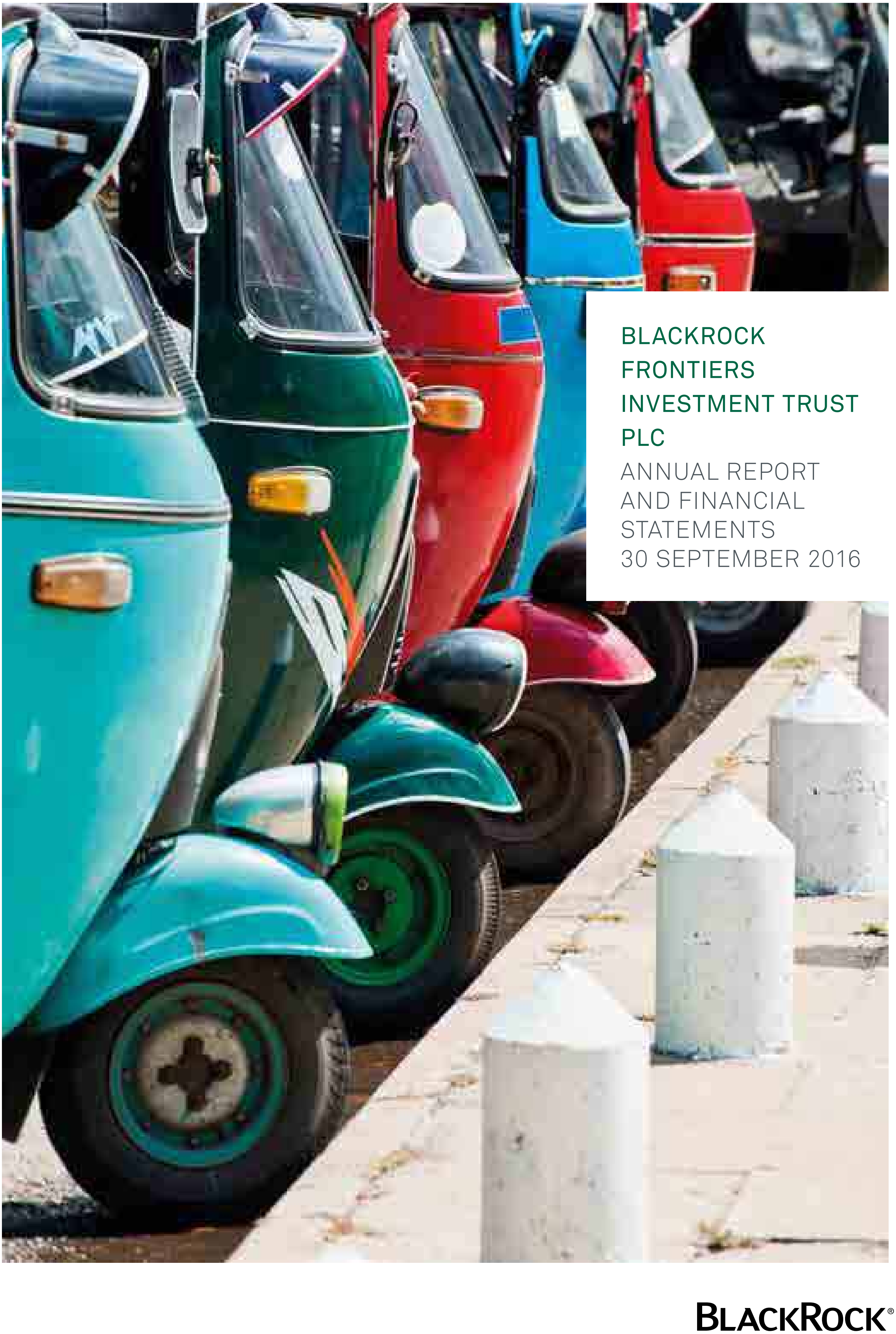


BLACKROCK FRONTIERS INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 30 SEPTEMBER 2016

BLACKROCK®

NM1124U-3986663-1/90

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.

aic
The Association of
Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

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

Contents

Overview

Performance record 3

Chairman's statement 4

Performance

Investment managers' report 6

Ten largest investments 9

Portfolio analysis 10

Investments 12

Strategic report 16

Governance

Governance structure and directors' biographies 23

Corporate governance statement 24

Directors' report 29

Directors' remuneration report 35

Report of the audit & management engagement committee 38

Statement of directors' responsibilities in respect of the annual report and financial statements 43

Financial statements

Independent auditor's report 44

Statement of comprehensive income 48

Statement of changes in equity 49

Statement of financial position 50

Cash flow statement 51

Notes to the financial statements 52

Additional information

Analysis of shareholders 75

Management & other service providers 76

Shareholder information 77

Regulatory disclosures

AIFMD disclosures 80

Information to be disclosed in accordance with Listing Rule 9.8.4 81

Annual general meeting

Notice of annual general meeting 82

Glossary 86

Overview

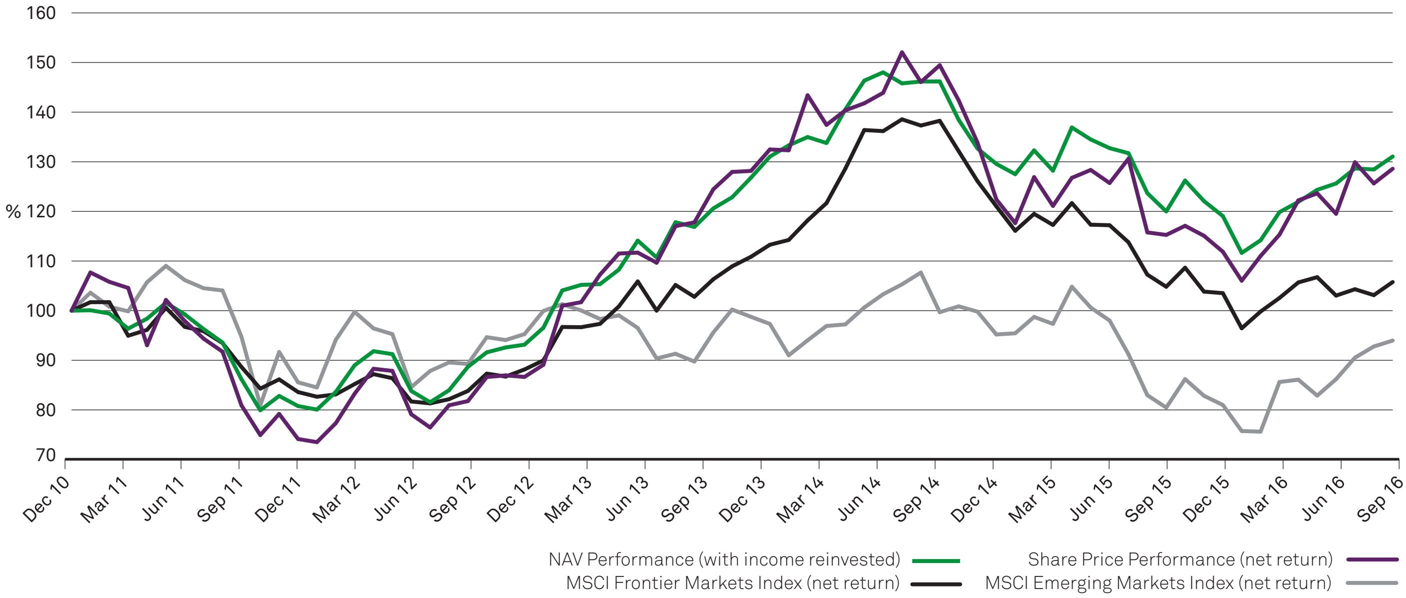
Performance record

	30 September 2016	30 September 2015
US Dollar		
Net assets (US$'000)[1]	276,397	242,395
Net asset value per share (cum income)	168.19	160.93
Share price[3]	167.58	157.15
Sterling		
Net assets (£'000)[1,3]	212,777	160,028
Net asset value per share (cum income)[3]	129.48	106.25
Share price	129.00	103.75
Discount	0.4%	2.4%

Performance – total return basis	Year ended 30 September 2016 %	Year ended 30 September 2015 %	Since inception[4] %
US Dollar			
Net asset value per share (with income reinvested)	+9.3	-17.9	+31.1
MSCI Frontier Markets Index (NR)[2]	+0.9	-24.2	+5.8
MSCI Emerging Markets Index (NR)[2]	+16.8	-19.3	-6.0
Ordinary share price (with income reinvested)	+11.6	-22.9	+28.8
Sterling			
Net asset value per share (with income reinvested)	+27.4	-12.2	+57.0
MSCI Frontier Markets Index (NR)[2]	+17.7	-18.9	+27.0
MSCI Emerging Markets Index (NR)[2]	+36.2	-13.6	+12.8
Ordinary share price (with income reinvested)	+30.0	-17.5	+54.0

1 Change relates to market movements and the proceeds from the C share issue.
2 Net return (NR) indices calculate the reinvestment of dividends net of withholding taxes using the tax rates applicable to non-resident institutional investors.
3 Based on an exchange rate of US$1.2990 to £1 at 30 September 2016 and US$1.5147 to £1 at 30 September 2015.
4 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 2016



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

Overview

Chairman's statement

Dear Shareholder,

I am pleased to present to you the Annual Report and Financial Statements for the year ended 30 September 2016.

OVERVIEW

During the year to 30 September 2016, your Company's Net Asset Value per share (NAV) increased by 9.3%, significantly outperforming the benchmark, the MSCI Frontier Markets Index, which rose by 0.9%. The MSCI Emerging Markets Index rose by 16.8% over the same period. Since its inception in 2010, your Company has generated an impressive total return of 31.1%, comparing favourably to an increase of 5.8% for the MSCI Frontiers Markets Index during this time. (All calculations are on a US dollar basis with income reinvested).

The year under review has been challenging for world markets and has been characterised by sustained political and macroeconomic uncertainty. Market volatility remained high throughout the year, reflecting concern around levels of global growth, in particular in China, as it seeks to rebalance its economy and as it has accumulated growing debts to sustain output. The unprecedented and sustained low interest rate environment, the sharp fall and subsequent recovery in the price of oil, the Federal Reserve's decision on when and to what extent to raise US interest rates and, more recently, concerns over the potential impact of the Republican nominee, Donald Trump's, unexpected victory in the US Presidential elections ensured market uncertainty persisted. In addition, the UK electorate's decision to leave the European Union in June of this year resulted in an immediate and sharp fall in global equity markets and a significant devaluation of sterling. However, markets have since recovered and sterling's fall has boosted returns in the Company for UK-based shareholders.

Frontier Market returns remained predominantly driven by domestic, economic and political forces during the year. Specifically, Pakistan rallied on the MSCI announcement upgrading the country to 'emerging market' status with effect from mid 2017, while Vietnam continued to enjoy strong market returns as the new government focused its agenda on increasing GDP growth and attracting foreign multi-national investment. Elsewhere, the Nigerian market fell significantly in US dollar terms after the government finally lifted currency controls, resulting in a greater than 30% devaluation of the local currency. Meanwhile, the Kenyan market declined after the central bank implemented legislation, effectively capping consumer interest rates, in a move to consolidate the banking industry.

The strongest portfolio performer by country was Argentina, which delivered an impressive return of over 50% during the year, driven by the results of 2015's year-end Presidential elections. The portfolio's exposure to the Argentinian financial and energy sectors was beneficial, as was its exposure to utilities in Pakistan and Romania. There were a number of standout performers at the stock level, not least the holding of Mobile World, a Vietnamese mobile phone retailer, which increased by 130% as the region saw strong growth in this sector.

Further information on the performance of the portfolio during the year can be found in the Investment Manager's report which follows on pages 6 to 8.

I am also delighted to be able to report to shareholders that the Company was awarded 'Best Specialist Fund' at the Investment Adviser 100 Club Awards in October 2016 and I would like to take this opportunity to congratulate the portfolio management team.

REVENUE RETURN AND DIVIDENDS

The Company's revenue return per share for the year amounted to 6.40 cents (2015: 6.55 cents). The Directors are recommending the payment of a final dividend of 4.00 cents per ordinary share (2015: 4.15 cents) in respect of the year ended 30 September 2016. Together with the interim dividend of 2.60 cents per share (2015: 2.40 cents), this represents a total of 6.60 cents per share (2015: 6.55 cents), an increase of 0.8% over total dividends paid in the previous year. This return has been achieved despite portfolio allocation changes away from countries such as Nigeria, where historically dividend yields have been high. This dividend will be paid on 17 February 2017 to shareholders on the register of members at close of business on 27 January 2017, subject to shareholder approval. The Company does not have a policy of actively seeking income, nevertheless, this return represents a relatively high yield of 3.9%.

As I mentioned in my statement to the Company's half-yearly financial report earlier this year, the Company has historically paid out approximately one third of its revenue via the interim dividend and the balance in the form of a final dividend. However, the Board has decided that, where deemed to be appropriate, the Company may distribute a greater proportion of its revenue at the interim dividend stage to better reflect the timing of the underlying income earned by the Company during the financial year.

TENDER OFFER AND C SHARE ISSUANCE

At the Company's launch in December 2010, the Board made a commitment to shareholders that before the Company's fifth Annual General Meeting (AGM), and at every fifth year thereafter, it would offer shareholders the opportunity to realise the value of their Ordinary shares at Net Asset Value per share, less applicable costs. Accordingly, in February of this year shareholders were given the opportunity to participate in a tender offer for up to 100% of the Company's issued share capital. As a result, 5.9 million ordinary shares were tendered (representing 4% of issued share capital at that time). It was encouraging to see that due to the strength of demand for the Company's shares, all shares tendered were successfully placed in the secondary market. The Directors intend to offer shareholders further opportunities to realise the value of their ordinary shares at five yearly intervals, with the next opportunity to take place around the time of the Company's AGM in 2021.

Following the Tender Offer, the Board announced a placing and offer for subscription for up to 65 million C shares. The offer closed on 29 February 2016, resulting in the issue of 15,000,001 C shares at a price of 100 pence per share. All C shares were subsequently converted into 13,711,487 new ordinary shares on 15 March 2016 at a conversion ratio of 0.9141. This enlargement of the Company has created economies of scale, with existing shareholders protected from the costs of the exercise through the establishment of a separate pool of assets until such time as the C shares were converted.

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 of shares at a premium or the repurchase at a discount to balance supply and demand in the market. As at 30 September 2016, the Company had 164,333,108 ordinary shares in issue. There were no shares issued (other than in respect of the conversion of the C shares) or bought back during the year to 30 September 2016 or in the post year period up to the date of this report.

For the year under review the Company's ordinary shares have traded at an average discount to NAV of 2.0% and were trading at a discount of 2.7% on a cum-income basis at 18 November 2016, the latest practicable date prior to the issue of this report. 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 or sell from treasury on a non pre-emptive basis up to 10% of the Company's issued share capital. Both authorities expire on the conclusion of the forthcoming AGM at which time resolutions will be put to shareholders seeking a renewal of these powers. Further information can be found in the Directors' Report on page 33.

THE BOARD

Following a review of the composition of the Board, a decision was taken to initiate a search for a new director during the year. I am pleased to report that following that exercise the Board has appointed Mr Stephen White as a non-executive director of the Company, with effect from 13 July 2016. Mr White also serves as a member of the Company's Audit & Management Engagement Committee. He is a Chartered Accountant and is currently Head of European and US equities at British Steel Pension Fund. In accordance with the Company's Articles of Association, Mr White will stand for election by shareholders at the forthcoming AGM in January 2017. In addition, Mr Zok and I will retire by rotation and will stand for re-election.

Having served on the Board since the Company's inception in 2010, Ms Ruddick retired from the Board with effect from 22 November 2016. On behalf of the Board, I would like to take this opportunity to thank Lynn for her invaluable contribution to the success of the Company during her tenure. Following Ms Ruddick's retirement, Mr White was appointed as Chairman of the Company's Audit & Management Engagement Committee with effect from 22 November 2016.

Further information on the experience and background of the Directors can be found in their biographies on page 23.

OUTLOOK

Frontier Markets look relatively well positioned, offering a combination of some of the world's fastest growing economies, which in many cases have lower debt burdens and pro-business governments who are implementing structural reforms to encourage and support growth. Valuations also continue to look attractive, both in absolute and relative terms. The underlying economies to which these companies are exposed often exhibit little correlation to the global economies overall, which should provide portfolio diversification benefits. The portfolio managers believe the case for investing in Frontier Markets remains compelling and continue to favour companies which have good growth prospects and sustainable margins, supported by robust balance sheets, low levels of debt and strong cash flows. They also remain flexible, poised to take advantage of opportunities or to reposition the portfolio, both at the stock level, or in anticipation of domestic, economic or political headwinds.

As I mentioned in my statement to shareholders last year, the growth in dividends generated by the Company's investment portfolio has increased significantly in recent years, to the extent that the Company now generates an increasingly competitive dividend yield. This element of the total return may well become increasingly appealing given the paucity of attractive yields elsewhere.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 31January 2017 at 12.00 p.m. Details of the business of the meeting are set out in the Notice of Meeting on pages 82 to 85. The Portfolio Manager will make a presentation to shareholders on the Company's progress and the outlook for Frontier Markets. This year, for the first time, shareholders who are unable to attend in person will be able to watch the meeting via a live stream. Further details of how to register for this are given on page 78.

My fellow Directors and I look forward to meeting shareholders at this year's AGM and encourage you to attend.

AUDLEY TWISTON-DAVIES
Chairman
22 November 2016

Performance

Investment managers' report

PORTFOLIO & MARKET COMMENTARY

In the year to 30 September 2016, the Company outperformed the MSCI Frontier Markets Index (the Company's benchmark) by 8.4% returning 9.3% against the benchmark return of 0.9% (on a US dollar basis with net income reinvested).

The MSCI Emerging Markets Index rose by 16.8% over the same period. Since inception the Company has returned 31.1% compared to the return of 5.8% for the benchmark.

The past 12 months have continued to demonstrate the benefits of investing in a wide, diverse asset class. In most countries domestic, economic and political developments have driven market returns.

Local developments helped Argentina to be the strongest performer during the year, returning over 50%. Broader market performance was driven by the results of the Presidential elections at the end of 2015 which saw City of Buenos Aires mayor, Mauricio Macri, defeat ruling party candidate, Daniel Scioli. Although victory for either candidate was expected to put Argentina on a more orthodox footing, the election of President Macri represented a greater shift in economic policy.

Since President Macri took office, his administration has not disappointed investors. He has made good progress in dismantling the protectionist structures of the economy, including eliminating currency controls, cutting export taxes and reducing energy subsidies. Perhaps most significant is the resolution of the dispute with the hold-out creditors, a legacy from the 2001 debt crisis. This should allow Argentina to return to international capital markets for the first time in over a decade.

The portfolio benefitted from increased exposure to Argentina, particularly in the high beta financial sector. Positions in Banco Macro and Grupo Galicia increased in value by 107% and 75% respectively, contributing to the positive relative performance from Argentina over the year. However, the standout performer for the year was utility company Pampa Energia, which gained 116% over the same time period, rallying after it completed a controlling stake acquisition of Petrobras Argentina in July. Strong performance continued through the third quarter of 2016 as the company announced plans to double production capital expenditure to meet rising power demand and reduce reliance on imports. It was further supported by the recent Supreme Court's ruling in favour of allowing electricity providers to raise prices, a key victory for President Macri in his fight to cut back on fiscally expensive subsidies.

Stock selection was the main driver of overall performance. Our position in Pakistani utility company, Hub Power, continued to add value gaining 28%. Investors remain attracted to the power producer's ability to utilise effectively both locally sourced and imported coal to cut into the country's power deficit, while also benefitting from the Company's US dollar return profile in a low interest rate environment. More broadly, Pakistan rallied on the MSCI announcement upgrading the country to 'emerging market' status with effect as of mid-2017, sparking increased interest in a market with one of the lowest price-to-earnings ratios in Asia.

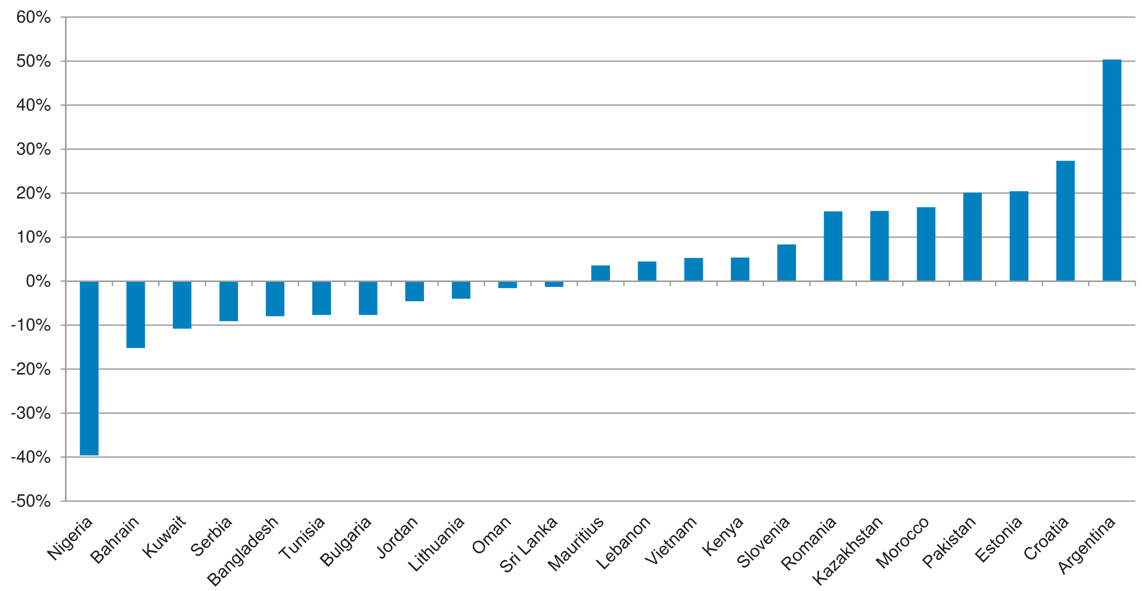
Similarly, our position in Vietnamese consumer discretionary name, Mobile World, surged by 130% over the period as Vietnam sees strong smart phone adoption and growth. The broader Vietnamese market experienced strong market returns as the new government focused its agenda on increasing GDP growth and attracting foreign multi-national investment, showing continued commitment to reforming foreign ownership rules and improving the investment environment domestically. Romanian utility, Electrica, also performed well, gaining 23% during the period on the back of better supply performance and lower losses from its maintenance division.

On a relative basis, our long standing underweight to Nigeria continued to benefit the portfolio significantly, as the market sold off -40% over the year as the country officially lifted currency controls in mid-June which led to the subsequent c. 30% devaluation of the Nigerian Naira. Until policy makers come to terms with the need for a more flexible exchange rate that can slowly help improve foreign exchange shortages, we will remain underweight Nigeria but continue to be invested in cash generative, local franchises such as Zenith Bank and Nigerian Breweries. Similarly, our underweight to Kuwait also contributed positively on a relative basis as the Gulf States have yet to see a currency adjustment on the back of lower oil prices. The portfolio remains approximately 20% underweight to the Middle East region versus the benchmark. This is in contrast to our overweight positioning within oil sensitive Kazakhstan, which saw a full devaluation of the Tenge in 2015. Within Kazakhstan, performance was driven by Kaz Munai Gas EP which gained 28% over the period. Halyk Bank also contributed positively following the delivery of strong earnings.

Broad exposure across the energy sector weighed on returns as the fall in the oil price significantly impacted corporate revenues and export earnings. The Iraqi name, DNO, was one of the largest individual detractors falling by 52% over the year. 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 additional strain on their balance sheets. Kenyan financial, Equity Group, was also among the largest detractors falling by 27% in August alone, following suggested legislation that would cap the interest rates of new loans at 400 basis points above the base rate set by the Central Bank of Kenya. Despite this, the stock rebounded by 12% in September as the bank is likely to be a longer-term beneficiary of the subsequent industry consolidation.

Details of the performance of the constituents of the MSCI Frontier Markets Index are set out below.

For the 12 month period ending 30 September 2016



Source: BlackRock

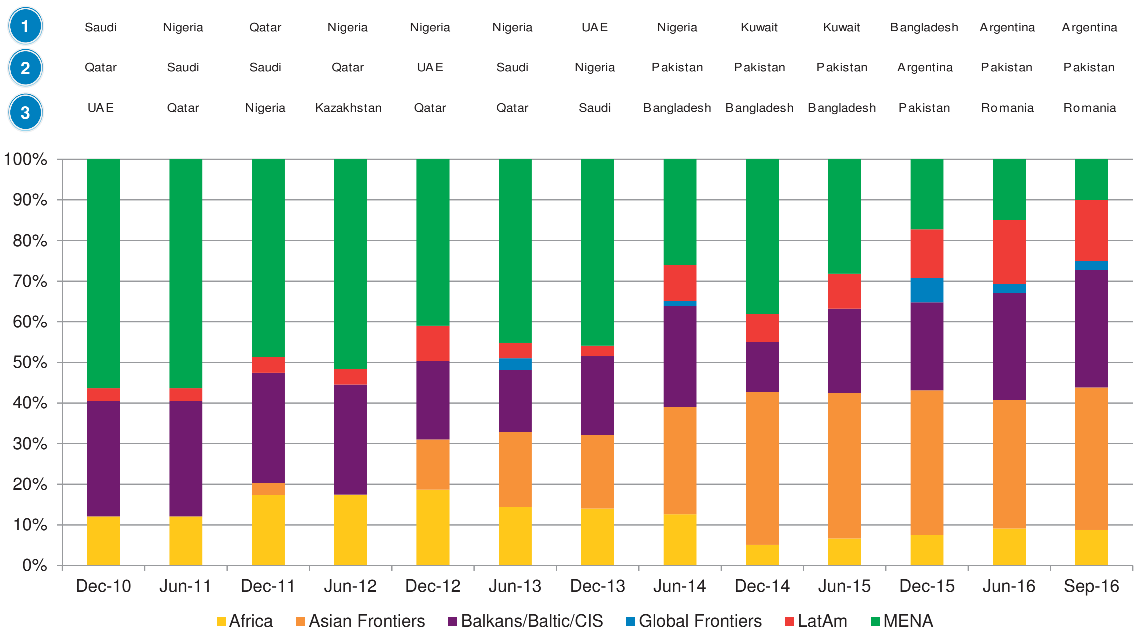
From a positioning standpoint, over the past 12 months we continued to decrease our exposure to the Middle East and North Africa (MENA) region, as lower energy prices remain a primary concern for the underlying economies. Most notably, we reduced exposure to Kuwait (to 3.8%) and Oman (0.0%), which in conjunction with Nigeria (3.2%), make up our three largest underweight positions at the country level. All three countries have non-freely floating currencies which means that the local economies may continue to experience significant challenges in a low oil price environment. Roughly 10% of assets are currently invested in the Middle East. This is the Company's lowest exposure to the MENA region since our inception six years ago. We would expect this percentage to rise when either economic fundamentals change or when valuations reflect this new reality.

This capital has been predominantly redistributed to the Asian and Latin American regions, which have more robust and underpenetrated consumer-based economies. We have specifically been adding to opportunities within Argentina and Vietnam. We also added exposure to Romania (11.2%) and Kazakhstan (9.2%), making them our largest overweights in the portfolio, by country. In Romania, we initiated positions in utility, Electrica, and bank, Banca Transilvania, and in Kazakhstan, we initiated a position in telecom company KCell.

Further information in relation to the portfolio's country exposure and regional positioning can be found in the data chart on next page.

Investment managers' report continued

Evolution of top country exposure and regional positioning



Source: BlackRock, London Stock Exchange Releases, from December 2010 to September 2016. Percentage of gross exposure

OUTLOOK

Frontier Markets continue to exhibit the characteristics that were present when we launched the Company in 2010 and 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, a substantial commodity endowment and where it is possible to invest in companies with strong cash flow and high dividend yields, on some of the lowest valuations in the world, provides an unrivalled investment opportunity. In 2016 the Company's investment mandate was broadened to include Colombia, Egypt, Peru and the Philipines. While our exposure to these countries is small today, we think at the right currency and market valuation, all four offer significant long term opportunities for capital appreciation.

Despite the global ramifications of the 'Leave' vote in the UK referendum in June, and the outcome of the US presidential elections in November, Frontier Markets, given their lower correlations to the developed world, should show a degree of resiliency during this period of increased uncertainty. Broadly, Frontier Market economies remain relatively 'closed-off', having limited economic linkages to the rest of the world. We retain our preference for Frontier Markets that are experiencing improved macroeconomic conditions, better political governance, cash flow growth and cheap valuations. Our preferred countries remain Argentina, Bangladesh, Kazakhstan, Pakistan and Romania.

SAM VECHT & EMILY FLETCHER
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
22 November 2016

Performance

Ten largest investments[1] as at 30 September 2016

MCB Bank (Pakistan, Financials, 4.8% (2015: 1.7%)) MCB is one of the leading private banks in Pakistan. The bank has a customer base of approximately 4 million and a nationwide distribution network of over 1,100 branches.

Banco Macro (Argentina, Financials, 4.0% (2015: 2.5%)) was formed through the combination of a number of regional banks. The bank is dominant in the interior of the country where 79% of its branches are based. It has the leading market share in personal loans in the country with 15% market share.

KazMunaiGas Exploration Production (Kazakhstan, Energy, 3.7% (2015: 1.6%)) is the largest onshore oil producer in Kazakhstan, with c.250 kbpd annual production.

Halyk Savings Bank[2] (Kazakhstan, Financials, 3.4% (2015: 2.9%)) 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.

Grupo Financiero Galicia (Argentina, Financials, 3.4% (2015: 2.4%)) is one of the largest private sector banks in Argentina, with a deposit market share of 9%. Through its various subsidiaries, Galicia is the largest credit card issuer in Argentina having issued over 9.5 million credit cards.

Square Pharmaceuticals[2] (Bangladesh, Health Care, 3.3% (2015: 3.3%)) is the largest pharmaceutical company in Bangladesh, with a market share of 16%.

BRD Groupe Société Générale[2] (Romania, Financials, 3.2% (2015: 3.3%)) is the second largest Romanian Bank, with over 2 million clients and 900 branches.

MHP (Ukraine, Consumer Staples, 3.1% (2015: 4.3%)) 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.

Societatea Energetica Electrica (Romania, Utilities, 3.1% (2015: Nil)) is a Romanian state-owned power supply and distribution company that conducts its activity nationally, through three regionally focused subsidiaries.

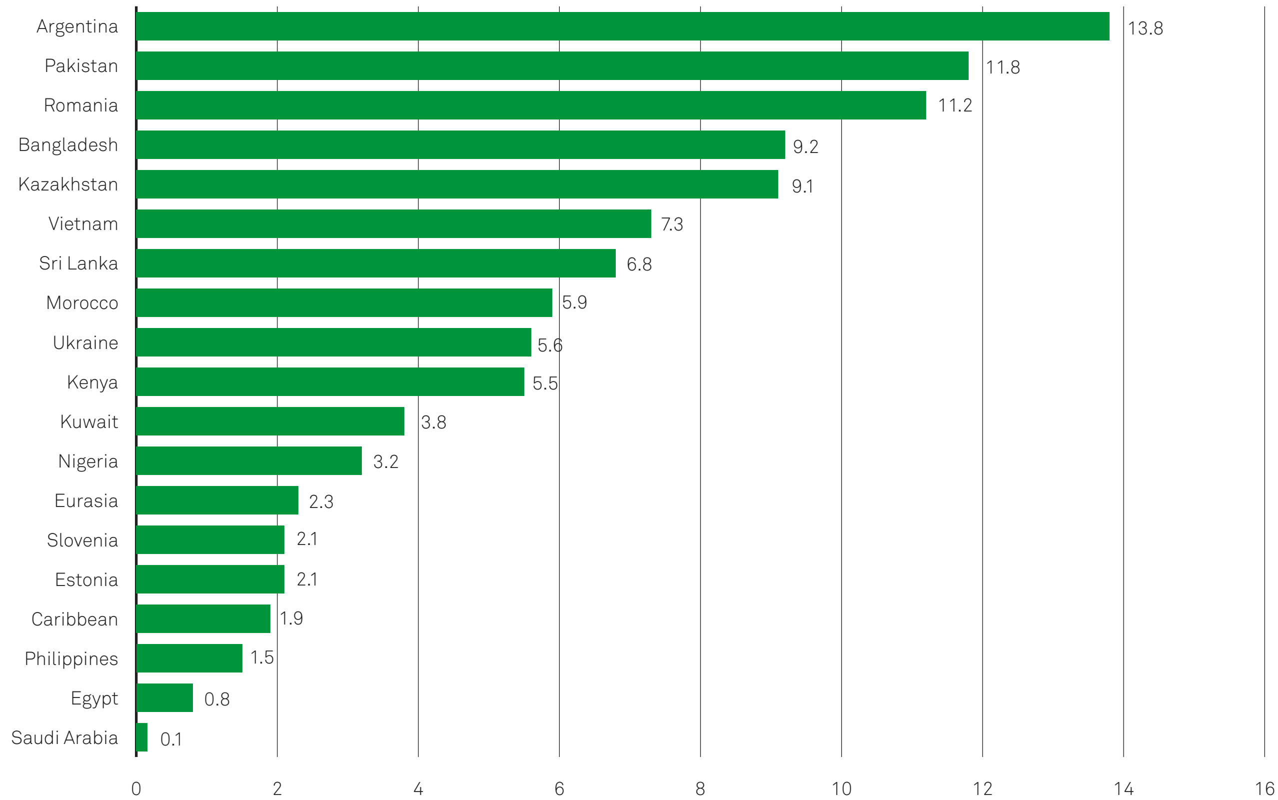
S.N.G.N. Romgaz[2] (Romania, Energy, 2.9% (2015: 2.9%)) is the largest natural gas producer in Romania, supplying c. 5.6 bcm of gas per year. The company's main production comes from the Transylvanian basin; the company also engages in exploration projects in the Black Sea.

1 Gross market exposure as a % of net assets. Percentages in brackets represent the portfolio holding at 30 September 2015.
2 Includes exposure gained via both contracts for difference and equity holdings.

Performance

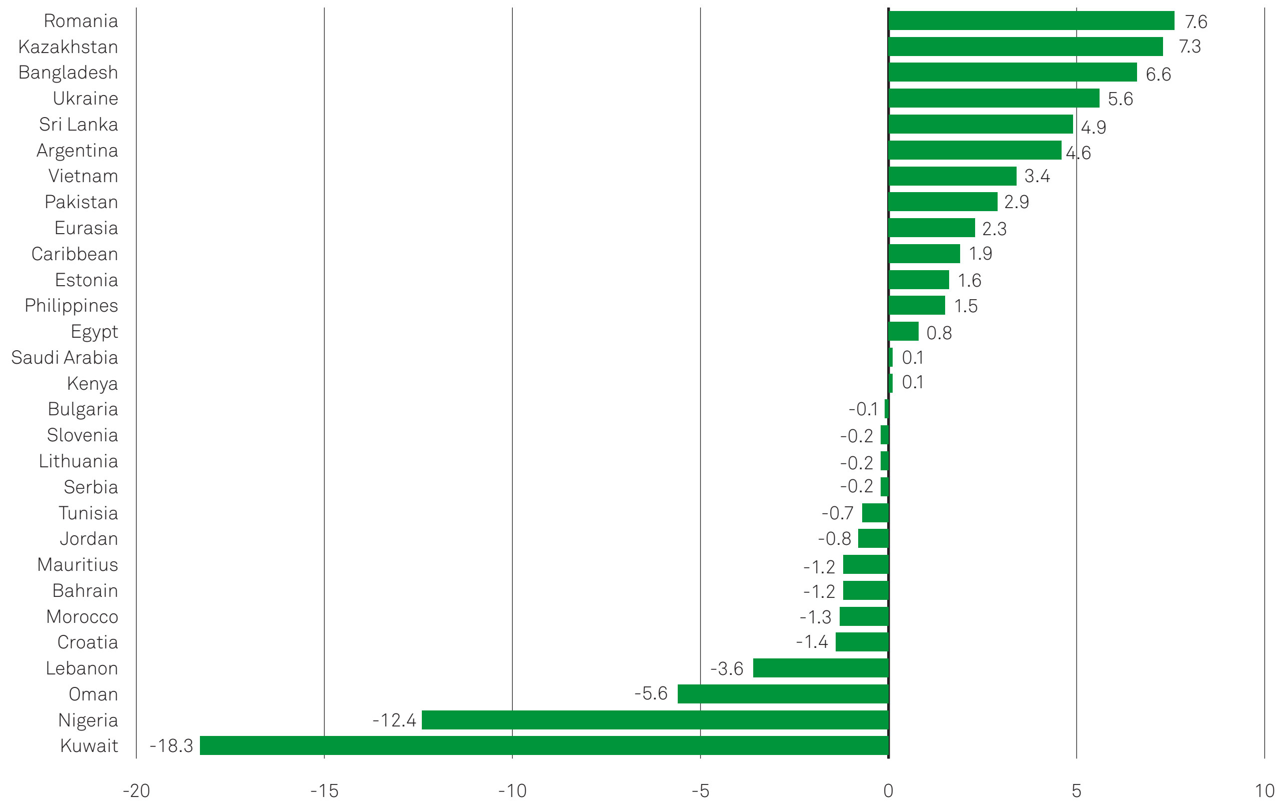
Portfolio analysis

COUNTRY ALLOCATION: ABSOLUTE WEIGHTS (% OF GROSS MARKET EXPOSURE)



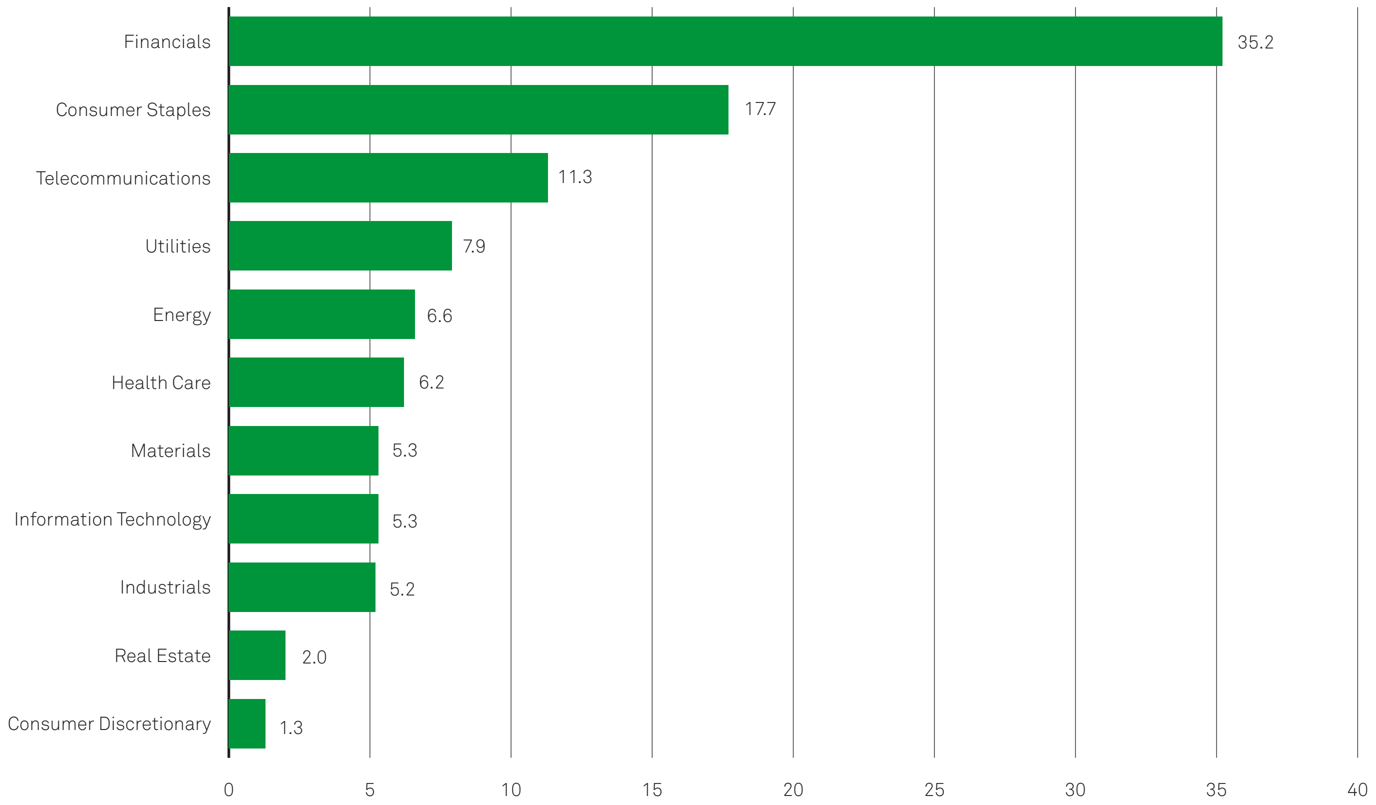
Source: BlackRock and Datastream.

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



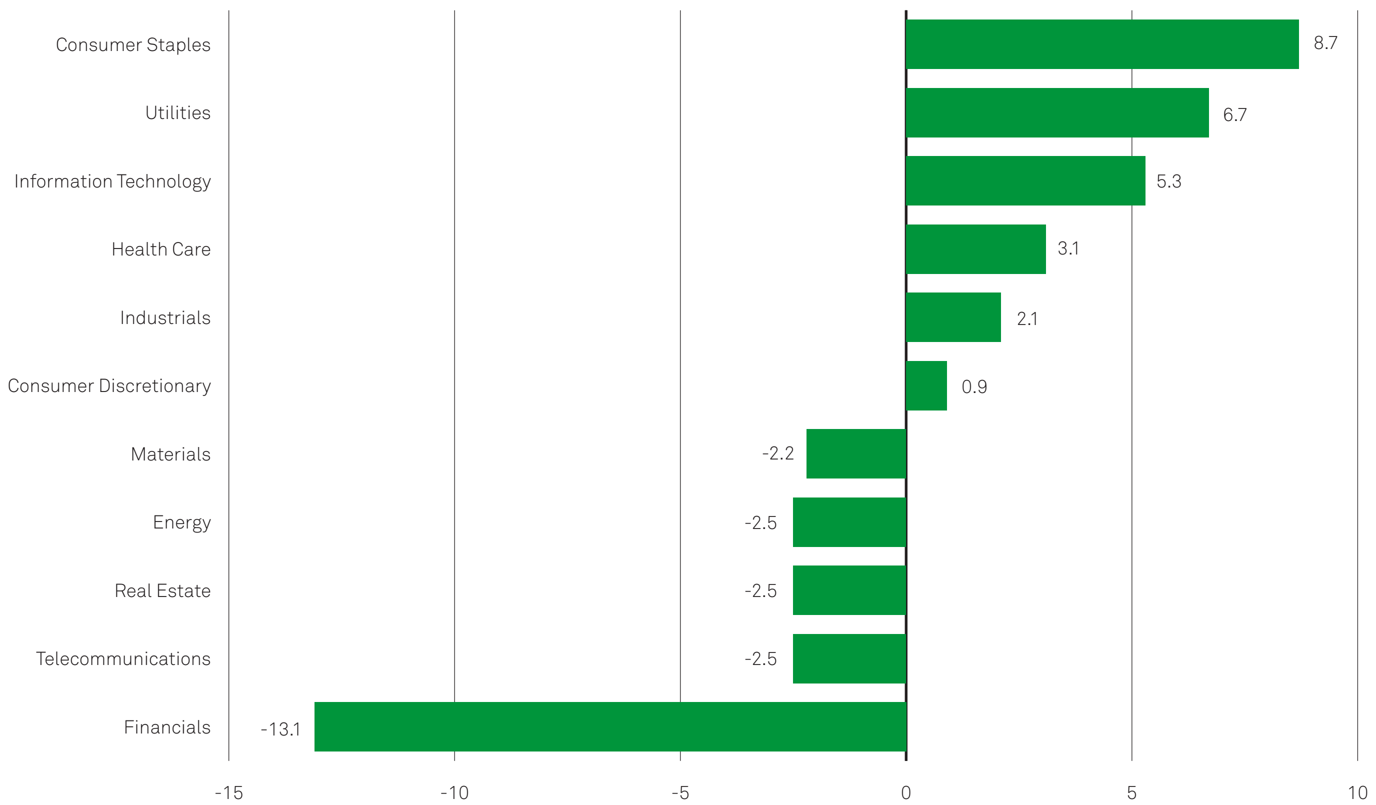
Source: BlackRock.

SECTOR ALLOCATION: ABSOLUTE WEIGHTS (% OF GROSS MARKET EXPOSURE)



Source: BlackRock and Datastream.

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



Source: BlackRock and Datastream.

Performance

Investments as at 30 September 2016

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				
Banco Macro	Argentina	Financials	11,130	4.0
Grupo Financiero Galicia	Argentina	Financials	9,488	3.4
Pampa Energia	Argentina	Utilities	6,601	2.4
Irsa Inversiones GDR	Argentina	Real Estate	5,560	2.0
Globant	Argentina	Information Technology	5,472	2.0
			38,251	**13.8**
MCB Bank	Pakistan	Financials	13,138	4.8
Hub Power	Pakistan	Utilities	6,646	2.4
D.G. Khan Cement	Pakistan	Materials	4,963	1.8
Millat Tractors	Pakistan	Industrials	3,849	1.4
United Bank	Pakistan	Financials	3,611	1.3
			32,207	**11.7**
BRD Groupe Société Générale	Romania	Financials	8,056	2.9
Societatea Energetica Electrica	Romania	Utilities	7,759	2.8
S.N.G.N. Romgaz	Romania	Energy	7,587	2.7
Banca Transilvania	Romania	Financials	5,521	2.0
			28,923	**10.4**
KazMunaiGas Exploration Production	Kazakhstan	Energy	10,332	3.7
Halyk Savings Bank	Kazakhstan	Financials	9,189	3.3
Kcell Joint Stock Company	Kazakhstan	Telecommunication	5,385	2.0
			24,906	**9.0**
MHP	Ukraine	Consumer Staples	8,676	3.1
Luxoft	Ukraine	Information Technology	6,895	2.5
			15,571	**5.6**
Safaricom	Kenya	Telecommunication	7,467	2.7
Equity Group	Kenya	Financials	7,111	2.6
			14,578	**5.3**
Distilleries Company of Sri Lanka	Sri Lanka	Consumer Staples	5,080	1.8
Chevron Lubricants	Sri Lanka	Materials	5,046	1.8
Hatton National Bank	Sri Lanka	Financials	3,287	1.2
			13,413	**4.8**
Mobile Telecommunications	Kuwait	Telecommunication	5,434	2.0
Mezzan Holdings	Kuwait	Consumer Staples	4,807	1.7
National Gulf Holding	Kuwait	Consumer Discretionary	211	0.1
			10,452	**3.8**
Grameenphone	Bangladesh	Telecommunication	4,084	1.5
Olympic Industries	Bangladesh	Consumer Staples	3,969	1.4
Square Pharmaceuticals	Bangladesh	Health Care	2,277	0.8
			10,330	**3.7**
Zenith Bank	Nigeria	Financials	3,009	1.1
United Bank for Africa	Nigeria	Financials	2,915	1.1
Guaranty Trust Bank	Nigeria	Financials	1,738	0.6
Nigerian Breweries	Nigeria	Consumer Staples	1,130	0.4
			8,792	**3.2**

Company	Principal country of operation	Sector	Fair value and market exposure[1] US$'000	Gross market exposure as a % of net assets[3]
Attijariwafa Bank	Morocco	Financials	7,049	2.6
			7,049	**2.6**
KRKA	Slovenia	Health Care	5,570	2.0
			5,570	**2.0**
Tallink	Estonia	Industrials	5,472	2.0
			5,472	**2.0**
Pricesmart	Caribbean	Consumer Staples	5,115	1.9
			5,115	**1.9**
LT Group	Philippines	Industrials	3,973	1.5
			3,973	**1.5**
Integrated Diagnostics	Egypt	Health Care	13	0.0
			13	**0.0**
Equity Investments			**224,615**	**81.3**
BlackRock's Institutional Cash Series plc - US Dollar Liquidity Fund			42,625	15.4
Total equity investments (including BlackRock's Institutional Cash Series plc - US Dollar Liquidity Fund)			267,240	96.7
P-Notes				
United International	Saudi Arabia	Industrials	373	0.1
Fawaz Abdulaziz Alhokair & Co	Saudi Arabia	Consumer Discretionary	71	0.0
Total P-Notes			444	0.1
Total investments excluding CFDs			**267,684**	**96.8**

Performance

Investments as at 30 September 2016 continued

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					
Masan	Vietnam	Consumer Staples		6,099	2.2
Petrovietnam Fertilizer & Chemicals	Vietnam	Materials		4,287	1.6
Saigon Securities	Vietnam	Financials		4,195	1.5
Mobile World	Vietnam	Consumer Discretionary		3,410	1.2
FPT	Vietnam	Information Technology		2,292	0.8
				20,283	**7.3**
Square Pharmaceuticals	Bangladesh	Health Care		6,899	2.5
British American Tobacco	Bangladesh	Consumer Staples		5,912	2.1
United Commercial Bank	Bangladesh	Financials		1,915	0.7
Olympic Industries	Bangladesh	Consumer Staples		392	0.2
				15,118	**5.5**
Maroc Telecom	Morocco	Telecommunication		8,149	3.0
Attijariwafa Bank	Morocco	Financials		665	0.3
				8,814	**3.3**
Coca Cola Icecek	Eurasia	Consumer Staples		6,257	2.3
				6,257	**2.3**
Hatton National Bank	Sri Lanka	Financials		3,695	1.3
Distilleries Company of Sri Lanka	Sri Lanka	Consumer Staples		1,636	0.6
Chevron Lubricants	Sri Lanka	Materials		208	0.1
				5,539	**2.0**
Cleopatra Hospital	Egypt	Health Care		2,307	0.8
				2,307	**0.8**
BRD Groupe Société Générale	Romania	Financials		767	0.3
Societatea Energetica Electrica	Romania	Utilities		737	0.3
S.N.G.N. Romgaz	Romania	Energy		660	0.2
				2,164	**0.8**
Safaricom	Kenya	Telecommunication		316	0.1
Equity Group	Kenya	Financials		239	0.1
				555	**0.2**
Halyk Savings Bank	Kazakhstan	Financials		385	0.1
				385	**0.1**
Millat Tractors	Pakistan	Industrials		238	0.1
Engro Foods	Pakistan	Consumer Staples		129	0.0
D.G. Khan Cement	Pakistan	Materials		–	0.0
Hub Power	Pakistan	Utilities		–	0.0
				367	**0.1**
Tallink	Estonia	Industrials		240	0.1
				240	**0.1**
KRKA	Slovenia	Health Care		233	0.1
				233	**0.1**
Mobile Telecommunications	Kuwait	Telecommunication		97	0.0
National Gulf Holding	Kuwait	Consumer Discretionary		2	0.0
				99	**0.0**

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]
Total long CFD positions			**307**	**62,361**	**22.6**
Equity investments (excluding BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund) and P-Notes			**225,059**	**225,059**	**81.4**
BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund[4]			**42,625**	**42,625**	**15.4**
Total Investments			**267,991**	**330,045**	**119.4**
Cash and cash equivalents[4]			**9,012**	**(53,042)**	**(19.2)**
Net current liabilities			**(606)**	**(606)**	**(0.2)**
Net assets			**276,397**	**276,397**	**100.0**

1 Fair value is determined as follows:
- Listed/Fixed interest 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$307,000 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$62,054,000 at the time of purchase, and subsequent market rises in prices have resulted in unrealised gains on the CFD contracts of US$307,000, resulting in the value of the total market exposure to the underlying securities rising to US$62,361,000 as at 30 September 2016.
- 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 for cash and cash equivalents 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 2016.

PRINCIPAL ACTIVITY

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

CHANGES TO THE INVESTMENT OBJECTIVE AND POLICY

The Board proposed various amendments to the Company's investment objective and policy during the previous year and these changes were subsequently approved by shareholders at the AGM held on 10 February 2016. These included a revised definition of Frontier Markets and an amendment of the investment policy in order that up to 20% of the gross value of the portfolio (on an ongoing basis) may be invested in Colombia, Egypt, Peru or the Philippines. Following shareholder approval, the amended investment objective and policy came into force on 10 February 2016. The Company's current investment objective and investment policy are set out below.

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.

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.

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 29 and 30. 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 Fund Accountant, 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. A Frontier Market is defined as:

1) 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 Colombia, 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).

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 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 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 ongoing 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 may frequently be overweight or underweight relative to the benchmark 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 15.

PERFORMANCE

Details of the Company's performance for the year are given in the Chairman's Statement on pages 4 and 5. The Investment Manager's Report on pages 6 to 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 48. The total profit for the year, after taxation, was US$23,168,000 (2015: loss of US$54,097,000) of which the revenue return amounted to US$10,113,000 (2015: US$9,870,000) and the capital profit amounted to US$13,055,000 (2015: loss of US$63,967,000).

The Directors are recommending the payment of a final dividend of 4.00 cents per ordinary share in respect of the year ended 30 September 2016 (2015: 4.15 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

Strategic report continued

performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to BlackRock. The Company's absolute and relative performance is set out in the performance record table on page 3.

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 them with an opportunity at each 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 the cum-income NAV of 2.0% during the year, and were trading at a discount of 2.7% on a cum-income basis at 18 November 2016. 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 2017 AGM, when a resolution will be put to shareholders to renew it. The Directors also have the authority to issue up to 10% of the Company's issued share capital (via the issue of new shares or sale of shares from treasury) on a non pre-emptive basis and will seek shareholder authority to renew this power at the 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 2016[1]		Year ended 30 September 2015[1]	
	£%	US$%	£%	US$%
Change in net asset value[2]	+27.4	+9.3	-12.2	-17.9
Change in share price[3]	+30.0	+11.6	-17.5	-22.9
Change in benchmark index[4]	+17.7	+0.9	-18.9	-24.2
Discount to cum income NAV		0.4		2.4
Ongoing charges[5]		1.4		1.5
Ongoing charges plus taxation and performance fees		2.4		1.6

1 Based on an exchange rate of US$1.2990 to £1 at 30 September 2016 and US$1.5147 to £1 as at 30 September 2015.
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 Board has in place a robust process to identify, assess and monitor the principal risks of the Company, including those that they consider would threaten its business model, future performance, solvency or liquidity. 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 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 BlackRock's and other third party service providers' risk management processes and how these apply to the Company's business, the Audit & Management Engagement Committee periodically receives presentations from BlackRock's Internal Audit and Risk & Quantitative Analysis teams, and reviews Service Organisation Control (SOC 1) reports from BlackRock and the Company's Custodian and Fund Accountant, Bank of New York Mellon.

In relation to the 2016 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 2016.

The current risk register includes a range of risks spread between performance risk, income/dividend risk, legal & regulatory risk, counterparty risk, operational risk, market risk, political risk and financial risk.

The principal risks and uncertainties faced by the Company during the year, together with the potential effects, controls and mitigating factors, are set out on the following pages.

<table>
<tr><th>Principal Risk</th><th>Mitigation/Control</th></tr>
<tr><td>Investment Performance Risk
The Board is responsible for:
▸ setting the investment policy to fulfil the Company's objectives;
▸ monitoring the performance of the Company's Investment Manager and the strategy adopted.
An inappropriate policy or strategy may lead to:
▸ poor performance compared to the Company's benchmark, peer group or shareholder expectations;
▸ a widening discount to NAV;
▸ a reduction or permanent loss of capital; and
▸ dissatisfied shareholders and reputational damage.</td><td>To manage these risks the Board:
▸ regularly reviews the Company's investment mandate and long term strategy;
▸ has set, and regularly reviews, the investment guidelines and has put in place appropriate limits on levels of gearing and the use of derivatives;
▸ receives from the Investment Manager a regular explanation of stock selection decisions, portfolio gearing and any changes in gearing and the rationale for the composition of the investment portfolio;
▸ receives from the Investment Manager regular reporting on the portfolio's exposure through derivatives, including the extent to which the portfolio is geared in this manner and the value of any short positions; and
▸ 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.</td></tr>
<tr><td>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.</td><td>The Company does not have a policy of actively seeking income. The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting. The Company also has a revenue reserve and powers to pay dividends from capital which could potentially be used to support the Company's dividend if required.</td></tr>
<tr><td>Legal & Regulatory Risk
The Company has been accepted by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions, and 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.
Any breach of the relevant eligibility conditions could lead to the Company losing its investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio.
In such event the investment returns of the Company may be adversely affected. Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010. Amongst other relevant laws and regulations, the Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive, the Market Abuse Act, the UK Listing Rules and the Disclosure & Transparency Rules.</td><td>The Investment Manager monitors investment movements, the level 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.
Compliance with the accounting standards applicable to quoted companies and those applicable to investment trusts are also regularly monitored to ensure compliance.
The Company Secretary and the Company's professional advisers monitor developments in relevant laws and regulations and provide regular reports to the Board in respect of the Company's compliance.</td></tr>
<tr><td>Counterparty Risk
The Company's investment policy also permits the use of both exchange-traded and over-the-counter derivatives (including contracts for difference). The potential loss that the Company could incur if a counterparty is unable (or unwilling) to perform on its commitments.</td><td>Due diligence is undertaken before contracts are entered into and exposures are diversified across a number of counterparties. The Board 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 that these are within set limits.</td></tr>
</table>

Performance

Strategic report continued

Principal Risk	Mitigation/Control
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 Fund Accountant), which maintains the Company's accounting records. Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records, as a result of a cyber-attack or otherwise, could impact the monitoring and reporting of the Company's financial position. 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.	The Board reviews the overall performance of the Manager, Investment Manager and all other third party service providers and compliance with the investment management agreement on a regular basis. The Fund Accountant's and the Manager's internal control processes are regularly tested and monitored throughout the year and are evidenced through their Service Organisation Control (SOC 1) reports, which are subject to review by an Independent Service Assurance Auditor. The SOC 1 reports provide assurance in respect of the effective operation of internal controls. The Company's assets are subject to a strict liability regime and in the event of a loss of financial assets held in custody, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate that the loss was a result of an event beyond its reasonable control. The Board considers succession arrangements for key employees of the Manager and the Investment Manager and receives reports on the business continuity arrangements for the Company's key service providers. The Board also receives regular reports from BlackRock's internal audit function.
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, market and political 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 may be 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.	Market risk represents the risks of investment in a particular market, country or geographic region. Therefore, this is largely outside of the scope of the Board's control. However, the Board carefully 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. Market risk is also mitigated through portfolio diversification across countries and regions. The Board monitors the implementation and results of the investment process with the Investment Manager regularly. The Investment Manager also regularly reports to the Board on relative market risks associated with investment in such regions. Further information is provided under 'Political Risk'.

Principal Risk	Mitigation/Control
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 or imposition of sanctions) could substantially and adversely affect the economies of such countries or the value of the Company's investments in those countries.	The Investment Manager mitigates this risk by applying stringent controls over where investments are made and through close monitoring of political risks. 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. This 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 Risk The Company's investment activities expose it to a variety of financial risks which include foreign currency risk, liquidity risk, currency risk and interest rate risk.	Details of these risks are disclosed in note 18 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 UK Corporate Governance Code, 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; and
- The level of ongoing demand for the Company's ordinary shares.

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

- The level of current and historic ongoing charges incurred by the Company;
- The Company's borrowings and its ability to meet its liabilities as they fall due;
- 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.

The Company is an investment company with a relatively liquid portfolio (as at 30 September 2016, 81% 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 (1.4%). 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 regulatory changes and the tax treatment of Investment Trusts, 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.

The Board has also considered the current and potential future impact on the Company of the UK's decision to leave the European Union following the referendum held in June of this year. It has concluded that the Company's business model and strategy are not threatened by this event and therefore it does not believe that it represents a principal risk to the Company. In reaching this conclusion the Board considered whether this event has, or would be likely to have, a significant impact on the Company's activities and whether or not the Investment Manager would be impeded in achieving its investment objectives as a result of the impact of the leave vote. The Board also considered the impact of potential changes in law, regulation and taxation and the matter of foreign exchange risk, noting that the devaluation of sterling following the vote is likely to have been beneficial for the Company's UK investors. However, due to the complexity and general lack of information available at present, it is challenging to accurately assess the future impact of UK's exit from the European Union. Therefore, the Board intends to closely monitor the situation as it develops and will regularly reappraise its position.

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 4 and 5 and in the Investment Manager's Report on pages 6 to 8.

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 27.

MODERN SLAVERY ACT

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In any event, the Board considers the Company's supply chain, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

DIRECTORS, GENDER REPRESENTATION AND EMPLOYEES

The Directors of the Company on 30 September 2016, all of whom – with the exception of Mr White – held office throughout the year, are set out in the Directors' biographies on page 23. As at the date of this report, the Board consists of five men. Ms Ruddick retired from the Board with effect from 22 November 2016. The Company does not have any employees.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Corporate Company Secretary
22 November 2016

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), all 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

Chairman, Appointed 23 November 2010

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

Attendance record:
Board: 5/5
Audit & Management Engagement Committee: 2/2

Lynn Ruddick[1]

Audit & Management Engagement Committee Chairman, (until 22 November 2016) Appointed 23 November 2010

a Fellow of the Chartered Association of Certified Accountants. She is a non-executive director of BlackRock Income Strategies Trust plc and formerly non-executive chairman of Fidelity Special Values plc and a non-executive director of Standard Life UK Smaller Companies Trust plc. She is currently a member of the Investment Committee of the Pearson Group Pension Plan and Chairman of the Western Provident Association Pension Plan. Before retiring from Merrill Lynch Investment Managers in 2004 she headed their investment trust business unit.

Attendance record:
Board: 5/5
Audit & Management Engagement Committee: 2/2

Nick Pitts-Tucker

Appointed 23 November 2010

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.

Attendance record:
Board: 5/5
Audit & Management Engagement Committee: 2/2

John Murray

Appointed 12 July 2011

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 is a director of Lonestar Resources US Inc. and a number of 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.

Attendance record:
Board: 5/5
Audit & Management Engagement Committee: 2/2

Sarmad Zok

Appointed 8 February 2011

chairman and chief executive officer of Kingdom Hotel Investments and is based in Dubai. 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, AccorHotels 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:
Board: 5/5
Audit & Management Engagement Committee: 2/2

Stephen White[2]

Audit and Management Engagement Committee Chairman (with effect from 22 November 2016)

Appointed 13 July 2016

currently Head of European and US equities at British Steel Pension Fund, responsible for the day to day management of the Fund's Europe ex-UK and US equity portfolios. He is a non-executive Director of JP Morgan European Smaller Companies Investment Trust plc and New India Investment Trust plc. He was formerly a non-executive director of Global Special Opportunities Trust Plc, Head of European Equities at Foreign & Colonial Investment Management, Manager of Foreign & Colonial Eurotrust PLC and Deputy Manager of the Foreign & Colonial Investment Trust Plc. Prior to joining Foreign & Colonial in 1985, he held positions at Hill Samuel Asset Management, Phillips & Drew and Price Waterhouse. He is a Chartered Accountant.

Attendance record:
Board: 3/3
Audit & Management Engagement Committee: 1/1

1 Ms Ruddick retired from the Board on 22 November 2016.

2 Mr White has attended all meetings held since his appointment on 13 July 2016.

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 AGM.

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 the highest 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).

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility, authority and accountability.

COMPLIANCE

The Board has made appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment trust, the majority of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive. Thus, not all provisions of the UK Code are directly applicable to the Company.

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 that these provisions are not relevant to the position of the Company 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, all of whom are independent of the Company's Manager.

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 five non-executive Directors, the Board does not consider it necessary to nominate a senior independent director.

As part of the Board's succession planning arrangements, a search and recruitment process was initiated during the year with the intention of identifying a suitable candidate to join the Board. One of the criteria for selection was that the proposed candidate should have relevant financial experience, such that they would have the necessary skills to Chair the Company's Audit & Management Engagement Committee. The Company engaged a specialist recruitment consultancy, Trust Associates, to assist the Board in identifying suitable candidates for appointment to the Board. The Company has no other contracts with Trust Associates. Following this exercise, Mr Stephen White was appointed to the Board with effect from 13 July 2016. Mr White was appointed as Chairman of the Company's Audit & Management Engagement Committee with effect from 22 November 2016 following Ms Ruddick's retirement. Further information on Mr White's background and that of all Directors can be found on page 23.

The Directors' biographies 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 23. 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.

Diversity

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

Board independence

The Board's independence, including that of the Chairman, has been considered, and all current Directors are deemed to be wholly independent.

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 31 of the Directors' Report. The Board has considered the position of each of the Directors as part of the annual board evaluation process and believes it would be in the Company's best interests for each of the Directors retiring by rotation 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 there is an appropriate balance of skills, knowledge, independence, experience and diversity on the Board. This is achieved through the regular evaluation of both the composition and performance of the Board and, where required, the appointment of new Directors who possess appropriate skills and experience and who are able to commit the necessary time to effectively carry out their duties. Further information in respect of Director tenure can be found below and in the Director's Report on page 31.

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 and its activities. The Directors also receive regular briefings from, amongst others, the Auditor and the Company Secretary regarding any proposed developments or changes in applicable law or regulation which 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 23 along with information on the schedule of meetings held during the year. The Board may also convene additional meetings to consider strategy and other issues. There is regular contact with the Manager and the Investment Manager between meetings. 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 relevant procedures are followed and that it complies with applicable rules and regulation. 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 maintains 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 and other applicable law and regulation. 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.

COMMITTEES OF THE BOARD

Nomination Committee

As the Board is small and comprises only non-executive Directors it fulfils the function of the Nomination Committee and a separate committee has not been established.

The Board regularly reviews its structure and composition, including the balance of knowledge, independence, experience, skills and diversity on the Board. It also determines policy on succession planning and tenure. Appointments of new Directors are made on a formalised basis, with the Board agreeing the selection criteria and the method of search, selection, recruitment and appointment. The services of an external search consultant may be used to identify potential candidates. At the Committee's recommendation, the Board engaged Trust Associates Limited during the year to assist them in identifying suitable candidates for appointment to the Board. Further information can be found under 'Board composition' on page 24.

Corporate governance statement continued

Audit & Management Engagement Committee
A separate Audit & Management Engagement Committee has been established and comprises the whole Board. Further details are given in the Report of the Audit & Management Engagement Committee on pages 38 to 42.

Remuneration Committee
The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 35 to 37. As stated in the Directors' Remuneration Report, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

PERFORMANCE EVALUATION
The Board reviews its performance formally on an annual basis. An appraisal system has been agreed by the Board for the evaluation of the Board, its Committee and individual Directors, including the Chairman. The evaluation for the year ended 30 September 2016 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 prior to her retirement. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the ongoing Board reflected a suitable balance of skills, experience, diversity and independence 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 29 and 30. 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.

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 76.

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 pages 30 and 31.

INTERNAL CONTROLS
The Board is responsible for establishing and maintaining the Company's systems of internal controls, 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, through its Audit & Management Engagement Committee, reviews the effectiveness of the internal control systems on an ongoing basis to identify, evaluate and mitigate the Company's significant risks. As part of that process there are procedures designed to identify and evaluate any failings or weaknesses. Should a case be categorised by the Board as significant, procedures exist to ensure that necessary remedial action is taken. 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 reviews 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 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 accountant 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 1) 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 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 Manager. The Board monitors the controls in place through BlackRock's internal audit department and believes that there is currently no requirement 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 43, the Independent Auditor's Report on pages 44 to 47 and the statement of Going Concern on page 31 and on longer term viability on page 21.

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".

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 AGM. 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 33 and 34 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 AGM, 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 AGM and will be made available on the Company's website at blackrock.co.uk/brfi shortly after the meeting. In accordance with provision E.2.2 of the UK Code of Corporate Governance, when, in the opinion of the Board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board will explain, when announcing the results of voting, what actions it intends to take to understand the reasons behind the vote result.

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 any feedback from meetings with shareholders with the Investment Manager at each Board meeting. It also receives reports from its corporate broker in relation to the views of shareholders and demand for the Company's shares.

There is also a clear channel of communication between the Board and the Company's shareholders via the Company Secretary. The Company Secretary has no express authority to respond to enquiries addressed to the Board and all communication, other than junk mail, is redirected to the Chairman. There is also a section within this report entitled "Additional Information – shareholder Information", on pages 77 to 79 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 29 to 32 because it is information

Corporate governance statement continued

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 37 in the Directors' Remuneration Report.

FOR AND ON BEHALF OF THE BOARD
AUDLEY TWISTON-DAVIES
Chairman
22 November 2016

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2016.

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 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. Additional disclosures to both shareholders and the FCA are also required. Further details are set out on the Company's website at blackrock.co.uk/brfi, the Regulatory Disclosures section on pages 80 and 81 and in the notes to the financial statements on pages 62 to 74.

The Company is a qualifying company for the purposes of Stocks & Shares ISA.

THE COMMON REPORTING STANDARD

New tax legislation under the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced on 1 January 2016.

The legislation requires investment trust companies to provide personal information to HMRC about investors who purchase shares in investment trusts. The Company will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held in CREST, entered on to the share register will be sent a certification form for the purposes of collecting this information.

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 4 and 5 and the Investment Manager's Report on pages 6 to 8.

DIVIDENDS

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 17 and in the Chairman's Statement on page 4.

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 1.10% 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 2016 a performance fee of US$2,581,000 was payable. Further details are given in note 4 on page 55. 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 0.025% per annum of its net assets US$240.6 million (£163.2 million) as at 31 December 2015 and this contribution is matched by BIM (UK). For the year ended 30 September 2016, US$58,000 (£41,000) (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.

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 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 419 proposals at 51 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 39 management resolutions and abstained from voting on 8 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 19 to 21.

GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis. In reaching this conclusion, the Directors have considered the nature and liquidity of the portfolio, the Company's investment objectives, the Company's projected and actual income and expenditure and its ongoing charges of approximately 1.4% of net assets (excluding performance fees). The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, that it is able to meet its liabilities as they fall due and that it is financially sound. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The Directors of the Company as at 30 September 2016 and their biographies are set out on page 23. Details of Directors' interests in the ordinary shares of the Company are set out on page 37 of the Directors' Remuneration Report. All the Directors – with the exception of Mr White who was appointed on 13 July 2016 – 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 White, having been appointed as a director by the Board during the year, will stand for election by shareholders at the AGM. In addition, Mr Zok and Mr Twiston-Davies will retire by rotation at the AGM and, being eligible, will offer themselves for re-election. The Board is conscious of the need to maintain a degree of continuity, and believes that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. The Board believes that the performance of Mr Zok and Mr Twiston-Davies 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.

As mentioned in the Chairman's Statement, having served on the Board since the Company's inception in 2010, Ms Ruddick retired from the Board on 22 November 2016.

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 AGM.

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 AND POLICY

The Directors' Remuneration Report is set out on pages 35 to 37. An advisory ordinary resolution to approve this report will be put to shareholders at the Company's AGM. The Company is also required to put the Directors' Remuneration Policy to a

Directors' report continued

binding shareholder vote every three years. The Company's Remuneration Policy was last put to shareholders at the AGM in 2014, therefore, an ordinary resolution to approve the policy will be put to shareholders at this year's AGM. Further details are given on pages 33 and 34.

SUBSTANTIAL SHARE INTERESTS

As at 30 September 2016, 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*	39,438,648	24.0
Investec	14,506,519	8.8
South Yorkshire Pension Authority	8,393,500	5.1
Hargreaves Lansdown	6,557,305	3.9
Brewin Dolphin	6,548,959	3.9
Rathbones	6,425,478	3.9
Aberdeen Asset Management	5,300,169	3.2
JP Morgan Asset Management	5,055,270	3.1

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

As at 22 November 2016, 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*	39,104,893	23.8
Investec	13,827,594	8.4
South Yorkshire Pension Authority	8,393,500	5.1
Rathbones	7,118,016	4.3
Hargreaves Lansdown	6,721,485	4.1
Brewin Dolphin	6,579,297	4.0
JPMorgan Asset Management	5,465,183	3.3
Aberdeen Asset Management	5,157,719	3.1

* 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

At 30 September 2016, the Company had 164,333,108 ordinary shares in issue. Full details of the Company's issued share capital are given in note 15 to the Financial Statements on page 61. Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 85. The Company's ordinary shares carry the right to receive dividends and have one voting right per ordinary share. There are no restrictions on the voting rights or the transfer of the ordinary shares. There are no shares which carry specific rights with regard to the control of the Company. The Directors seek shareholder authority each year to allot new shares, dis-applying pre-emption rights, and to repurchase the Company's shares in the market, to be cancelled or retained in treasury for re-issue. There were no shares allotted or repurchased during the year (or up to the date of this report), other than in connection with the Tender Offer or the C Share Issue.

TENDER OFFER

Shareholders were given the opportunity to participate in a tender offer for up to 100% of the Company's issued share capital in February 2016. As a result, 5,995,293 ordinary shares were tendered (representing 4% of issued share capital at that time). All shares tendered were successfully placed in the secondary market.

C SHARE ISSUE

On 29 February 2016 the Company issued 15,000,001 C shares with a nominal value of 10 cents per share. On 15 March 2016 the C shares were converted into ordinary shares at a conversion ratio of 0.9141 for every C share held, resulting in the issue of 13,711,487 ordinary shares. There were no ordinary shares issued during the year, other than in respect of the conversion of C shares, and no ordinary shares were repurchased during the year other than in connection with the Tender Offer, as referenced above. Further information can be found in note 16 to the Financial Statements on page 61.

TREASURY SHARES

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

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.

The business of this year's AGM consists of 12 resolutions. Resolutions 1 to 10 are proposed as ordinary resolutions and resolutions 11 and 12 are being proposed as special resolutions.

Resolution 1 – Approval of the Annual Report and Financial Statements

This resolution seeks shareholder approval of the annual report and financial statements for the year ended 30 September 2016 and the Auditors' report thereon.

Resolution 2 – Approval of the Directors' Remuneration Report

This resolution is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the proposed future remuneration policy as set out in the future policy table on page 36.

Resolution 3 – Approval of the Directors' Remuneration Policy

Resolution 3 seeks shareholder approval of the Company's remuneration policy and is a triennial binding vote. As required under applicable law and regulation, the Company is seeking approval of its remuneration policy as set out in the policy table on page 36. The remuneration policy will take effect immediately upon approval by shareholders and will continue to apply for the next three years, unless amended by the Company in general meeting at an earlier date.

Resolution 4 – Approval of a final dividend

Resolution 4 seeks shareholder approval of a final dividend of 4.00 cents for the year ended 30 September 2016.

Resolutions 5 to 7 – Election and re-election of the Directors

Resolutions 5 to 7 relate to the election of a new Director and re-election of two existing Directors who are retiring by rotation this year. The Board has undertaken a formal performance evaluation during the year and confirms that the performance of the Directors standing for re-election continues to be effective and that each Director demonstrates commitment to their role.

Resolutions 8 and 9 – Re-appointment of the external Auditor and the Auditor's Remuneration

These resolutions relate to the re-appointment and remuneration of the Company's Auditor. The Company, through its Audit & Management Engagement Committee, has considered the independence and objectivity of the external Auditor and are satisfied that the Auditor remains independent. Further information in relation to the assessment of the Auditor's independence can be found on page 41.

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

Ordinary Resolution 10 – Authority to allot ordinary shares

Resolution 10 seeks to renew the authority of the Directors to allot ordinary shares for cash up to an aggregate nominal amount of US$164,333.10 which is equivalent to 16,433,310 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 exercising such authority, but it will give them flexibility should appropriate business opportunities arise.

Special 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$164,333.10 which is equivalent to 16,433,310 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.

Special Resolution 12 – 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

Directors' report continued

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 24,633,532 ordinary shares (being approximately 14.99% of the issued ordinary share capital as at the date of the Notice of Annual General Meeting).

Recommendation

Your Board considers that the resolutions to be proposed at the AGM 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 24 to 28. The Corporate Governance Statement forms part of this Directors' Report.

LIVE STREAMING

The AGM will be live streamed on the internet and can be viewed via a link on the Company's website, www.blackrock.co.uk/brfi. Further details are provided on page 78.

AUDITOR

The Auditor, Ernst & Young LLP, has indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Company's Audit & Management Engagement Committee 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 22 November 2016.

BY ORDER OF THE BOARD

BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
22 November 2016

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 30 September 2016 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 44 to 47.

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's remuneration was last reviewed on 7 September 2016. Following this review it was agreed that all Directors fees would be increased by £2,000 per annum, with effect from 1 October 2016. The basis for determining the level of any increase in Directors' remuneration is set out in the Policy Report below. Prior to this, Directors' fees were last increased on 1 October 2014. The Board's remuneration is set out in the policy table on the following page.

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 in the peer group, as well as time commitment and level of complexity of the directors' ongoing 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 receives any non-cash benefits or pension entitlements. The terms of their appointment are detailed in an appointment letter issued to them when they join the Board. These letters are available for inspection at the registered office of the Company.

CONSIDERATION OF SHAREHOLDERS' VIEWS

In accordance with applicable law and regulation, 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. The Company obtained shareholder approval for its remuneration policy at the AGM in 2014. The remuneration policy will be subject to a triennial binding shareholder vote at the forthcoming AGM in 2017. At the Company's AGM held on 3 February 2014, 99.98% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the remuneration policy and 0.02% of votes cast were against.

At the Company's AGM held on 10 February 2016, 99.92% of votes cast were in favour of the resolution to approve the Directors' remuneration report in respect of the year ended 30 September 2015 and 0.08% against.

Governance

Directors' remuneration report continued

POLICY TABLE

	Purpose and link to strategy	Fees payable to Directors should be sufficient to attract and retain individuals of high calibre who possess knowledge and experience suitably aligned to the activities of the Company. 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 (with effect from 1 October 2016): Chairman – £36,000 Audit & Management Engagement Committee Chairman – £30,000 Directors – £26,000 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). Directors are not eligible to be compensated for loss of office, nor are they eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors do not have service contracts, but are appointed under letters of appointment.
Operation	Discretionary Payments	The Company's Articles authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties. Any such extra work undertaken is subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit & Management Engagement Committee. The level of discretionary fees shall be determined by the Directors. Any discretionary fees paid will be disclosed in the Director's remuneration implementation report within the Annual Report.
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 2016:

	Year ended 30 September 2016			Year ended 30 September 2015		
	Base Salary £	Taxable Benefits[6] £	Total £	Base Salary £	Taxable Benefits[6] £	Total £
Audley Twiston-Davies (Chairman)[1]	34,000	59	34,059	34,000	117	34,117
John Murray[2]	24,000	–	24,000	24,000	–	24,000
Nick Pitts-Tucker	24,000	–	24,000	24,000	–	24,000
Lynn Ruddick[3]	28,000	1,936	29,936	28,000	1,034	29,034
Sarmad Zok[4]	24,000	11,704	35,704	24,000	19,375	43,375
Stephen White[5]	5,195	–	5,195	–	–	–
	139,195	13,699	152,894	134,000	20,526	154,526

1 Appointed as a Director 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 and retired on 22 November 2016.
4 Appointed as a Director on 2 February 2011.
5 Appointed as a Director on 13 July 2016.
6 Taxable benefits relate to travel and subsistence costs.
There were no discretionary payments made during the year.

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 2016, fees of US$17,000 (£13,000) (2015: US$17,000 (£11,000)) were outstanding to Directors in respect of their annual fees.

RELATIVE IMPORTANCE OF SPEND ON PAY

As the Company has no employees, the table on page 36 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.

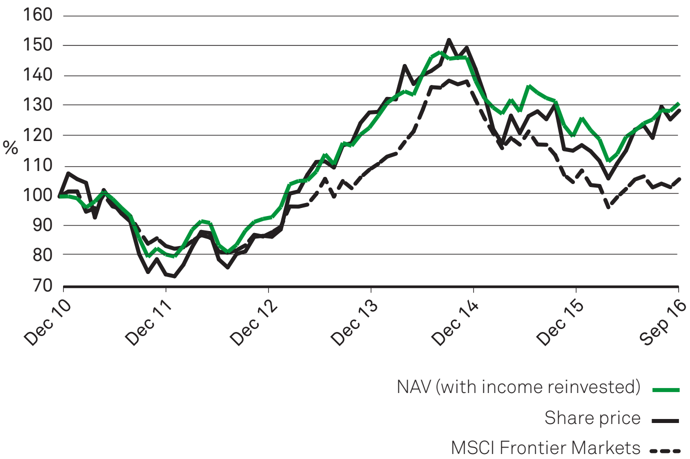
	2016	2015	Change
Directors' total remuneration	£152,894 (US$171,000)	£154,526 (US$223,000)	-£1,632 -US$52,000
Total dividends paid and payable	US$10,845,000	US$9,866,000	US$979,000
Net revenue profit on ordinary activities after tax	US$10,113,000	US$9,870,000	+US$243,000

No payments were made in the period to any past Directors (2015: £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 SINCE LAUNCH ON 17 DECEMBER 2010 TO 30 SEPTEMBER 2016



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.

	2016	2015
Audley Twiston-Davies (Chairman)	128,935	128,935
John Murray	121,967	121,967
Nick Pitts-Tucker	110,148	110,148
Lynn Ruddick[1]	185,940	47,456
Sarmad Zok	38,787	38,787
Stephen White[2]	30,000	N/A

1 Chairman of the Audit & Management Engagement Committee until her retirement from the Board on 22 November 2016. Ms Ruddick's holding includes 59,915 shares held by Ms Ruddick's husband, Mr Dewar, through an ISA.
2 Chairman of the Audit & Management Engagement Committee from 22 November 2016.

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 31.

FOR AND ON BEHALF OF THE BOARD

AUDLEY TWISTON-DAVIES
Chairman
22 November 2016

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 2016.

ROLE AND RESPONSIBILITIES

The Company has established a separately chaired Audit & Management Engagement Committee ("the Committee"). The Committee meets at least twice a year, prior to the Board meetings to approve the half yearly and annual results. The Committee does not consider that as an investment trust company it is necessary to hold an additional meeting during the year, although this is kept under review.

The Committee's principal duties are set out below and 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 and position, business model and strategy. It is also responsible for assessing the adequacy of the Company's internal financial controls, systems of internal control and risk management and receives regular reports from the Manager's corporate audit and compliance departments and from other key third party service providers during the year.

All of the Directors are members of the Committee and their biographies can be found on page 23. The Board considers that at least one member of the Committee has competence in accounting and/or auditing and the Committee as a whole has competence relevant to the sector in which the Company operates. 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 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. In accordance with these duties, the principal activities of the Committee during the year are set out below.

Internal controls, financial reporting and risk management systems

- Monitor and assess the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management systems;
- review arrangements by which staff of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- seeking reasonable assurance that such systems meet relevant legal and regulatory requirements;
- monitoring the integrity of the financial statements;
- reviewing the consistency of, and any changes to, accounting policies;
- reviewing the half yearly and annual report and financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders;
- evaluating the need for an internal audit function;
- reviewing semi-annual reports from the Manager on its activities as AIFM; and
- reviewing semi-annual reports from the Depositary on its activities.

Narrative reporting

- reviewing the content of the annual report and financial statements and, where requested by the Board, providing an opinion on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Management engagement

- reviewing the performance of the Manager during the year, both on an absolute and relative basis;
- reviewing the investment management agreement to ensure the terms are appropriate and remain competitive;
- satisfying itself that the continuing appointment of the Manager is in the interests of shareholders as a whole; and
- considering the appropriateness of the remuneration of the Manager.

Third party service providers

- considering the appointment of other third party service providers; and
- ensuring that third party service providers comply with the terms of their agreements and that the provisions of such agreements remain both appropriate and competitive.

Reporting responsibilities

- reporting to the Board on its proceedings and how it has discharged its responsibilities, making whatever recommendations it deems appropriate on any area within its remit; and
- compiling a report on its activities to be included in the Annual Report and Financial Statements.

Internal Audit

- considering the need for an internal audit function, as set out in the Corporate Governance Statement on page 27.

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.

External audit

The Committee has primary responsibility for assessing the effectiveness of the external audit process and for making recommendations to the Board on the appointment, reappointment or removal of the external auditor. It considers the planning, scope, quality of performance, cost effectiveness and independence of the external auditor. 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 its 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.

Further information on the external audit is reported under 'Assessment of the effectiveness of the external audit process' on pages 40 and 41. The fees paid to the external Auditor are set out in note 5 on page 56.

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 that 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.

WHISTLEBLOWING POLICY

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.

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 pages 19 to 21 sets out the key areas of risk identified and also explains how these were addressed by the Committee.

Report of the audit & management engagement committee continued

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 AGM. 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, BNYM, and the provision of Depositary services is contracted to BNYMTD, the Committee has also reviewed the Service Organisation Control (SOC 1) reports 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 has considered 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 fees paid to the Auditor in respect of non-audit services which related to the review of the half yearly financial statements and amounted to £6,500 (US$9,000) (2015: £6,500 (US$10,000)). In addition, other non-audit services were also provided to the Company by the Auditor in respect of tax services and the C Share Issue and Tender Offer. Further details can be found in note 5 to the Financial Statements on page 56.

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;

- 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;
- monitor and review the supply of non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- 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 the external Auditor 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 and provide shareholders with the information necessary to assess the Company's position and performance, business model and strategy. 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

Report of the audit & management engagement committee continued

Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 43.

Having served on the Company's Board since its launch in 2010, I have decided that I will not seek re-election at the forthcoming AGM and have resigned from the Board with effect from 22 November 2016. The Board has agreed that Mr White will succeed me as chairman of the Audit & Management Engagement Committee from the date of my resignation. Mr White is a chartered accountant with extensive investment industry experience and I am confident that he will provide diligent and effective leadership of this Committee.

LYNN RUDDICK
Chairman
Audit & Management Engagement Committee
22 November 2016

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 and the Report of the Audit & Management Engagement Committee 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 23 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 Strategic Report contained in the Annual Report and Financial Statements 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 38 to 42 of this Annual Report. As a result, the Board has concluded that the Annual Report for the year ended 30 September 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

FOR AND ON BEHALF OF THE BOARD
AUDLEY TWISTON-DAVIES
Chairman
22 November 2016

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 BlackRock Frontiers Investment Trust plc's (the 'Company') affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU ; 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 the Company for the year ended 30 September 2016 which comprise:

Company
Statement of Comprehensive Income for the year ended 30 September 2016
Statement of Changes in Equity for the year ended 30 September 2016
Statement of Financial Position as at 30 September 2016
Cash Flow Statement as at 30 September 2016
Related notes 1 to 21 to the financial statements

The financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU and applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	Incorrect performance fee calculation due to the investment management agreement being open to misinterpretation. Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. Incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity appropriately.
Audit scope	All audit work was performed directly by the audit engagement team.
Materiality	Overall materiality of $2.76 million represents 1% of net assets.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk
Incorrect performance fee calculation due to the investment management agreement being open to misinterpretation As noted in note 4 in notes to the financial statements, the Company's performance fee for the period amounted to $2.58 million (2015: $0.23 million). The performance fee is calculated using a methodology as set out in the Investment Management Agreement between the Company and BlackRock Investment Management (UK) Limited ("the Manager"). Incorrect calculation of this fee could have a material impact on the return generated for shareholders.	**We performed the following procedures:** Performed a walkthrough of Bank of New York Mellon's ("the Administrator") systems and controls in respect of the performance fee calculation. Agreed all key inputs used in the calculations to the accounting records and benchmark data to third party source information. Recalculated the performance fees payable and agreed the calculation and methodology to the Investment Management Agreement.
What we reported to the Audit & Management Engagement Committee Based on the work performed we had no matters to report to the Audit & Management Engagement Committee.	

Risk	Our response to the risk
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income As can be seen in note 3 in the notes to the financial statements, the Company has reported income in the form of overseas dividend income of $11.04 million (2015: $9.50 million). Net income from contracts for difference amounted to $1.95 million (2015: $3.17 million). We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders.	**We performed the following procedures:** Assessed the Administrator's systems and controls in this area to ensure the accurate recording of revenue. Agreed a sample of dividends received from the underlying financial records to an independent pricing source and agreed to bank statements as supporting documentation. For this sample, we agreed the exchange rates used to convert the dividend income received in foreign currencies to US Dollars. Performed a review of all material special dividends received during the period and assessed the appropriateness of the accounting treatment adopted. To test for completeness, we checked a sample of dividends announced to an independent source to confirm that they were recorded in the correct accounting period. Performed a review of journal entries focusing in particular on manual journals, journals posted around the year end date and journals raised in the processing and recording of ordinary and special dividends.

What we reported to the Audit & Management Engagement Committee

Based on the work performed we had no matters to report to the Audit & Management Engagement Committee.

Risk	Our response to the risk
Incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity appropriately The valuation of the portfolio is $267.68 million (2015: $239.45 million), which includes Participatory Notes ("P-Notes) with a value of $0.44 million (2015: $1.69 million) and the BlackRock Institutional Cash Fund of $42.63 million (2015: $52.92 million). There are also CFD positions amounting to an asset of $0.88 million (2015: $1.83 million) and a liability of $0.58 million (2015: $0.85 million). For further detail, refer to pages 12 to 15 of the Annual Report. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	**We performed the following procedures:** Assessed the Administrator's systems and controls in this area to ensure the accurate recording of security pricing and units held. Agreed all of the investment holding prices at the year end to a relevant independent source. Agreed all of the foreign exchange rates used to an independent source. 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.

What we reported to the Audit & Management Engagement Committee

Based on the work performed we had no matters to report to the Audit & Management Engagement Committee.

THE SCOPE OF OUR AUDIT

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Company and effectiveness of company-wide controls, and other factors such as recent Service Organisation Control ('SOC') reporting when assessing the level of work to be performed.

OUR APPLICATION OF MATERIALITY

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

Materiality

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

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

We determined materiality for the Company to be $2.76 million, which is 1% of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the key measurement of the Company's performance.

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

On the basis of our risk assessments and our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely $2.07 million. Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of $0.56 million for the revenue column of the Income Statement, being 5% of the Return on ordinary activities before taxation.

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

We agreed with the Audit & Management Engagement Committee that we would report to them all uncorrected audit differences in excess of $0.14 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

SCOPE AND 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 financial report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of directors' responsibilities set out on page 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland)
We are required to report to you if, in our opinion, financial and non-financial information in the annual financial 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 report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual financial report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual financial report appropriately addresses those matters that we communicated to the Audit & Management Engagement Committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting

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

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

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the directors' statement in relation to going concern set out on page 31, and longer-term viability, set out on page 21; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual financial 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 financial report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual financial report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Ashley Coups (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London
22 November 2016

Notes:

1. The maintenance and integrity of the BlackRock Frontiers Investment Trust Plc website is the responsibility of BlackRock; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

Statement of Comprehensive Income for the year ended 30 September 2016

	Notes	Revenue 2016	Capital 2016	Total 2016	Revenue 2015	Capital 2015	Total 2015
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Income from investments held at fair value through profit or loss	3	11,041	–	11,041	9,704	–	9,704
Net income from contracts for difference	3	1,954	–	1,954	3,171	–	3,171
Other income	3	4	–	4	1	–	1
Total revenue		12,999	–	12,999	12,876	–	12,876
Profit/(loss) on investments held at fair value through profit or loss	10	–	15,625	15,625	–	(53,524)	(53,524)
Profit on foreign exchange		–	1,973	1,973	–	272	272
Net profit/(loss) from contracts for difference	11	–	915	915	–	(8,446)	(8,446)
Total		12,999	18,513	31,512	12,876	(61,698)	(48,822)
Expenses							
Investment management and performance fees	4	(494)	(4,557)	(5,051)	(598)	(2,633)	(3,231)
Other operating expenses	5	(1,005)	(70)	(1,075)	(1,094)	(49)	(1,143)
Total operating expenses		(1,499)	(4,627)	(6,126)	(1,692)	(2,682)	(4,374)
Net profit/(loss) before finance costs and taxation		11,500	13,886	25,386	11,184	(64,380)	(53,196)
Finance costs	6	(277)	(1,106)	(1,383)	(1)	(6)	(7)
Net profit/(loss) on ordinary activities before taxation		11,223	12,780	24,003	11,183	(64,386)	(53,203)
Taxation	7	(1,110)	275	(835)	(1,313)	419	(894)
Profit/(loss) for the year		10,113	13,055	23,168	9,870	(63,967)	(54,097)
Earnings/(loss) per ordinary share (cents)	9	6.40	8.26	14.66	6.55	(42.47)	(35.92)

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 (EU). 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. No operations were acquired or disposed of during the year. All income is attributable to the equity holders of the Company.

The Company does not have any other comprehensive income. The net profit for the year disclosed above represents the Company's total comprehensive income.

The notes on pages 52 to 74 form part of these financial statements.

Financial statements

Statement of Changes in Equity for the year ended 30 September 2016

	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 2016								
At 30 September 2015		1,506	–	5,798	231,030	(4,251)	8,312	242,395
Total comprehensive income:								
Net profit for the year		–	–	–	–	13,055	10,113	23,168
Transactions with owners, recorded directly to equity:								
Share issues – conversion of C shares	15	137	21,456	–	–	–	–	21,593
Cash exit tender offer costs		–	–	–	(236)	–	–	(236)
Dividend paid*	8	–	–	–	–	–	(10,523)	(10,523)
At 30 September 2016		1,643	21,456	5,798	230,794	8,804	7,902	276,397
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)
Transactions with owners, recorded directly to equity:								
Dividend paid**	8	–	–	–	–	–	(9,640)	(9,640)
At 30 September 2015		1,506	–	5,798	231,030	(4,251)	8,312	242,395

* Final dividend of 4.15 cents per share for the year ended 30 September 2015, declared on 17 December 2015 and paid on 19 February 2016 and interim dividend paid in respect of the year ended 30 September 2016 of 2.60 cents per share, declared on 16 May 2016 and paid on 1 July 2016.

** 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.

The notes on pages 52 to 74 form part of these financial statements.

Financial statements

Statement of Financial Position as at 30 September 2016

	Notes	30 September 2016	30 September 2015
		US$'000	US$'000
Non current assets			
Investments held at fair value through profit or loss	10	267,684	239,446
Current assets			
Other receivables	12	5,118	5,371
Derivative financial assets held at fair value through profit or loss	11	884	1,828
Cash held on margin deposit with brokers	11	450	1,145
Cash and cash equivalents	11	8,729	5,635
		15,181	13,979
Total assets		282,865	253,425
Current liabilities			
Other payables	13	(5,705)	(9,904)
Collateral held in respect of contracts for difference	11	(167)	(260)
Derivative financial liabilities held at fair value through profit or loss	11	(577)	(847)
		(6,449)	(11,011)
Total assets less current liabilities		276,416	242,414
Non current liabilities			
Management shares of £1.00 each (one quarter paid)	14	(19)	(19)
Net assets		276,397	242,395
Equity attributable to equity holders			
Called up share capital	15	1,643	1,506
Share premium account	17	21,456	–
Capital redemption reserve	17	5,798	5,798
Special reserve	17	230,794	231,030
Capital reserves	17	8,804	(4,251)
Revenue reserve	17	7,902	8,312
Total equity		276,397	242,395
Net asset value per share (US cents)	9	168.19	160.93

The financial statements on pages 48 to 74 were approved and authorised for issue by the Board of Directors on 22 November 2016 and signed on its behalf by Mr Twiston-Davies, Chairman.

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

The notes on pages 52 to 74 form part of these financial statements.

Financial statements

Cash flow statement for the year ended 30 September 2016

	30 September 2016	30 September 2015
	US$'000	US$'000
Operating activities		
Net profit/(loss) before taxation*	24,003	(53,203)
Add back finance costs	1,383	7
(Profit)/loss on investments and CFDs held at fair value through profit or loss (including transaction costs)	(17,094)	61,368
Net profit on foreign exchange	(1,973)	(272)
Sale of investments held at fair value through profit or loss	247,220	198,588
Purchase of investments held at fair value through profit or loss	(259,833)	(199,240)
Realised losses on closure of CFD contracts	(19,917)	(40,864)
Realised gains on closure of CFD contracts	22,060	43,635
(Increase)/decrease in other receivables	(47)	496
Increase in other payables	1,653	416
Decrease/(increase) in amounts due from brokers	300	(3,725)
Net movement in cash held on margin deposit with brokers	695	(1,055)
(Decrease)/increase in amounts due to brokers	(5,852)	6,647
Collateral repaid in respect of contracts for difference	(93)	(11,664)
Net cash (outflow)/inflow from operating activities before interest and taxation	(7,495)	1,134
Interest paid	(3)	(7)
Taxation paid	(835)	(894)
Net cash (outflow)/inflow from operating activities before financing activities	(8,333)	233
Financing activities		
Tender costs paid	(236)	–
Share issue costs paid	(691)	–
Proceeds from issue of C shares	20,904	–
Dividends paid	(10,523)	(9,640)
Net cash inflow/(outflow) from financing activities	9,454	(9,640)
Decrease in cash and cash equivalents	1,121	(9,407)
Effect of foreign exchange rate changes	1,973	272
Change in cash and cash equivalents	3,094	(9,135)
Cash and cash equivalents at start of year	5,635	14,770
Cash and cash equivalents at end of year	8,729	5,635
Comprised of:		
Cash at bank	8,729	5,635
	8,729	5,635

* Includes dividends and interest received during the year of US$13,165,000 and US$4,000 (2015: US$13,027,000 and US$2,000).

The notes on pages 52 to 74 form part of these financial statements.

Financial statements

Notes to the 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 sixth 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 November 2014, 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 on or after 1 January 2016 and have not been applied in preparing these financial statements (major changes and new standards issued are detailed below). None of these is 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. Under IFRS 9 equity and derivative investments will be held at fair value because they fail the 'solely payments of principal and interest' test and debt investments will be held at fair value because the business model is to manage them on a fair value basis. The scope of the fair value option is reduced within IFRS 9. 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.

Amendments to IAS 1 (effective 1 January 2016) require 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.

Amendments to IAS 7 – Disclosure initiative Statement of Cash Flows (effective 1 January 2017). The amendments are not expected to have a significant effect on the presentation of the Statement of Cash Flows within the financial statements of the Company.

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses (effective 1 January 2017). The amendment is not expected to have a significant effect on the measurement of amounts recognised in the financial statements of the Company.

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.

(b) Presentation of the Statement of Comprehensive Income

In order to reflect better 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.

(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 58;
- 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

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statements of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Where expenses are allocated between capital and revenue, any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period.

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

All investments are initially and subsequently measured 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.

2. ACCOUNTING POLICIES continued

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.

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 "Profits 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 2016.

(h) Derivatives

The Company holds long and short positions in contracts for difference (CFD) which 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.

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). Profits 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 profits 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 and non-monetary assets held at fair value through profit or loss 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.

The Company's investment in BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund of £42,625,000 (2015: £52,924,000) is managed as part of the Company's investment policy and, accordingly, this investment along with purchases and sales of this investment has been classified in the Statement of Financial Position as an investment and not as a cash equivalent as defined under IAS 7.

(m) C share liability

C shares are recognised on issue at fair value less directly attributable transaction costs. After initial recognition, C shares are subsequently measured at amortised cost using the effective interest method. Amortisation is credited or charged to finance income or finance costs in the Statement of Comprehensive Income. Transaction costs are amortised to the earliest conversion period.

The C shares issued represented contracts for conversion into a variable number of ordinary shares and therefore the C shares are classified as liabilities under IAS 32. The classification resulted in the issue costs and the return on the C shares being presented as finance costs in the Company's Statement of Comprehensive Income. The return on the C shares represented an increase in the assets attributable to the C shares over and above the proceeds raised from their issue.

At the time that it arose, the Directors considered whether the C share liability should be valued at fair value or stated at amortised cost.

The C shares were traded on the London Stock Exchange. The amortised cost value of the C share pool equated to the net asset value of the C shares, which the Directors considered was the most appropriate way to value the liability. The liability was extinguished on 15 March 2016 when the C shares were converted into ordinary shares.

3. INCOME

	2016 US$'000	2015 US$'000
Investment Income:		
UK listed dividends	–	207
Overseas listed dividends	11,041	9,495
Fixed interest income	–	2
	11,041	9,704
Income from contracts for difference	1,954	3,171
	12,995	12,875
Interest receivable and other income:		
Deposit interest	4	1
Total income	12,999	12,876

4. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

	2016			2015		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Investment management fee	494	1,976	2,470	598	2,399	2,997
Performance fee	–	2,581	2,581	–	234	234
Total	494	4,557	5,051	598	2,633	3,231

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 Manager. In addition, the 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 NAV since launch increased in line with the MSCI Frontiers 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 ended 30 September 2016, the Company's NAV had outperformed the MSCI Frontiers Markets Index by 8.4% (2015: 6.5%) on a US dollar basis and as a result a performance fee of US$2,581,000 (2015: US$234,000) has been accrued at 30 September 2016.

Under the terms of the C share issue in February 2016, BlackRock had agreed to waive the management fees payable by the Company up to the value of issue expenses that exceeded the capped amount of 1.75% of the gross proceeds from the issue of C shares. As the issue expenses exceeded the capped amount, the excess issue expenses of US$325,000 have been offset against the investment management fee payable by the Company during the year ended 30 September 2016.

5. OTHER OPERATING EXPENSES

	2016 US$'000	2015 US$'000
Allocated to revenue:		
Custody fee	342	336
Auditor's remuneration:[1]		
– audit services	41	39
– other non-audit services[2]	23	10
Registrar's fee	32	25
Directors' emoluments[1]	171	223
Broker fees	40	44
Depositary fees	29	31
Marketing fees	58	73
Other administrative costs	269	313
	1,005	1,094
Allocated to capital:		
Transaction charges	70	49
	1,075	1,143

[1] Custody fees, directors' fees and audit fees are paid in sterling and are therefore subject to exchange rate fluctuations.
[2] Fees for non audit services relate to the following services provided by the Auditor:
- US$ 9,000 (2015: US$10,100) relating to the review of the interim financial statements.
- £24,500 (US$35,300) (excluding VAT) in respect of the work on the Company's C share issue and cash exit tender offer. These fees were charged to the share premium and special reserves as part of the share issue costs and tender offer costs and were not debited to the Company's Statement of Comprehensive Income.
- US$14,170 (2015: US$ nil) relating to the provision of tax services.

The Company's ongoing charges, calculated as a percentage of average net assets and using expenses, excluding performance fees VAT refunded, finance costs and taxation were 1.4% (2015: 1.5%). Inclusive of performance fees the ongoing charges for 2016 were 2.4% (2015: 1.6%).

For the year ended 30 September 2016, expenses of US$70,000 (2015: US$49,000) were charged to the capital column of the Statement of Comprehensive Income, these relate to transaction costs. No fees were payable in 2016 or 2015 in relation to investing in new markets.

Details of the Directors' emoluments are given in the Directors' Remuneration Report on page 36.

6. FINANCE COSTS

	2016			2015		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Interest payable – bank overdraft	1	2	3	1	6	7
Amortisation of C share issue costs	138	553	691	–	–	–
Return on C shares	138	551	689	–	–	–
	277	1,106	1,383	1	6	7

7. TAXATION

(a) Analysis of charge in year

	2016			2015		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Current tax:						
Corporation tax	275	(275)	–	419	(419)	–
Overseas tax	835	–	835	894	–	894
Total tax (note 7(b))	1,110	(275)	835	1,313	(419)	894

(b) Factors affecting total tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company of 20.0% (2015: 20.6%). The differences are explained below:

	2016			2015		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Profit on ordinary activities before taxation	11,223	12,780	24,003	11,183	(64,386)	(53,203)
Profit on ordinary activities multiplied by standard rate of corporation tax 20.0% (2015: 20.5%)	2,245	2,556	4,801	2,293	(13,199)	(10,906)
Effects of:						
Non taxable UK dividends	–	–	–	(42)	–	(42)
Non taxable overseas dividends	(2,025)	–	(2,025)	(1,832)	–	(1,832)
Current year expenses not utilised	–	637	637	–	123	123
(Profit)/loss on investments held at fair value through profit or loss	–	(3,125)	(3,125)	–	10,972	10,972
Foreign exchange profit	–	(395)	(395)	–	(56)	(56)
Net (profit)/loss from contracts for difference	–	(183)	(183)	–	1,731	1,731
Overseas tax suffered	835	–	835	894	–	894
Disallowed expenses	55	235	290	–	10	10
Total current taxation charge for the year (note 7(a))	1,110	(275)	835	1,313	(419)	894

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.

At 30 September 2016 the Company had net surplus management expenses of US$5,825,000 (2015: US$2,643,000). 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 2016 was US$1,165,000 (30 September 2015: US$529,000).

8. DIVIDENDS

Dividends paid on equity shares:	Record date	Payment date	2016 US$'000	2015 US$'000
2015 final of 4.15 cents (2014: 4.00 cents) per ordinary share	29 January 2016	19 February 2016	6,251	6,025
2016 interim of 2.60 cents (2015: 2.40 cents) per ordinary share	3 June 2016	1 July 2016	4,272	3,615
			10,523	9,640

The Directors have proposed a final dividend of 4.00 cents per share (2015: 4.15 cents). The dividend will be paid on 17 February 2017, subject to shareholder approval on 31 January 2017, to shareholders on the Company's register on 27 January 2017. 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 2016 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:	2016 US$'000	2015 US$'000
Interim dividend of 2.60 cents per ordinary share (2015: 2.40 cents)	4,272	3,615
Final proposed dividend of 4.00 cents per ordinary share (2015: 4.15 cents)*	6,573	6,251
	10,845	9,866

* based on 164,333,108 ordinary shares in issue on 22 November 2016.

9. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE

	2016	2015
Net revenue profit attributable to ordinary shareholders (US$'000)	10,113	9,870
Net capital profit/(loss) attributable to ordinary shareholders (US$'000)	13,055	(63,967)
Total profit/(loss) attributable to ordinary shareholders (US$'000)	23,168	(54,097)
Total equity attributable to shareholders (US$'000)	276,397	242,395
The weighted average number of ordinary shares in issue during the year on which the return per ordinary share was calculated was:	158,076,774	150,621,621
The actual number of ordinary shares in issue at the end of each year on which the net asset value per ordinary share was calculated was:	164,333,108	150,621,621
Earnings per share		
Revenue earnings per share - (US cents)	6.40	6.55
Capital profit/(loss) per share - (US cents)	8.26	(42.47)
Total earnings/(losses) per share - (US cents)	14.66	(35.92)
Net asset value per share - (US cents)	168.19	160.93
Share price* (US cents)	167.58	157.15
Net asset value per share - (pence)	129.48	106.25
Share price (pence)	129.00	103.75

* The Company's share price is quoted in sterling and the above represents the US dollar equivalent based on an exchange rate of $1.2990 to £1 as at 30 September 2016 (30 September 2015: $1.5147 to £1).

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 US$'000	2015 US$'000
Equity investments held at fair value through profit or loss	224,615	184,837
P-Notes	444	1,685
BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund	42,625	52,924
	267,684	239,446
Valuation brought forward	239,446	292,318
Investment holding losses/(gains)	34,966	(9,422)
Opening cost of equity investments	274,412	282,896
Acquisitions at cost	259,833	199,240
Disposal proceeds	(247,220)	(198,588)
Realised losses on sales	(12,994)	(9,136)
Cost carried forward	274,031	274,412
Investment holding losses	(6,347)	(34,966)
Closing valuation of equity investments	267,684	239,446

During the year, transaction costs of US$637,000 (2015: US$548,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to US$445,000 (2015: US$380,000). All transaction costs have been included within the capital reserves.

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

	2016 US$'000	2015 US$'000
Realised losses on sales	(12,994)	(9,136)
Changes in investment holding gains/(losses)	28,619	(44,388)
	15,625	(53,524)

11. DERIVATIVES

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

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.

	2016			2015		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Net unrealised losses relating to underlying price movements	–	(674)	(674)	–	(10,615)	(10,615)
Net realised gains relating to underlying price movements	–	2,143	2,143	–	2,771	2,771
Notional dividend income on long positions	2,092	–	2,092	3,321	–	3,321
Notional dividend expense on short positions	–	–	–	(4)	–	(4)
Notional interest income on short positions	–	–	–	4	–	4
Notional interest expense on long and short positions	(138)	(554)	(692)	(150)	(602)	(752)
Total return on derivative contracts for the year	1,954	915	2,869	3,171	(8,446)	(5,275)

CFDs are synthetic equities and are valued by reference to the market values of the investments' underlying securities market values.

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

	2016 US$'000	2015 US$'000
Amounts due from brokers in respect of revaluation gains on CFDs	884	1,828
Derivative financial liabilities: Amounts due to brokers in respect of revaluation losses on CFDs	(577)	(847)
Total net derivative financial assets	307	981

Net realised gains on CFD positions of US$2,143,000 (2015: US$2,771,000) comprised realised gains of US$22,060,000 (2015: US$43,635,000) and realised losses of US$19,917,000 (2015: US$40,864,000).

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 2016 the Company held two P-Notes (2015: one), 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.

Notes to the financial statements continued

11. DERIVATIVES continued

	2016			2015		
	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	–	216	216	–	219	219
Income from investments held at fair value through profit or loss						
Dividend income from underlying securities	712	–	712	450	–	450
Total	712	216	928	450	219	669

At 30 September 2016, the fair value of the Company's holding in P-Notes amounted to US$444,000 (2015: US$1,685,000) representing 0.1% of net assets (2015: 0.7%).

As at 30 September 2016 the Company held cash and cash equivalent balances of US$8,729,000 (2015: US$5,635,000). The Company also paid cash of US$450,000 (2015: US$1,145,000) 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 hold a level of cash (or equivalent holding in BlackRock's Institutional Cash Series plc – US Dollar Liquidity 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 geared through its use of CFDs as at 30 September 2016 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$62,054,000 (2015: US$55,974,000). 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 Series plc – US Dollar Liquidity Fund at 30 September 2016 of US$42,625,000 (2015: US$52,924,000) at the period end would therefore have been lower by US$62,054,000 (2015: US$55,974,000).

As at 30 September 2016 the Company also owed US$167,000 (2015: US$260,000) 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 within cash and cash equivalents on the Statement of Financial Position of US$8,729,000 (2015: US$5,635,000), and an equivalent creditor of US$167,000 (2015: US$260,000) is also shown to reflect the economic entitlement of the broker to these deposits until such a time as the CFD contracts are closed out and the profits are realised. 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

	2016 US$'000	2015 US$'000
Sales for future settlement	4,110	4,410
Prepayments and accrued income	1,008	961
	5,118	5,371

13. OTHER PAYABLES

	2016 US$'000	2015 US$'000
Purchases for future settlement	1,306	7,158
Accruals for expenses and interest payable	1,826	2,020
Other payables	2,573	726
	5,705	9,904

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 2015	150,621,621	1,506
Conversion of C shares into ordinary shares	13,711,487	137
At 30 September 2016	164,333,108	1,643

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

16. C SHARES: FINANCIAL LIABILITY

	2016 US$'000	2015 US$'000
Proceeds from issue of C shares	20,213	–
Amortisation of C share issue costs	691	–
Return on C share liability	689	–
Extinguishment of C share liability upon conversion to ordinary shares	(21,593)	–
	–	–

On 29 February 2016 the Company issued 15,000,001 C shares with a nominal value of 10 cents each. On 15 March 2016 the C shares were converted into ordinary shares. The conversion ratio, which has been calculated by reference to the net assets of the Company attributable to the ordinary shares and the net assets of the Company attributable to the C shares as at the close of business on 7 March 2016 was 0.9141 for every C share held.

The C shares (when in issue) were listed on the London Stock Exchange. After the conversion of the C shares to ordinary shares, the shares were delisted on 21 March 2016.

Whilst the C shares were in issue, the results, assets and liabilities attributable to the C shares were accounted for in a separate pool to the results, assets and liabilities of the ordinary shares. A share of management fee and other expenses for the period the C shares had been in issue was allocated to the C share pool.

The tables below give a summary of the results of the C share pool up to the date of conversion.

For the period from issue to conversion	US'000
Proceeds from the issue of C Shares	20,904
C share issue costs	(691)
Net revenue income	63
Fair value gains on investments and contracts for difference	626
Finance costs – amortisation of C share issue costs	691
Value of C shares on conversion	**21,593**

17. RESERVES

	Share premium account US$'000	Capital redemption reserve US$'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 2015	–	5,798	231,030	29,737	(33,988)	8,312
Movement during the year:						
Total Comprehensive Income:						
Loss on realisation of investments	–	–	–	(12,994)	–	–
Changes in investment holding gains	–	–	–	–	28,619	–
Profit/(loss) on foreign currency transactions	–	–	–	2,010	(37)	–
Profit/(loss) on contracts for differences	–	–	–	1,589	(674)	–
Expenses charged to capital after taxation	–	–	–	(5,458)	–	–
Share issues – conversion of C share	21,456	–	–	–	–	–
Cash exit tender offer costs	–	–	(236)	–	–	–
Revenue return for the year	–	–	–	–	–	10,113
Dividends paid	–	–	–	–	–	(10,523)
At 30 September 2016	21,456	5,798	230,794	14,884	(6,080)	7,902

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. The special reserve may be used as distributable profits for all purposes and in particular for the repurchase by the Company of its ordinary shares and for payment as dividends. At the AGM on 10 February 2016 the Board received shareholder approval to amend the Company's Articles to permit the Company to pay out accumulated realised capital profits in the form of dividends.

18. 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 26 and in the Statement of Directors' Responsibilities on page 43, 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 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 Company is 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 2016 and 30 September 2015 (based on a 99% confidence level) was 1.20% and 1.98% respectively.

(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 consistent 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 2016 on its equity investments, excluding its holding in BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund, was US$225,059,000 (2015: US$186,522,000). In addition, the Company's gross market exposure to these price changes through its CFD portfolio was US$62,361,000 through long positions (2015: US$59,488,000) and US$nil through short positions (2015: US$2,533,000).

Concentration of exposure to market risks

An analysis of the Company's investment portfolio is shown on pages 10 and 11. At 30 September 2016 this shows that the majority of the portfolio is invested in Argentina, Pakistan, Romania, Bangladesh and Kazakhstan. 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 2016 and 30 September 2015 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.

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

2016	Pakistani Rupee US$'000	Romanian Leu US$'000	Bangladeshi Taka US$'000	Vietnamese Dong US$'000	Sri Lankan Rupee US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	3,808	5	–	–	–	910
Contracts for differences (gross exposure)	367	2,164	14,594	20,283	5,539	18,890
Cash	13	–	–	–	–	250
Payable	–	–	–	–	–	(949)
Total foreign currency exposure on net monetary items	4,188	2,169	14,594	20,283	5,539	19,101
Investments at fair value through profit and loss that are equities	32,207	28,923	10,330	–	13,413	55,885
Total net foreign currency exposure	36,395	31,092	24,924	20,283	18,952	74,986

2015	Bangladeshi Taka US$'000	Pakistani Rupee US$'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
Payable	–	–	(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

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. Interest rate movements may effect 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.

Interest rate exposure

The exposure at 30 September 2016 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

	2016 Within one year US$'000	2015 Within one year US$'000
Exposure to floating interest rates:		
CFD derivative contract		
– Notional long positions	(62,361)	(59,488)
– Notional short positions	–	2,533
BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund	42,625	52,924
Cash at bank	8,729	5,635
Cash held on margin deposit with brokers	450	1,145
Collateral received in respect of contracts for differences	(167)	(260)

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 Series plc – US Dollar Liquidity Fund. Interest received on this holding in the year was on average 0.59% (2015: 0.22%). There were no money market deposits as at 30 September 2016 or 30 September 2015.

The Company does not have any fixed rate exposure at 30 September 2016 or 30 September 2015. 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	0.000	1.429

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. 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.

(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 CFD's and P-Notes.

18 RISK MANAGEMENT POLICIES AND PROCEDURES continued

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 2016 (30 September 2015: 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 2016: 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 2016 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).

2016	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*
2016	4	546	167	–	BBB+
2015	4	1,095	260	–	BBB+

* 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 restricted 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 86. 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 41 positions as at 30 September 2016 (2015: 18).

The gross underlying notional exposures within the CFD portfolio at 30 September 2016 were:

	2016 US$'000	% of gross assets	2015 US$'000	% of gross assets
CFDs – gross exposure relating to short positions	–	–	2,533	1.0
CFDs – gross exposure relating to long positions	62,361	22.1	59,488	24.5
Gross economic exposure subject to a 100% restriction (see above)	62,361	22.1	62,021	25.5
Net market exposure	62,361	22.1	56,955	23.5

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 18(a)(i), 18(a)(ii), 18(a)(iii), 18(b) and 18(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.

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

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 2016 US$'000	30 September 2015 US$'000	30 September 2016 US$'000	30 September 2015 US$'000
BlackRock Frontiers Investment Trust plc	450	1,145	167	260

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 2016 was as follows:

	2016 3 months or less US$'000	2015 3 months or less US$'000
Cash at bank and on deposit and held on margin account with brokers	9,179	6,780
BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund	42,625	52,924
P-Notes	444	1,685
CFD positions – amount due from brokers	884	1,828
Other receivables (amounts due from brokers, dividends and interest receivable)	5,118	5,371

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 Statement of Financial Position on the basis that it does not always intend to settle contracts on a net basis.

At 30 September 2016, the Company's derivative assets and liabilities (by type) are as follows:

Derivatives	At 30 September 2016 Assets US$'000	At 30 September 2016 Liabilities US$'000	At 30 September 2015 Assets US$'000	At 30 September 2015 Liabilities US$'000
CFD position – long position	884	(577)	1,773	(847)
CFD position – short position	–	–	55	–
Total derivative assets and liabilities in the Statement of Financial Position	884	(577)	1,828	(847)
Derivatives not subject to a master netting agreement	–	–	–	–
Total assets and liabilities subject to a master netting agreement	884	(577)	1,828	(847)

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 2016:

	Derivative assets subject to a master netting agreement US$'000	Derivatives available for offset US$'000	Non-cash collateral US$'000	Inbound cash collateral US$'000	Net amount of derivative assets US$'000
As at 30 September 2016					
Deutsche Bank AG	684	–	–	–	684
Citibank N.A.	139	–	–	–	139
HSBC	11	–	–	(11)	–
Merrill Lynch	50	–	–	–	50
Total as at 30 September 2016	884	–	–	(11)	873
As at 30 September 2015					
Deutsche Bank AG	1,744	–	–	(260)	1,484
HSBC	84	–	–	–	84
Citibank N.A.	–	–	–	–	–
Merrill Lynch	–	–	–	–	–
Total as at 30 September 2015	1,828	–	–	(260)	1,568

Notes to the financial statements continued

18. 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 2016					
Deutsche Bank AG	(138)	–	–	138	–
Citibank N.A.	(160)	–	–	–	(160)
HSBC	(279)	–	–	–	(279)
Merrill Lynch	–	–	–	–	–
Total as at 30 September 2016	(577)	–	–	138	(439)
As at 30 September 2015					
Deutsche Bank AG	(649)	–	–	–	(649)
Citibank N.A.	(85)	–	–	85	–
Bank of America Merrill Lynch	(113)	–	–	–	(113)
Total as at 30 September 2015	(847)	–	–	85	(762)

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 to the 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. The Company is also exposed to liquidity risk for margin calls on derivatives.

Liquidity risk exposure

The remaining undiscounted gross cash flows of the financial liabilities as at 30 September 2016 and 30 September 2015, based on the earliest date on which payment can be required, were as follows:

2016	3 months or less US$'000	Between 3 months and one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	5,705	–	5,705
Amounts due to CFD counterparty brokers in respect of collateral held on account	167	–	167
Derivative financial liabilities held at fair value through profit or loss	577	–	577
	6,449	–	6,449

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

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.

For the avoidance of doubt, 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 53 and 54.

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.

The fair value hierarchy has the following levels:

18. RISK MANAGEMENT POLICIES AND PROCEDURES continued

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 prior period.

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 2016	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	215,612	8,792	211	224,615
P-Notes	–	444	–	444
BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund	42,625	–	–	42,625
Contracts for difference (gross exposure)	–	62,359	2	62,361
	258,237	71,595	213	330,045

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 Series plc – US Dollar Liquidity 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

For the year ended 30 September 2016, transfers of financial assets from fair value hierarchy Level 1 to Level 2 amounted to £8,792,000. These arose primarily in relation to the Nigerian equity securities held in the investment portfolio where the 3 month non deliverable US$-Nigerian Naira forward exchange rate was used in place of the spot exchange rates following the devaluation of the Nigerian Naira.

Level 3 Financial assets at fair value through profit or loss at 30 September	2016 £'000	2015 £'000
Opening fair value	–	–
Investment acquired – corporate action spin off received	213	–
Total gains or losses included in gains/(losses) on investments in the Statement of Comprehensive Income		
– assets held at the end of the year	–	–
Closing balance	213	–

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 2016 was US$276,397,000 (2015: US$242,395,000).

Notes to the financial statements continued

19. RELATED PARTY DISCLOSURE: DIRECTORS' EMOLUMENTS

The related party transactions with Directors are set out in the Directors' Remuneration Report on page 36. At 30 September 2016, US$17,000 (£13,000) (2015: US$17,000 (£11,000)) was outstanding in respect of Directors' fees.

20. 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 55. Transaction and relationship details are set out in the Director's Report on pages 29 and 30.

The investment management fee for the year was US$2,470,000 (2015: US$2,997,000) as disclosed in note 4 to the Financial Statements on page 55. In addition, a performance fee payable of US$2,581,000 (2015: US$234,000). At the year end, an amount of US$1,151,000 was outstanding in respect of management fees (2015: US$1,471,000) and US$2,581,000 (2015: US$234,000) 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 2016 amounted to US$58,000 excluding VAT (2015: US$73,000) of which US$40,000 excluding VAT (2015: US$145,000) was outstanding at 30 September 2016.

The Company has an investment in BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund of US$42,625,000 (2015: US$52,924,000) at the year end.

21. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2016 (2015: nil).

Additional information

Analysis of shareholders

ANALYSIS OF CATEGORIES AS AT 30 SEPTEMBER 2016

	Holdings	%	Shares	%
Individuals	71	8.55	589,144	0.36
Bank or Nominees	735	88.45	161,887,406	98.51
Insurance Company	7	0.84	87,586	0.05
Other Company	13	1.56	1,668,617	1.02
Pension Trust	1	0.12	1	0.00
Other Corporate Body	4	0.48	100,354	0.06
Total	831	100.00	164,333,108	100.00

BAND ANALYSIS AS AT 30 SEPTEMBER 2016

Range in shares held	No. of Shareholders	%	No. of Shares	%
1-1,000	42	5.05	25,628	0.02
1,001-5,000	288	34.66	927,610	0.56
5,001-10,000	163	19.62	1,257,859	0.77
10,001-100,000	215	25.87	6,848,924	4.17
100,001-500,000	60	7.22	14,143,372	8.60
500,001-1,000,000	21	2.53	14,892,896	9.06
1,000,001 and above	42	5.05	126,236,819	76.82
	831	100.00	164,333,108	100.00

NM1124U-3986663-76/90

Additional information

Management & other service providers

Registered Office
(Registered in England, No. 07409667)
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
cosec@blackrock.com

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
Gowling WLG
4 More London Riverside
London SE1 2AU

Savings Plan and NISA 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.

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.

January
AGM.

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

June/July
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 – 2016

The proposed final dividend in respect of the year ended 30 September 2016 is 4.00 cents per share. The Board also declared an interim dividend of 2.60 cents per share which was paid on 1 July 2016 to shareholders on the register on 3 June 2016.

Dividend timetable

Ex-div date:	26 January 2017
Record date:	27 January 2017
Last day for receipt of currency elections:	2 February 2017
Pay date:	17 February 2017

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

DIVIDEND TAX ALLOWANCE

From April 2016, dividend tax credits have been replaced by an annual £5,000 tax free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is a shareholder's responsibility to include all dividend income when calculating any tax liability.

This change was announced by the Chancellor, as part of the UK Government Budget, in July 2015. If you have any tax queries, please contact a financial advisor.

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.

Additional information

Shareholder information continued

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 COMMUNICATIONS

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online. This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation. Shareholders who opt for this service will receive an email from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded. Please submit your email address by visiting investorcentre.co.uk/ecomms. You will require your shareholder reference number which you will find on your share certificate or tax voucher.

You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

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 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.

LIVE STREAMING

For the first time, the AGM of the Company to be held at 12.00 noon on Tuesday, 31 January 2017 will be live streamed via the internet. If you are unable to attend the meeting you can therefore view it online as it happens via a link on the Company's website at www.blackrock.co.uk/brfi. You will be able to watch the Portfolio Managers present their outlook for the coming months. Questions can also be submitted online prior and during the event using the online question form available through the link on the website.

The AGM will be available to watch on demand shortly after the meeting on the Company's website.

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)

NISAs 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 2016/2017 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

GENERAL ENQUIRIES

Enquiries about the Company should be directed to:

The Company Secretary
BlackRock Frontiers Investment Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000
cosec@blackrock.com

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

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

Disclosures 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 can be found on the Company's website at: blackrock.co.uk/brfi.

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. Further information on the definition of leverage can be found in the Glossary on page 87.

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

	Commitment Leverage	Gross Leverage
Leverage ratio – as at 30 September 2016	1.08	1.07
Leverage ratio – as at 30 September 2015	1.03	1.04

OTHER RISK DISCLOSURES

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 18 to the notes to the financial statements on pages 62 to 73.

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
22 November 2016

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, other than in connection with the allotment of 13,711,487 Ordinary shares following the allotment and conversion of 15,000,001 C shares of US$ 0.10 pursuant to a placing and offer for subscription authorised by the Company's shareholders in general meeting on 10 February 2016.

The Company is a stand-alone entity and therefore 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
22 November 2016

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 Tuesday, 31 January 2017 at 12.00 p.m. 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 and 12, as special resolutions).

Resolution 2 is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the proposed future remuneration policy as set out in the future policy table on page 36. Resolution 3 is subject to a binding vote, as a result of the remuneration disclosure regulations published by the Department for Business, Innovation and Skills which were effective from 1 October 2013. As required under the regulations, the Company is seeking approval in this resolution for its remuneration policy as set out in the policy table on page 36. The remuneration policy will take effect immediately upon approval by shareholders and will continue to apply for the next three years, unless amended by the Company in general meeting at an earlier date.

ORIDNARY BUSINESS

Ordinary Resolutions

1. To receive the report of the Directors of the Company and the Financial Statements for the year ended 30 September 2016, together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2016.

3. To approve the Directors' Remuneration Policy as set out in the future policy table in the Directors' Remuneration Report on page 36.

4. To approve the payment by the Company of a final dividend of 4.00 cents per ordinary share in respect of the year ended 30 September 2016.

5. To elect Mr Stephen White as a Director.

6. To re-elect Mr Sarmad Zok as a Director.

7. To re-elect Mr Twiston-Davies as a Director.

8. To reappoint Ernst & Young LLP as Auditor to the Company to hold office from the conclusion of the next Annual General Meeting of the Company.

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

SPECIAL BUSINESS

Ordinary Resolution

10. 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$164,333.10 (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 2018 and the conclusion of the annual general meeting to be held in 2018 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.

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 10, 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 10, 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 2018 and the conclusion of the annual general meeting of the Company to be held in 2018, 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$164,333.10 (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, 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 24,633,532 (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 2018 and the conclusion of the annual general meeting of the Company in 2018 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.

BY ORDER OF THE BOARD
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
22 November 2016

Registered Office:
12 Throgmorton Avenue
London EC2N 2DL

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 12.00 p.m. on Friday, 27 January 2017 (excluding non-working days). 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 12.00 p.m. on 27 January 2017 (excluding non-working days).
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. on Friday, 27 January 2017 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 12.00 p.m. on Friday, 27 January 2017 (excluding non-working days). 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 12.00 p.m. on Friday, 27 January 2017 (excluding non-working days). 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.

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 20 December 2016, 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 164,333,108 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 22 November 2016 is 164,333,108.
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 22 November 2016 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 2016 equity shareholders' funds were worth US$276,397,000 and there were 164,333,108 ordinary shares in issue; the undiluted NAV was therefore 168.19 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.

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 2016, 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.

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

NM1124U-3986663-89/90

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