuant to the authority referred to in resolution 10 above as if section 561 of the Act did not apply to any such

NM1123U-3242337-76/86

allotment, such power shall expire on 31 July 2016, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require C Shares to be allotted after the expiry of such power and the Directors may allot C Shares in pursuance of such an offer or agreement as if such power had not expired.

13. That, in addition to any existing authorities the Company be and it is hereby authorised in accordance with section 701 of the Act to make market purchases within the meaning of section 693(4) of the Act of Shares provided that:

    (a) the maximum number of Shares hereby authorised to be purchased is 22,578,180 (being the equivalent of 14.99% of the Company's issued share capital at the date of this notice);

    (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1 cent (or the sterling currency equivalent), being the nominal value per share;

    (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of:

        (i) 5% above the average of the market value of a Share for the five business days immediately preceding the date of the purchase as derived from the Daily Official List of the London Stock Exchange; and

        (ii) the higher of the price quoted for (a) the last independent trade of and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out;

    and

    (d) the authority hereby conferred shall expire at the earlier of 31 March 2017 and the conclusion of the annual general meeting of the Company in 2017 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All Shares purchased pursuant to the above authority shall be either:

(a) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or

(b) cancelled immediately upon completion of the purchase.

14. That the Articles of Association of the Company be amended by deleting the existing Articles 146.2, 156.1 and 156.2 in their entirety and replacing with the following new Articles 146.2, 156.1 and 156.2 in their place:

Article 146.2 – No dividend shall be paid otherwise than out of profits available for the purpose in accordance with the provisions of the Companies Act.

Article 156.1 – The Board may, before recommending any dividend but having regard to Chapter 4 Part 24 of the Corporation Tax Act 2010 and regulations made thereunder, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may divide the reserve into such special funds as the Board may think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. Any sum which the Board may carry to reserve out of the unrealised profits of the Company shall not be mixed with any reserve to which profits available for the distribution have been carried. The Board may also without placing the same to reserve carry forward any profits that it may think it prudent not to distribute.

Article 156.2 – The Board shall establish a reserve to be called the Capital Reserve. All surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital reserves shall be credited to the Capital Reserve. Subject to the Companies Act, the Board may determine whether any amount received by the Company is to be dealt with in the income account or Capital Reserve or partly one way and partly the other. Any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Companies Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital reserve item or which the Board otherwise considers appropriate to be debited to the Capital Reserve shall be carried to the debit of the Capital Reserve. All sums carried and standing to the credit of the Capital Reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
17 December 2015

Registered Office:
12 Throgmorton Avenue
London EC2N 2DL

NM1123U-3242337-77/86

Annual general meeting

Notice of annual general meeting continued

Notes:

1. A member entitled to attend, speak and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.
2. To appoint a proxy you may use the form of proxy enclosed with this Annual Report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by 12.05 p.m. on 8 February 2016. Amended instructions must also be received by the Company's registrar by the deadline for receipt of proxies. Alternatively you can vote or appoint a proxy electronically by visiting eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 12.05 p.m. on 8 February 2016.
3. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
4. Any person (a "Nominated Person") receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (the "Act") should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
5. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
6. Only shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the date fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00 p.m. two days prior to the date of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Holders of shares through the Savings Schemes are entitled to attend and vote at the meeting if the voting instruction form, which is enclosed with this document, is correctly completed and returned in accordance with the instructions printed thereon.
9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar by 12.05 p.m. on 8 February 2016. Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) by 12.05 p.m. on 8 February 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.

NM1123U-3242337-78/86

14. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are laid before the meeting; or
    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
15. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:
    (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
    (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:
    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
    (b) it is defamatory of any person; or
    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 30 December 2015, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
16. Further information regarding the meeting which the Company is required by section 311A of the Act to publish on a website in advance of the meeting (including this Notice), can be accessed at blackrock.co.uk/brfi.
17. As at the date of this report, the Company's issued share capital comprised 150,621,621 ordinary shares of 1 cent each (none of which are held in treasury) and 50,000 management shares of £1.00 each (which do not carry voting rights). Each ordinary share carries the right to one vote at general meetings. Therefore the total number of voting rights in the Company on 17 December 2015 is 150,621,621.
18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association. Copies of the Directors' letters of appointment will be available for inspection at the Company's registered office from 17 December 2015 until the time of the meeting and at the meeting venue itself for at least 15 minutes prior to the meeting until the end of the meeting.

Glossary

NET ASSET VALUE PER SHARE ("NAV")

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing "equity shareholders' funds" by the total number of ordinary shares in issue. For example, as at 30 September 2015 equity shareholders' funds were worth US$242,395,000 and there were 150,621,621 ordinary shares in issue; the undiluted NAV was therefore 160.93 cents per ordinary share. Equity shareholders' funds are calculated by deducting from the Company's total assets its current and long-term liabilities and any provision for liabilities and charges.

DISCOUNT

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price (based on mid-market share prices) and the NAV, expressed as a percentage of the NAV. For example, if the share price was 90 cents and the NAV 100 cents, the discount would be 10%.

PREMIUM

A premium occurs when the share price is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price (based on mid-market share prices) was 100 cents and the NAV 90 cents, the premium would be 11.1%. Discounts and premia are mainly the consequence of supply and demand for the shares on the stock market.

CREDIT DEFAULT SWAP ("CDS")

An agreement designed to switch economic exposure between two parties. It is often characterised as an insurance policy but as there is no requirement to hold any asset it is a derivative. It is possible to be either a buyer or seller of "insurance", the buyer pays a periodic fee (a premium) for protection against a specific event (e.g. a bond default) the seller would receive income but bear the cost of default. The Company does not sell protection but may buy it from time to time to hedge exposure and spread risk.

PROMISSORY NOTES (P-NOTES)

Promissory notes issued by certain counterparty banks that are designed to offer the holder a return linked to the performance of a particular underlying equity security or market, and used where direct investment in the relevant underlying equity security or market is not possible for regulatory or other reasons.

CONTRACT FOR DIFFERENCE

A Contract for Difference is an agreement to exchange the difference in value of a particular share or index between the time at which a contract is opened and the time at which it is closed. A CFD allows an investor to gain access to the movement in the share price by putting down a small amount of cash known as a margin which can range between 1% and up to 80% of the market value of the underlying security.

CFDs do not have an expiry date like options or futures contracts. As opposed to an expiry date a CFD is effectively renewed at the close of each trading day and rolled forward if desired.

SHORT AND LONG EXPOSURES

CFDs enable an investor to benefit from the price of a stock falling as well as rising. This enables the investor to benefit from negative as well as positive views on individual stocks. Entering into a CFD that results in a profit where the share price movement falls is referred to as taking a short position. The counterparty pays the investor interest on the cash deposited with it which collateralises the short positions and deductions are made from the value of the short CFD contract in respect of dividends payable in relation to these stocks.

Entering into a CFD contract that results in a profit if the price of the stock rises is referred to as taking a long position. The investor pays a financing charge on long positions and receives payments from the counterparty in respect of dividends payable in relation to these long positions.

GROSS AND NET EXPOSURE

Market exposure gained through a CFD contract refers to the gross market value of the underlying securities to which the investor is exposed through the CFD contract.

Gross exposure refers to the total exposure the investor has through both long and short positions added together. For example, an investor who has 110% long market exposure through CFDs and 20% short market exposure through CFDs has gross market exposure of 130%.

Net exposure refers to the exposure the investor has through long positions less any short positions. For example, an investor who has 110% long market exposure through CFDs and 20% short market exposure through CFDs has net market exposure of 90%; this method of measurement is looking at the net directional market exposure and takes into account the fact that long and short positions theoretically offset one another when the market moves in a particular direction.

NM1123U-3242337-80/86

LEVERAGE

Leverage is defined in the AIFM Directive as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

Leverage ratio = exposure: net asset value

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The treatment of cash and cash equivalent balances in terms of calculating what constitutes an "exposure" under AIFMD differs for these two methods. The definitions for calculating the Gross Method exposures require that "the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the AIF, that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond" should be excluded from exposure calculations.

The Company is leveraged in accordance with the methodology set out in the AIFMD, as at 30 September 2015, however all derivative positions were backed by cash and the Company was not geared from this perspective, nor was it geared using the calculation methodology adopted and recommended by the AIC.

NM1123U-3242337-81/86

Appendix

Proposed changes to investment objective and policy

The proposed new investment object and policy for the Company, as proposed in resolution 8 on page 74 of this report, are set out below. Changes to the existing policy at the time of publication of this document are marked in black-line.

Investment objective

The Company's investment objective is to achieve long term capital growth from investment in companies operating in Frontier Markets or whose stocks are listed on the stock markets of such countries.

Investment policy

The Company will seek to maximise total return and will invest globally in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, Frontier Markets. ~~Investment may also be made in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, more developed markets with significant business operations in Frontier Markets.~~ A Frontier Market is defined as ~~a country which, at the time of any relevant investment,~~:

1) ~~is~~ any country that was not a constituent of the MSCI Emerging Markets Index or the MSCI Developed Markets Index as at 1 December 2015 (save for those countries specified in 2 below); or

2) any of Columbia, Egypt, Peru or The Philippines, each of which was a member of the MSCI Emerging Markets Index as at 1 December 2015 but which share similar characteristics to those of less developed markets (such as low per capita GDP, high growth potential and less developed capital markets). ~~The Company will exit any investment relating to a Frontier Market as soon as reasonably practicable following that Frontier Market becoming a constituent of the Emerging Markets Index or the Developed Markets.~~

Investment in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, those countries specified in 2 above will be limited to a maximum of 20% of the gross value of the portfolio on an ongoing basis.

The Company will exit any investment as soon as reasonably practicable following that market becoming a constituent of the MSCI Developed Markets Index.

In order to achieve the Company's investment objective, the Investment Manager selects stocks by fundamental analysis of countries, sectors and companies, looking for long-term appreciation from mispriced value or growth. The Investment Manager employs both a top-down and bottom-up approach to investing. Risk is spread through investing in a number of holdings and, typically, it is expected that the Company will invest in between 35 to 65 holdings.

Where possible, investment will generally be made directly in the stock markets of Frontier Markets. Where the Investment Manager determines appropriate, investment may be made in Frontier Markets through collective investment schemes, although such investment is not likely to be substantial. Investment in other closed-ended investment funds admitted to the Official List will not exceed more than 10 per cent., in aggregate, of the value of the Gross Assets (calculated at the time of any relevant investment).

It is intended that the Company will generally be invested in equity investments, however, the Investment Manager may invest in equity related investments such as convertibles or fixed interest securities where there are perceived advantages in doing so. The Investment Manager may invest in bonds or other fixed income securities, including high risk debt securities. These securities may be below investment grade.

Due to national and/or international regulation, excessive operational risk, prohibitive costs and/or the time period involved in establishing trading and custody accounts in certain of the Company's target Frontier Markets, the Company may temporarily, or, on an on-going basis, be unable to invest (whether directly or through nominees) in certain of its target Frontier Markets or, in the opinion of the Company and/or the Investment Manager, it may not be advisable to do so. In such circumstances, the Company intends to gain economic exposure to such target Frontier Markets by investing indirectly through derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes. Save as provided below, there is no restriction on the Company investing in derivatives and/or structured financial instruments in such circumstances.

If the Company invests in derivatives and/or structured financial instruments for investment purposes (other than to gain access to a target Frontier Market as described above) and/or for efficient portfolio management purposes it shall only hold up to, in aggregate, 20 per cent. of its Gross Assets in derivatives and/or structured financial instruments for such purposes. The Company may take both long and short positions. The Company may short up to a limit of 10 per cent. of Gross Assets. For shorting purposes the Company may use indices or individual stocks.

The maximum exposure the Company may have to derivatives and/or structured financial instruments for investment purposes (including gaining access to target Frontier Markets) and efficient portfolio management purposes, in aggregate, shall be 100 per cent. of the Company's portfolio. When investing via derivatives and/or structured financial instruments (whether for investment purposes (including gaining access to target Frontier Markets) and/or for efficient portfolio management purposes), the Company will seek to mitigate and/or spread its counterparty risk exposure by collateralisation and/or contracting with a potential range of counterparty banks, as appropriate, each of whom shall, at the time of entering into such derivatives and/or structured financial instruments, have a Standard & Poors credit rating of at least A- long-term senior unsecured. When investing via derivatives and/or structured financial instruments, the Company could have exposure to between 35 to 65 underlying companies.

The Investment Manager will invest directly in securities only in countries where it is satisfied that acceptable custodial and other arrangements are in place to safeguard the Company's investments.

The Company's portfolio will frequently be overweight or underweight relative to the Reference Index.

The Company may invest up to 5 per cent. of its Gross Assets (at the time of such investment) in unquoted securities. The Company will invest so as not to hold more than 15 per cent. of its Gross Assets in any one stock or derivative position at the time of investment (excluding cash management activities).

The Company may use borrowings for settlement of transactions, to facilitate share repurchases (where applicable) and to meet on-going expenses and may be geared through borrowings and/or by entering into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance. The aggregate of gearing through borrowing and the use of derivatives will not exceed 40 per cent. of the Gross Assets. It is anticipated that the aggregate of such gearing will not exceed 20 per cent. of the Gross Assets at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

Financial Conduct Authority

FCA FINANCIAL CONDUCT AUTHORITY

Be ScamSmart

Investment scams are designed to look like genuine investments.

In association with the Institute of Chartered Secretaries and Administrators Registrars Group

Spot the warning signs.

Have you been...

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

If so, you might have been contacted by fraudsters.

How to avoid share fraud

1. **Reject cold calls**
   If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2. **Check the firm on the FS register at www.fca.org.uk/register**
   The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

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

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

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**.

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

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

April 2015

NM1123U-3242337-84/86

blackrock.co.uk/brfi

BLACKROCK®

004837a-BRFIT Sep15