BLACKROCK FRONTIERS INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 30 SEPTEMBER 2018

BLACKROCK®

NM1124U-3990173-1/98

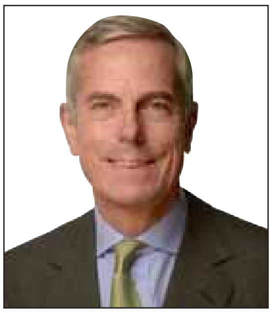
Board of Directors

AUDLEY TWISTON-DAVIES

Chairman,
Appointed on 23 November 2010

JOHN MURRAY

Director,
Appointed on 12 July 2011

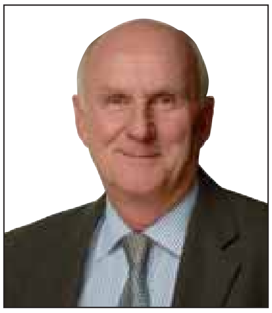


STEPHEN WHITE

Director,
Appointed on 13 July 2016
Audit & Management Engagement Committee Chairman
from 22 November 2016

SARMAD ZOK

Director,
Appointed on 8 February 2011



NICK PITTS-TUCKER

Director,
Appointed on 23 November 2010

Additional information on Board composition, the Company's corporate governance structure and the Directors' biographies can be found on page 26.

Cover image: Timişoara town square, Romania.

BlackRock Frontiers Investment Trust plc

Investment Objective

The Company’s investment objective was 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 (up to and including 31 March 2018).

With effect from 1 April 2018 the Company’s revised investment objective is to achieve long-term capital growth by investing in companies domiciled in, or exercising the predominant part of their economic activity in, less developed countries. These countries (the “**Frontiers Universe**”) are any country which is neither part of the MSCI World Index of developed markets, nor one of the eight largest countries by market capitalization in the MSCI Emerging Markets Index as at 1 April 2018: being Brazil, China, India, Korea, Mexico, Russia, South Africa and Taiwan (the “Selected Countries”).

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

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

Contents

Overview

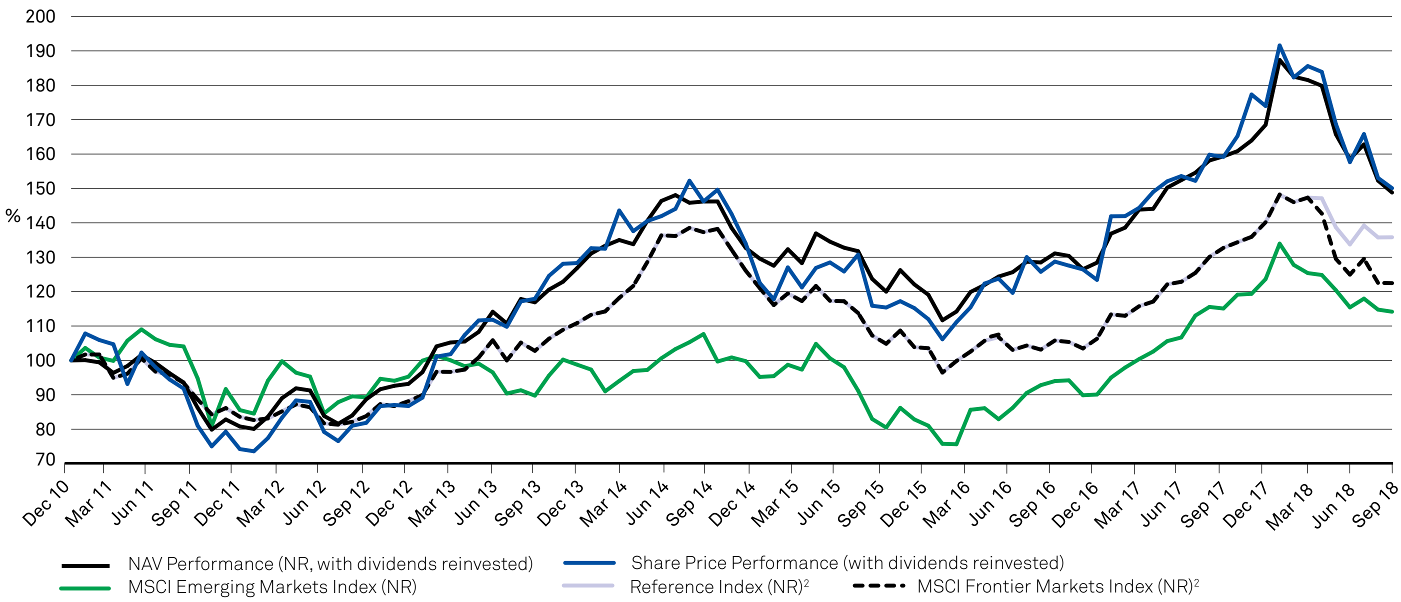
Performance record

Attributable to ordinary shareholders	30 September 2018	30 September 2017
US Dollar		
Net assets (US$'000)	356,495	350,247
Net asset value per ordinary share (cents)	177.70	196.91
Ordinary share price (mid market)[1] (cents)	182.25	199.91
Sterling		
Net assets (£'000)[1]	273,365	261,047
Net asset value per ordinary share[1] (pence)	136.26	146.76
Ordinary share price (mid market) (pence)	139.75	149.00
Premium	2.6%	1.5%

Performance – total return basis	Year ended 30 September 2018 %	Year ended 30 September 2017 %	Since inception[4] %
US Dollar			
Net asset value per share (with dividends reinvested)	-6.6	+21.5	+48.8
Reference Index (NR) [2,3]	+2.3	n/a	+35.8
MSCI Frontier Markets Index (NR)[2,3]	-7.7	+25.5	+22.5
MSCI Emerging Markets Index (NR)[3]	-0.8	+22.5	+14.1
Ordinary share price (with dividends reinvested)	-5.7	+23.6	+50.1
Sterling			
Net asset value per share (with dividends reinvested)	-4.0	+17.7	+77.5
Reference Index (NR) [2,3]	+5.3	n/a	+62.3
MSCI Frontier Markets Index (NR)[2,3]	-5.1	+21.5	+46.4
MSCI Emerging Markets Index (NR)[3]	+2.0	+18.6	+36.5
Ordinary share price (with dividends reinvested)	-3.1	+19.8	+78.7

1 Based on an exchange rate of $1.3041 to £1 at 30 September 2018 and $1.3417 to £1 at 30 September 2017.
2 With effect from 1 April 2018, the Reference Index changed to the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index +MSCI Saudi Arabia Index. Prior to 1 April 2018, the Reference Index was the MSCI Frontier Markets Index. The performance of the Reference Index during the year has been blended to reflect this change.
3 Net return (NR) indices include the reinvestment of dividends net of withholding taxes using the tax rates applicable to non-resident institutional investors.
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 SINCE LAUNCH ON 17 DECEMBER 2010 TO 30 SEPTEMBER 2018



All performance figures calculated on a US dollar basis with dividends 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 2018.

OVERVIEW

During the year to 30 September 2018, your Company's Net Asset Value per share (NAV) decreased by 6.6%, compared with the Reference Index, which rose by 2.3%. As shareholders will be aware, and as set out below, on 1 April 2018 we adopted a revised investment policy and new benchmark which the Board and the Manager believe provides a better and more consistent basis for the fund in the future. To some extent therefore, 2018 represents a transition year as the portfolio is realigned to reflect the new investment policy. Our NAV total return was ahead of the outcome for the year of the previous benchmark, the MSCI Frontier Markets Index, but behind the new Reference Index (as set out below). Relative performance has been measured against the performance of the previous benchmark up to 31 March 2018, chain-linked with the performance of the new Reference Index from 1 April 2018 to the financial year end. No performance fee will be payable this year.

Over the longer term, your Company has generated an impressive total return of 48.8% since launch in 2010, comparing favourably to an increase of 35.8% for the Reference Index over the same period. Returns are higher for sterling based investors given the depreciation of the pound, with a sterling equivalent NAV total return of 77.5% since launch, compared with the return on the Reference Index in sterling terms of 62.3% over the same period.

The contributors and detractors to overall investment performance during the period and the Investment Managers' view on the outlook for Frontier Markets are given in their report which follows on pages 7 to 9.

REVISED INVESTMENT POLICY

As reported in the Company's half-yearly report, the Board, having consulted with the Manager and the Company's advisers, proposed that shareholders consider the adoption of a revised investment policy which would permit a broadened investment universe to include any country which is neither part of the MSCI World Index of developed markets nor one of the eight largest countries by market capitalisation in the MSCI Emerging Markets Index as at 1 April 2018: being Brazil, China, India, Korea, Mexico, Russia, South Africa and Taiwan. As part of this change it was also proposed that the Company also adopt a new reference index: the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index (net total return, USD).

Prior to 1 April 2018, the Reference Index was the MSCI Frontier Markets Index. The performance of the Reference Index during the year ended 30 September 2018 has been calculated on a blended basis to reflect this change. The Reference Index for the year ended 30 September 2017 was the MSCI Frontier Markets Index. (All performance figures are in US Dollars on a total return basis).

At a General Meeting of the Company held on 27 March 2018 an ordinary resolution of the Company was duly passed by shareholders adopting the revised investment objective and policy (including the new benchmark index) with effect from 1 April 2018.

I am also very pleased to be able to report to Shareholders that the Company has been awarded "Best Global Emerging Market Equities Trust" in the Citywire Investment Trust Awards 2018.

REVENUE RETURN AND DIVIDENDS

The Company's revenue return per share for the year amounted to 10.13 cents (2017: 7.70 cents). The revenue per share has been enhanced by a number of stock and special dividends this year, which are likely to be one-off payments and are unlikely to be repeated. Consequently, your Board is recommending an increase in the final dividend to 4.40 cents per ordinary share and an additional special dividend of 1.00 cent per ordinary share for the year ended 30 September 2018. It is necessary to pay the latter to maintain investment trust status which requires the distribution of 85% of the Company's revenue. The Directors are recommending the payment of a final dividend of 4.40 cents per ordinary share (2017: 4.20 cents) and a special dividend of 1.00 cent per ordinary share in respect of the year ended 30 September 2018. Together with the interim dividend of 3.00 cents per share (2017: 2.70 cents), this represents a total of 8.40 cents per share (2017: 6.90 cents), an increase of 21.7% over total dividends paid in the previous year. Subject to shareholder approval, this dividend will be paid on 7 February 2019 to shareholders on the register of members at close of business on 4 January 2019. The Company does not have a policy of actively targeting income; nevertheless, this return represents an attractive yield of 4.6%. We believe this is an attractive element of the total return generated for shareholders, particularly given the low returns being offered by traditional sources of income.

C SHARE ISSUE

As set out in the Circular and C Share Prospectus sent to shareholders in October 2018, the Directors proposed that shareholders consider the issue of up to 150 million C Shares in connection with a reconstruction and winding up of another BlackRock investment trust, BlackRock Emerging Europe plc (the 'Scheme Issue'), and in tandem with a wider placing and offer for subscription (the 'Issue').

The Board believed that the Scheme Issue and the Issue would have the following principal benefits for Shareholders:

- the additional capital raised would enable the Company to take advantage of attractive investment opportunities, whilst also diversifying its investment portfolio;

- the increase in the size of the Company was expected to improve market liquidity of the Ordinary Shares, enhancing the marketability of the Company and might result in a broader investor base over the longer term; and
- an increase in the size of the Company would mean that the fixed costs of operating the Company were spread over a larger asset base thereby reducing the Company's ongoing charges ratio.

At a General Meeting of the Company held on 15 November 2018, the proposals were approved by shareholders and on 27 November 2018 a total of 44,927,580 C Shares were issued for cash and admitted to the Official List on the London Stock Exchange. The net proceeds from the Scheme Issue and the Issue will be accounted for as a separate pool of assets until the conversion date to ensure existing Ordinary shareholders are not disadvantaged through exposure to a portfolio which may contain a proportion of uninvested cash, nor to the costs of investing the net proceeds. The NAV of the existing Ordinary Shares will not be diluted by the expenses associated with the Issues, which will be borne by the subscribers for C Shares. It is anticipated that the C Shares issued will convert into Ordinary Shares in January 2019. Upon Conversion the investments which were attributable to the C Shares will be merged with the Company's existing portfolio of investments. The new Ordinary Shares arising on conversion of the C Shares will rank pari passu, with the Ordinary Shares then in issue.

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 demand and supply in the market. As at 30 September 2018, the Company had 200,616,108 ordinary shares in issue. In response to sustained demand for the Company's shares, a total of 22,748,000 new ordinary shares were issued during the year to 30 September 2018. A further 3,625,000 new ordinary shares were issued during the period from 1 October 2018 up to the date of this report, bringing the total number of new shares issued to 26,373,000. Thus, the authority taken from shareholders at the last AGM has been fully utilised, save in respect of 876,610 shares.

Following the Scheme Issue and Issue described above, 37,375,087 C Shares were issued at a price of 100p per C Share on 27 November 2018 pursuant to the Scheme Issue to shareholders of BlackRock Emerging Europe plc, and a further 7,552,493 C Shares were issued pursuant to the placing and offer for subscription at an issue price of 100 pence per C Share.

For the year under review, the Company's ordinary shares have traded at an average premium to NAV of 3.2% and were trading at a premium of 3.2% on a cum-income basis at 7 December 2018, 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, having renewed this power at a General Meeting held on 15 November 2018. 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 pages 36 and 37.

CAPITAL GAINS TAXATION

On 30 March 2017 the Board made the decision to accrue for Argentine Capital Gains Tax potentially payable in respect of investments held through American Depositary Receipts ('ADRs'). Following the enactment of Argentine tax reform (Law No. 27,430), effective 1 January 2018, and discussions with the Company's advisers, it was noted that ADRs over Argentine equity held by a non-resident purchaser would not give rise to an Argentine Capital Gains Tax liability. In addition, the law removed any liability for unpaid capital gains tax arising from transactions prior to 1 January 2018. The Board therefore decided to reverse the accrual with effect from that date. Further details can be found in note 7 on page 62.

BOARD COMPOSITION

The Board consists of five wholly Independent Non-executive Directors. There have been no changes to the composition of the Board or its committees during the year. The Board has a succession plan in place which ensures that a suitable balance of skills, knowledge, experience, independence and diversity is achieved to enable the Board to effectively discharge its duties. The Directors have agreed to submit themselves to annual re-election and therefore all Directors will retire and will stand for re-election at the forthcoming Annual General Meeting ('AGM').

Further information on the experience and background of the Directors can be found in their biographies on page 26.

OUTLOOK

Global economic growth is expected to continue, although growth is likely to vary across the major developed economies. Markets are also becoming increasingly volatile, largely driven by heightened geopolitical tensions – in particular the threat of an escalation in the US/China trade war through the imposition of fresh US trade tariffs and concerns in Europe about the economic consequence of Brexit and tensions arising from Italian government spending. The strength of the US economy, the consequent strong US dollar, and the impact of rising US interest rates as a result of tightening monetary policy, have created headwinds for many of the countries in the Frontiers Universe whose debt is often denominated in US dollars.

Although the last financial year has been challenging with a significant derating for both Frontier and Emerging Markets, we believe the case for investing in the Frontiers Universe continues to present an attractive proposition for the medium to long-term investor. The Board believes that the Company's broadened investable universe provides the investment

Chairman's statement continued

managers with the flexibility to adjust the portfolio's geographic exposure to take advantage of specific opportunities or in response to the natural evolution of Frontier Markets. The Board is confident that the investment managers are well positioned to take full advantage of the new opportunities this may create in what remains a dynamic and exciting asset class. We look forward to a new chapter for the Company and believe that it is now well placed to deliver continued success in the years to come.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 5 February 2019 at 12.00 noon. Details of the business of the meeting are set out in the Notice of Meeting on pages 88 to 91. The investment managers will make a presentation to shareholders on the Company's progress and the outlook for Frontier Markets. My fellow Directors and I look forward to meeting shareholders at this year's AGM and encourage you to attend.

AUDLEY TWISTON-DAVIES
Chairman
10 December 2018

Performance

Investment managers' report

PORTFOLIO & MARKET COMMENTARY

During the 12 months to 30 September 2018, the Company returned -6.6%* (on a US Dollar basis with dividends reinvested) versus the Reference Index which rose by +2.3%**. The MSCI Frontier Markets Index declined by -7.7%, while the MSCI Emerging Markets Index returned -0.8% over the same period. Since inception the Company has returned +48.8%, compared to +35.8% return of the Reference Index, while the MSCI Emerging Markets Index has lagged, returning +14.1%.

The Company changed its benchmark in April 2018 from the MSCI Frontier Markets Index to MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index (the 'Frontiers Universe'). The new Index excludes the largest eight countries (by market capitalisation), that is, Brazil, China, India, Korea, Mexico, Russia, South Africa and Taiwan, and includes the other 16 countries in the MSCI Emerging Markets Index. With a combined weight of only 15% (on a market weighted basis) of the MSCI Emerging Markets Index, these 16 smaller 'forgotten' countries are less followed by investors in emerging markets and share many characteristics with our historically defined frontier markets; hence we expanded the investment universe to include these countries. The performance of the new benchmark has been significantly better than the previous benchmark over the period, which demonstrated the benefits of an expanded, more diverse and less concentrated investment universe.

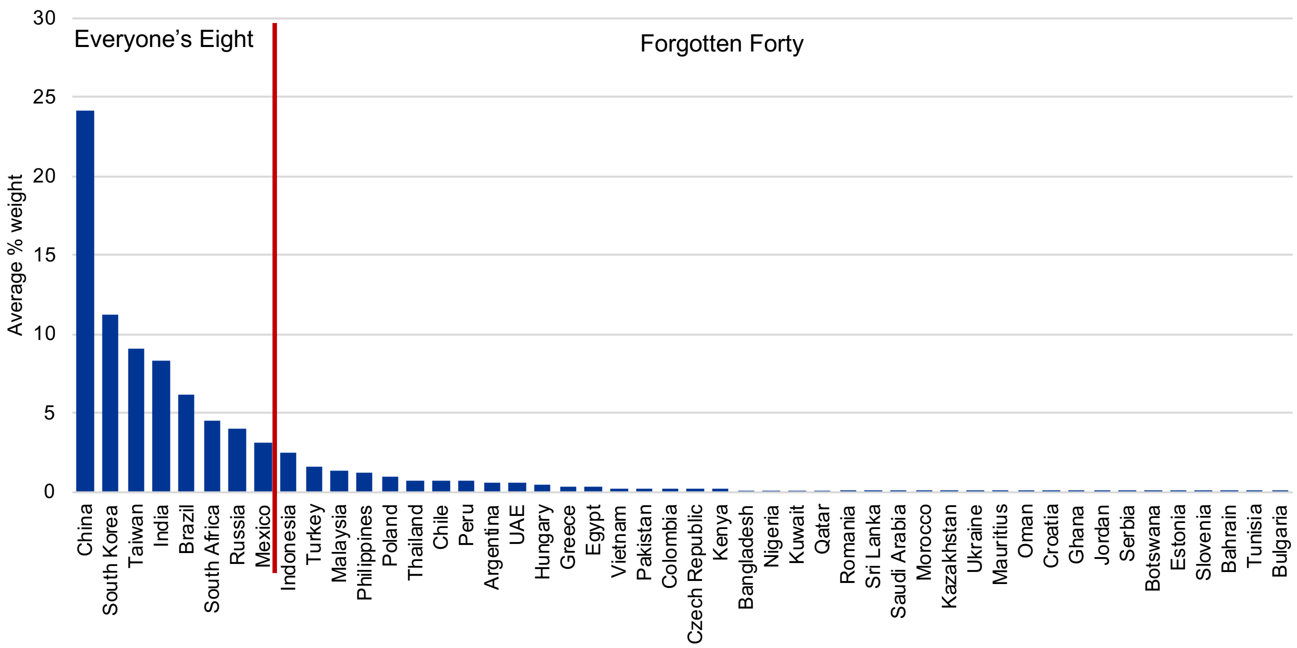
Argentina (-46%) was both a significant contributor and detractor during the year. In the first half of the period, the Argentine market index was approximately flat, whilst the Trust benefited from stock selection with our holdings in Argentine financials, such as Grupo Galicia and Grupo Supervielle, contributing strongly to returns. Whilst we did significantly decrease exposure to Argentina through this period, we did not cut our exposure sufficiently as the market fell 46% over the following six months, hurting the performance of the Trust. As US quantitative tightening started to impact markets, those countries which had twin deficits and a high reliance on external funding fared particularly badly and Argentina, with an arguably overvalued currency and reliance on huge monthly bond auctions, was at the forefront of this. Aware of their vulnerability, the Central Bank in Argentina approached the IMF (International Monetary Fund) at the first sign of problems in April, and were able to agree a US$50bn package with the IMF. Thinking that this would be sufficient to comfort the markets with respect to Argentina's financing requirements, we added to our remaining positions into this sell off. In hindsight, these additions were too early, with the market continuing to fall throughout the summer.

* Source: BlackRock, as at 30 September 2018.

** Source: MSCI as at 30 September 2018. The benchmark changed from MSCI Frontier Markets Index to MSCI Emerging Markets ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index from 1 April 2018.

EMERGING MARKETS – A VERY LONG AND FORGOTTEN TAIL

Average county weight of 606 Global Emerging Markets equity funds with US$676bn in Assets Under Management



Source: Morningstar, as of December 2017. 606 cross border and US domiciled mutual funds, managing US$676bn AUM.

Performance

Investment managers' report continued

Crisis point for Argentina was reached in August with a run on the currency which the Central Bank was unable to contain on its own. This precipitated an expanded agreement with the IMF, which came with additional requirements for Argentina to further reduce its fiscal deficit and shift from inflation targeting to monetary aggregate targeting. Under the agreement, the IMF will cover the gross financing requirement to the end of 2019 in the event that Argentina is not able to access debt markets. Whilst it is impossible to categorically rule out a debt default by Argentina, given current yields, the extent of the currency devaluation and the IMF backstop, we think risk reward tilts in our favour by remaining long.

The positions in Greek banks performed poorly over the period, falling over 26% as investors were concerned about an escalation of the tensions post elections in Italy spilling over into the wider Eurozone. Furthermore, our holdings in National Bank of Greece and Alpha Bank reported disappointing results as they struggled to reduce their stock of non-performing exposures (NPEs) on balance sheets to the extent that investors expected. This led to increased fears about the potential for capital raises from the banks which given their valuations would be very dilutive for shareholders. Whilst the results missed our expectations, we think that the extent of the reaction to these results was excessive and we would expect better news on NPE reductions going forward.

Turkey (-41%) has had a troubled year with the currency devaluing by 25% in August alone. Investors became concerned with a central bank substantially behind the curve, spiralling inflation and a government which continued to stoke activity with loose fiscal policy. We are currently zero weighted in Turkey, concerned about the extent of foreign currency debt owed by the corporate sector and have no desire to add to exposure until the government reverses its current policy course. In a similar vein, we have had no exposure to Pakistan, have significantly reduced our exposure to Sri Lanka and Bangladesh and are running meaningful short exposure in the Philippines.

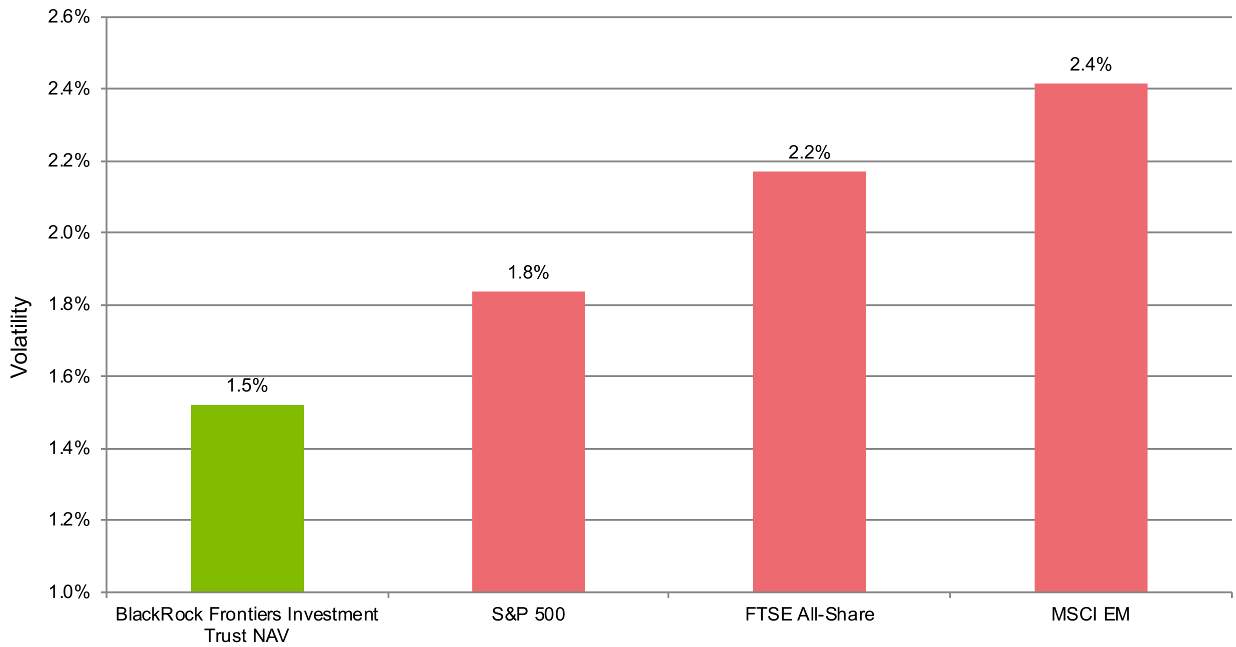
On a more positive note, the Kazakhstan (+23%) market rose over the period driven by Halyk Bank which rallied post the take-over of competitor, Kazkommertsbank. We remain holders of the bank given its strong market position and competitive advantage in terms of cost of funding versus peers.

Colombian oil producer, Ecopetrol (+50%), was one of the largest stock contributors to returns. Whilst the increase in the oil price was no doubt helpful for returns, the company was also able to stabilise production post a number of years of declines and to achieve better than expected cost discipline. Following the strong performance, we have fully exited the position.

Positions in Romania (+19%) also benefited returns, as both BRD, a leading bank in the country, and Romgaz, an oil and gas producer, reported strong earnings backed by robust cash flow generation supported by strong domestic macro-economic environment.

Vietnam (+35%) was the best performing country in the universe over the period. The economy continued to be supported by strong net Foreign Direct Investment as attractive labour costs attracted many companies to set up

BLACKROCK FRONTIERS INVESTMENT TRUST: SURPRISINGLY LOW VOLATILITY



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Source: Bloomberg, MSCI, as at end September 2018. Volatility of weekly returns since 17th December 2010, inception date of the BlackRock Frontiers Investment Trust manufacturing operations in the country. The resulting strong growth in exports has provided a good support to both domestic activity and the current account surplus. The Company's exposure to Vietnam contributed well to performance. Our position in a listed brokerage firm, Saigon Securities, rose over 70% as it benefited from increasing trading volumes and increasing market valuations.

A holding in MHP, a Ukrainian food processor specialising in poultry exports, added to performance. The stock benefited from increased margins as a result of strong pricing, especially across the Middle East where they took market share from the Brazilian poultry exporters on the back of their domestic problems. The company continued to expand its international customer base and strengthen its position as Europe's largest poultry farm thanks to the development and capacity expansion of the Vinnytsia Complex.

Saudi Arabia (+7%) rose over the period thanks to a strong oil price and US dollar, to which the market is sensitive. The holding in Al Rajhi Bank contributed to returns as the stock rose helped by good earnings due to increased loan volumes.

PORTFOLIO ACTIVITY

We started the year somewhat geared, something that we reduced through the year to reach a net exposure of exactly 100% at the end of September 2018. We have most significantly decreased exposure to Argentina since the start of the period by locking in the profits in the names that performed well and keeping the exposure to high conviction names. We have mainly exited or significantly reduced exposure to positions in Sri Lanka, Bangladesh, Estonia, Slovenia and Morocco, taking profits in a number of long held names as we see better opportunities elsewhere. The Trust has maintained its exposure to Egypt on the back of an improved macro environment with lower than expected inflation and a lower trade deficit. We also added to exposure in Nigeria as we believed the exchange rate had reached a sustainable level and the stock market was overly pessimistic on the country.

Following the benchmark change, we built up the exposure to ASEAN countries, Thailand and Indonesia. In Thailand, consumption remains firm and its current account is in surplus. We initiated a position in Land and Houses, a real estate development company with a strong balance sheet and Polyethylene Tirephtallate (PET) plastic producer, Indorama. In Indonesia, we bought a position in conglomerate Astra International, where we thought that analysts were too pessimistic on revenue and margin turnaround potential for their auto business. We also initiated a position in a clothing retailer which is midst implementation of a balance sheet turnaround plan.

In Eastern Europe, we bought Gedeon Richter, a Hungarian generic pharmaceutical producer that also has two speciality drugs in the women's health and central nervous system areas, which are currently in the ramp up stage. We expect the performance of both drugs to beat analyst expectations and think that the company is cheap on that basis. We added to Alior Bank, the largest challenger bank in Poland, which benefits from a strong IT platform. The bank trades at attractive valuations and is seeing rapid earnings growth as it completes a restructuring programme. We also took advantages of the Trust's ability to short on a limited basis and had some short positions in Turkey on the back of macro concerns.

In the Middle East, we added a number of positions in UAE and Qatar, including Industries Qatar, a domestic commodity producer which we have since exited following strong share price performance, and Emaar Properties, the largest UAE real estate developer, where we think the market is overly discounting the company's long-term potential.

Over the period MSCI announced index changes affecting Argentina, Saudi Arabia and Kuwait. Our expanded investment universe encompassing all but the largest eight emerging markets is unaffected by these latest MSCI announcements. Argentina, Saudi Arabia and Kuwait will remain part of our investable universe and offer interesting investment opportunities for investors in our view.

OUTLOOK

We continue to be positive on the Frontiers Universe, especially where those markets are experiencing improved macroeconomic conditions, better political governance, cash flow growth, and cheap valuations.

Emerging and Frontier Markets have de-rated considerably. Whilst further rises in US rates would likely put pressure on some Emerging Market Central Banks to mirror these increases, we believe that, in general, Emerging Markets are better positioned to weather this strain than they were in the previous periods of monetary tightening of 2013 and 2015. At current levels, Emerging Markets are trading historically low on price to book valuations, which we believe is an attractive level. Despite the sell off and increased market concerns in 2018, we think that the expanded Frontiers Universe continues to exhibit strong GDP growth, has low government debt levels, and represents an opportunity to invest in companies with strong cash flow and high dividend yields, on some of the lowest valuations in the world.

SAM VECHT & EMILY FLETCHER
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
10 December 2018

Performance

Ten largest investments[1] as at 30 September 2018

Astra International (Indonesia, Consumer Discretionary, 4.6% (2017: 0.0%)) is an Indonesian conglomerate. It owns Southeast Asia's largest independent automotive group and is the leading provider of a full range of automobile and motorcycle products. Astra also has interests in financial services, heavy equipment, mining, construction and energy, agribusiness, infrastructure and logistics, information technology and property. It is also an active participant in the development of Indonesia's strategic infrastructure, including toll roads, energy, transportation and logistics and sea ports.

MHP (Ukraine, Consumer Staples, 3.5% (2017: 3.2%)) is a food processor, specialising in poultry exports. From hatching through to finished poultry products, the production process is 100% owned. MHP also owns 11 distribution centres and a refrigerated delivery vehicle fleet which enables the company to distribute products directly to customers.

Halyk Savings Bank (Kazakhstan, Financials, 3.3% (2017: 3.6%)) is one of Kazakhstan's leading financial services groups and a leading retail bank with the largest domestic customer base and distribution network in Kazakhstan. Following the recent merger with Kazkommertsbank, Halyk's branch network consists of 657 outlets across the country, with 4,411 ATMs.

Ooredoo[2] (Qatar, Telecommunication Services, 3.3% (2017: 0.1%)) is an international communications company with a customer base of more than 100 million across the Middle East, North Africa and Southeast Asia with headquarters in Doha, Qatar. Ooredoo provides mobile, wireless, and content services with over 40% market share in the domestic and international telecommunication markets, and in business and residential markets.

Gedeon Richter (Hungary, Health Care, 3.2% (2017: 0.0%)) is a generic pharmaceutical producer in Central Eastern Europe and Russia that is currently in the process of transforming itself into a specialty pharma company. In the past, it has largely developed APIs (Active Pharmaceutical Ingredients) and generics, but it is now starting to generate an increasing share of its profits from higher margin, innovative drugs both for women's health care and the central nervous system. We hold the stock on the premise that these higher margin and faster growing speciality drugs will drive up both the Company's reserves and margins.

Land & Houses Public Company (Thailand, Real Estate, 3.2% (2017:0.0%)) is a large real-estate company based in Thailand. It operates in two segments: real estate business, and rental and service business. The real estate business segment develops and sells houses, townhouses, and residential condominium projects. The rental and service business segment is involved in the rental of shopping malls, hotels, and apartments.

YPF (Argentina, Energy, 3.1% (2017: 2.5%)) is a vertically integrated Argentine state controlled energy company, engaged in oil and gas exploration and production, and the transportation, refining, and marketing of gas and petroleum products.

Emaar Properties (United Arab Emirates, Real Estate, 3.1 % (2017: 0.0%)) is a real estate development company located in the United Arab Emirates. The company operates internationally, providing property development and management services. Emaar Properties Dubai is one of the largest real estate developers in the UAE and is known for various large-scale projects such as developing Burj Khalifa, the tallest building in the world.

Indorama Ventures (Thailand, Materials, 3.1% (2017: 0.0%)) is one of the world's leading producers in the intermediate petrochemicals industry and a global manufacturer of wool yarns. It is the world's largest producer of polyethylene terephthalate (PET) resin, the main material in PET bottles. It also produces polyester fibres and purified terephthalic acid, ingredients of polyfibres.

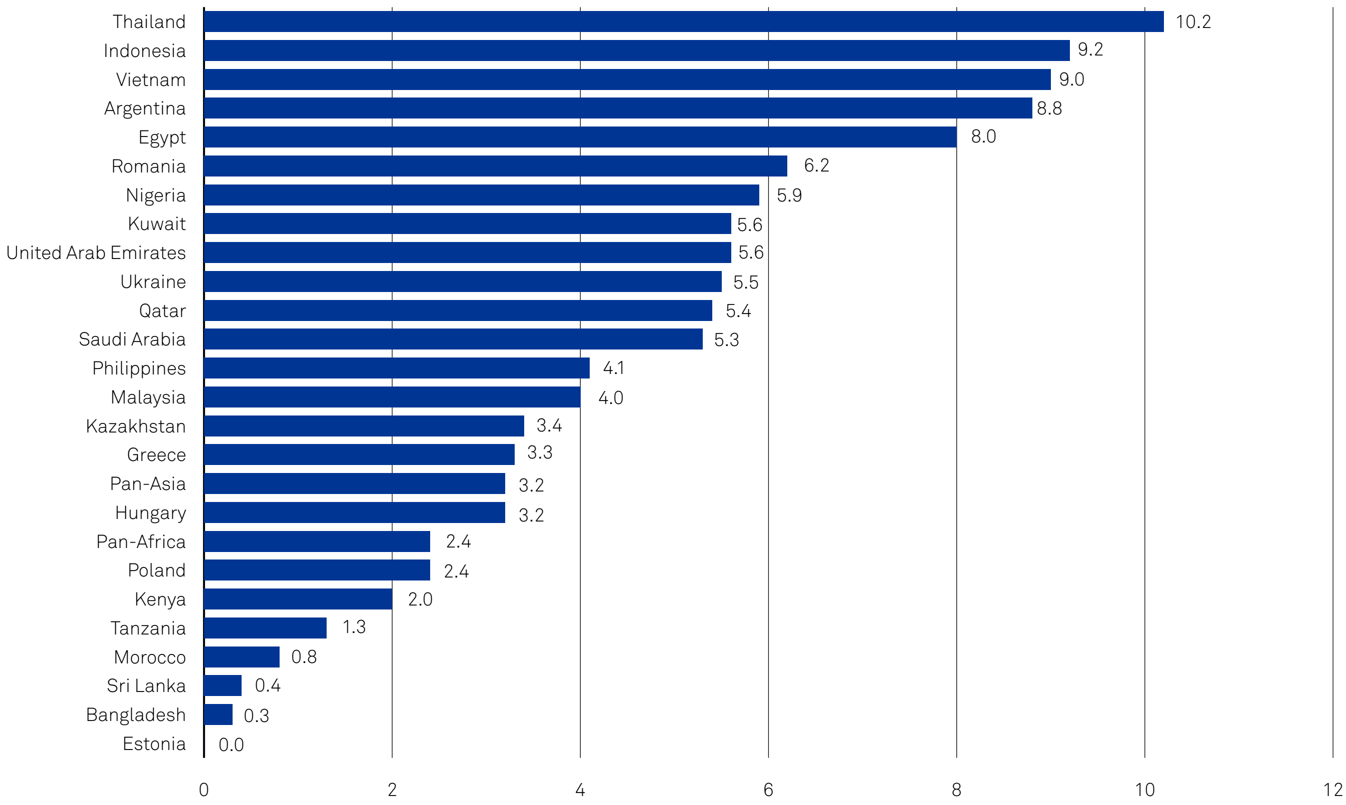
Al Rajhi Bank (P-Note) (Saudi Arabia, Financials, 3.0% (2017: 0.0%)) is the largest Islamic bank in the world and it is a major investor in Saudi Arabia's business world. The bank is Saudi Arabia's largest bank by market value and the Kingdom's second largest lender with over SR 330.5 billion in assets and over 600 branches.

1 Gross market exposure as a % of net assets. Percentages in brackets represent the portfolio holding at 30 September 2017.
2 Includes exposure gained via both contracts for difference and equity holdings.

Performance

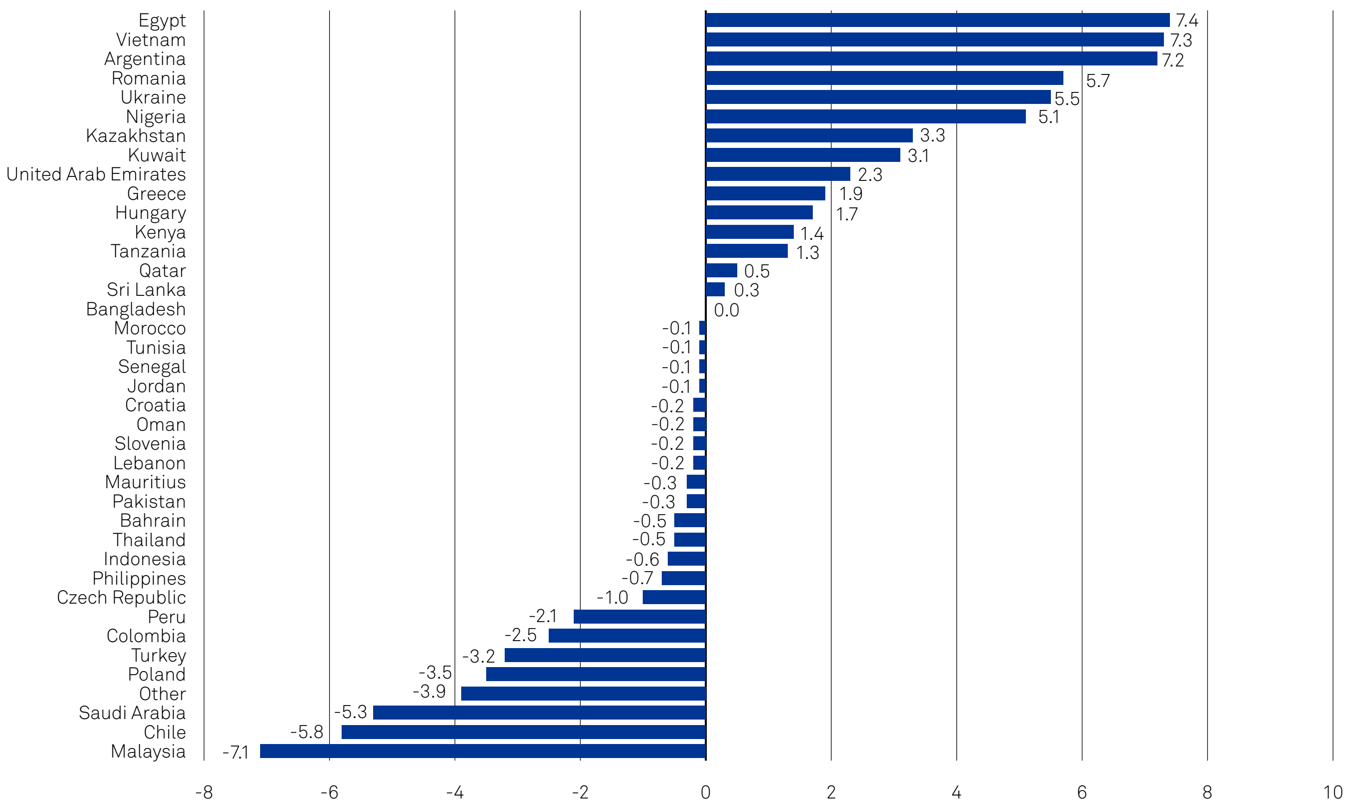
Portfolio analysis

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



Source: BlackRock.

COUNTRY ALLOCATION RELATIVE TO THE REFERENCE INDEX (%)

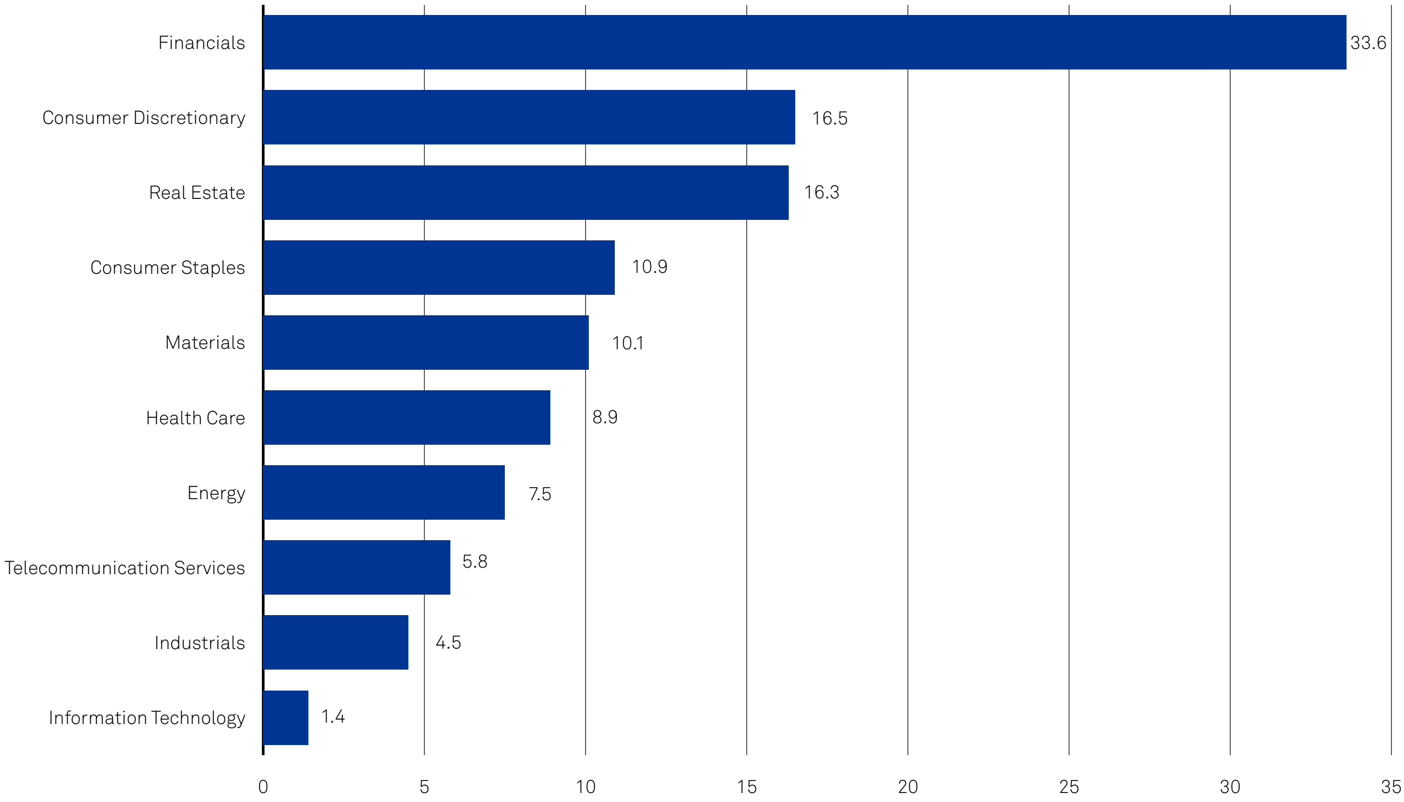


Source: BlackRock and Datastream.

Performance

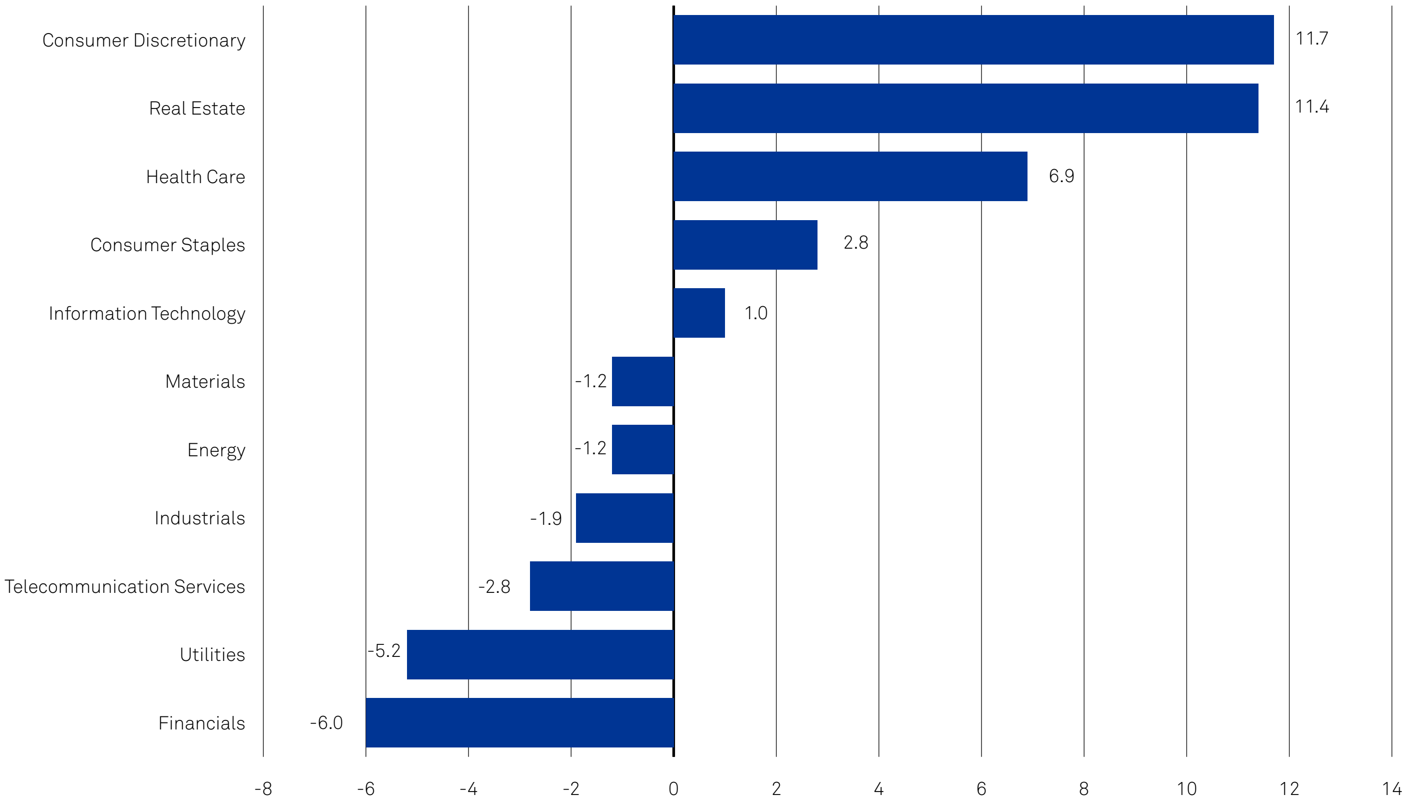
Portfolio analysis continued

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



Source: BlackRock and Datastream.

SECTOR ALLOCATION RELATIVE TO THE REFERENCE INDEX (%)



Source: BlackRock and Datastream.

Performance

Investments as at 30 September 2018

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				
YPF ADR	Argentina	Energy	11,188	3.1
Banco Macro	Argentina	Financials	8,690	2.5
Irsa Inversiones GDR	Argentina	Real Estate	6,479	1.8
Loma Negra Compania Industrial Argentina ADS	Argentina	Materials	4,585	1.3
			30,942	**8.7**
Orascom Construction	Egypt	Industrials	9,514	2.7
Integrated Diagnostics	Egypt	Health Care	6,763	1.9
Medinet Nasr	Egypt	Real Estate	5,113	1.4
Eastern Tobacco	Egypt	Consumer Staples	4,942	1.4
Centamin	Egypt	Materials	1,233	0.3
Cleopatra Hospital	Egypt	Health Care	1	–
			27,566	**7.7**
BRD Groupe Société Générale	Romania	Financials	8,211	2.3
S.N.G.N. Romgaz	Romania	Energy	7,074	2.0
Banca Transilvania	Romania	Financials	6,660	1.9
			21,945	**6.2**
Zenith Bank	Nigeria	Financials	9,329	2.6
United Bank for Africa	Nigeria	Financials	7,775	2.2
Nigerian Breweries	Nigeria	Consumer Staples	3,882	1.1
			20,986	**5.9**
Emaar Properties	United Arab Emirates	Real Estate	11,096	3.1
Emaar Development	United Arab Emirates	Real Estate	9,016	2.5
			20,112	**5.6**
Mobile Telecommunications	Kuwait	Telecommunication Services	8,570	2.4
Burgan Bank	Kuwait	Financials	5,721	1.6
Mezzan	Kuwait	Consumer Staples	3,233	0.9
Kuwait Investment Projects	Kuwait	Financials	2,393	0.7
			19,917	**5.6**
MHP	Ukraine	Consumer Staples	12,528	3.5
Ferrexpo	Ukraine	Materials	7,019	2.0
			19,547	**5.5**
Thai Beverage	Thailand	Consumer Staples	7,453	2.1
Siam Commercial Bank	Thailand	Financials	6,553	1.8
			14,006	**3.9**
Halyk Savings Bank	Kazakhstan	Financials	11,718	3.3
Kcell Joint Stock Company	Kazakhstan	Telecommunication Services	444	0.1
			12,162	**3.4**
Vivo Energy	Pan-Africa	Consumer Discretionary	8,603	2.4
			8,603	**2.4**

Performance

Investments as at 30 September 2018 continued

Company	Principal country of operation	Sector	Fair value and market exposure[1] US$'000	Gross market exposure as a % of net assets[3]
Alior Bank	Poland	Financials	8,460	2.4
			8,460	**2.4**
Indo Tambangraya	Indonesia	Energy	5,123	1.4
Mitra Adiperkasa	Indonesia	Consumer Discretionary	1,633	0.5
Ciputra Development	Indonesia	Real Estate	404	0.1
			7,160	**2.0**
Equity Group	Kenya	Financials	6,908	1.9
			6,908	**1.9**
LT Group	Philippines	Industrials	6,481	1.8
			6,481	**1.8**
Crystal International Group	Pan-Asia	Consumer Discretionary	4,105	1.2
			4,105	**1.2**
Douja Promotion Groupe Addoha	Morocco	Real Estate	2,875	0.8
			2,875	**0.8**
Ooredoo	Qatar	Telecommunication Services	2,360	0.7
			2,360	**0.7**
Chevron Lubricants	Sri Lanka	Materials	1,591	0.4
			1,591	**0.4**
Sapura Energy	Malaysia	Energy	772	0.2
			772	**0.2**
Square Pharmaceuticals	Bangladesh	Health Care	308	0.1
			308	**0.1**
Equity investments			**236,806**	**66.4**
BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund (Cash Fund)			100,917	28.3
Total equity investments (including Cash Fund)			**337,723**	**94.7**
P-Notes Al Rajhi Bank P-Note 19/01/2021	Saudi Arabia	Financials	10,778	3.0
Total investments excluding CFDs			**348,501**	**97.7**

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					
Mobile World	Vietnam	Consumer Discretionary		9,000	2.6
Petrovietnam Fertilizer & Chemicals	Vietnam	Materials		6,413	1.8
Quang Ngai Sugar	Vietnam	Consumer Staples		6,411	1.7
Vincom Retail	Vietnam	Real Estate		5,250	1.5
FPT	Vietnam	Information Technology		4,975	1.4
				32,049	**9.0**
Astra International	Indonesia	Consumer Discretionary		16,415	4.6
Mitra Adiperkasa	Indonesia	Consumer Discretionary		4,745	1.4
Ciputra Development	Indonesia	Real Estate		4,414	1.2
				25,574	**7.2**
Land & Houses Public Company	Thailand	Real Estate		11,447	3.2
Indorama Ventures	Thailand	Materials		10,917	3.1
				22,364	**6.3**
Alpha Bank	Greece	Financials		7,150	2.0
National Bank of Greece	Greece	Financials		4,461	1.3
				11,611	**3.3**
Gedeon Richter	Hungary	Health Care		11,461	3.2
				11,461	**3.2**
Ooredoo	Qatar	Telecommunication Services		9,228	2.6
				9,228	**2.6**
UMW Holdings	Malaysia	Consumer Discretionary		5,990	1.7
Sapura Energy	Malaysia	Energy		2,823	0.8
				8,813	**2.5**
National Medical Care	Saudi Arabia	Health Care		6,730	1.9
Samba Financial Group	Saudi Arabia	Financials		612	0.2
Herfy Food Services	Saudi Arabia	Consumer Discretionary		569	0.1
Abdullah Al Othaim	Saudi Arabia	Consumer Staples		270	0.1
				8,181	**2.3**
Acacia Mining	Tanzania	Materials		4,787	1.3
				4,787	**1.3**
Cleopatra Hospital	Egypt	Health Care		1,134	0.3
				1,134	**0.3**
Square Pharmaceuticals	Bangladesh	Health Care		670	0.2
				670	**0.2**
Biotoscana Investments	Argentina	Health Care		352	0.1
				352	**0.1**
Equity Group	Kenya	Financials		331	0.1
				331	**0.1**
Tallink	Estonia	Industrials		147	–
				147	**–**

Performance

Investments as at 30 September 2018 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]
Chevron Lubricants	Sri Lanka	Materials		70	–
				70	**–**
Kuwait Food (Americana)[4]	Kuwait	Consumer Discretionary		3	–
				3	**–**
Total long CFD positions			**1,112**	**136,775**	**38.4**
Total short CFD positions			**(612)**	**(27,461)**	**(7.7)**
Total CFD portfolio			**500**	**109,314**	**30.7**

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Performance

Fair value and gross market exposure of investments as at 30 September 2018

Portfolio	Fair value[1] US$'000	Gross market exposure[2] US$'000	Gross market exposure as a % of net assets[3]
Equity investments and P-Notes	247,584	247,584	69.4
Total long CFD positions	1,112	136,775	38.4
Total short CFD positions	(612)	(27,461)	(7.7)
Total gross exposure	**248,084**	**356,898**	**100.1**
Cash Fund[3]	100,917	100,917	28.3
Total investments and derivatives	**349,001**	**457,815**	**128.4**
Cash and cash equivalents[1, 3]	4,425	(104,389)	(29.3)
Other net current assets	3,088	3,088	0.9
Non-current liabilities	(19)	(19)	–
Net assets	**356,495**	**356,495**	**100.0**

1 Fair value is determined as follows:
- Listed investments are valued at bid prices where available, otherwise at latest market traded quoted prices.
- The sum of the fair value column for the CFD contracts totalling US$500,000 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$135,663,000 at the time of purchase, and subsequent market rises in prices have resulted in unrealised gains on the CFD contracts of US$1,112,000, resulting in the value of the total market exposure to the underlying securities rising to US$136,775,000 as at 30 September 2018. The proceeds from selling the securities to which exposure was gained via the short CFD positions would have been US$26,849,000 at the time of entering into the contract, and subsequent price rises have resulted in unrealised losses on the short CFD positions of US$612,000 and the value of the market exposure of these investments increasing to US$27,461,000 at 30 September 2018. If the short positions had been closed on 30 September 2018 this would have resulted in a loss of US$612,000 for the Company.
- P-Notes are valued based on the quoted bid price of the underlying security to which they relate.

2 Market exposure in the case of equity 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 The gross market exposure column for Cash and Cash equivalents has been adjusted to assume the Company purchased direct holdings rather than exposure being gained through CFDs.

4 Unquoted investment.

Performance

Strategic report

The Directors present the Strategic Report of the Company for the year ended 30 September 2018.

PRINCIPAL ACTIVITY

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

INVESTMENT OBJECTIVE

The Company's investment objective was 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.

With effect from 1 April 2018, and following shareholder approval, the Company adopted a new investment objective and investment policy which is set out below.

The Company's investment objective is to achieve long-term capital growth by investing in companies domiciled or listed in, or exercising the predominant part of their economic activity in, less developed countries. These countries (the "**Frontiers Universe**") are any country which is neither part of the MSCI World Index of developed markets, nor one of the eight largest countries by market capitalisation in the MSCI Emerging Markets Index as at 1 April 2018: being Brazil, China, India, Korea, Mexico, Russia, South Africa and Taiwan (the "Selected 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, the Frontiers Universe.

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) Limited (BIM (UK)) ('the Investment Manager'). The contractual arrangements with, and assessment of, the Manager are summarised on pages 32 and 33. 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 and the Fund Accountant, The 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 (from 1 April 2018)

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, the Frontiers Universe. Performance is measured against the Company's Reference Index, which is a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index (net total return, USD). The Investment Manager is not constrained by the geographical weightings of the Reference Index and the Company's portfolio may frequently be overweight or underweight relative to the Reference Index. The Company will exit any investment as soon as reasonably practicable following the relevant company ceasing to be domiciled or listed in, or exercising the predominant part of its economic activity in, the Frontiers Universe.

In order to achieve the Company's investment objective, the Investment Manager selects investments through a process of fundamental and geopolitical analysis, seeking long-term appreciation from mispriced value or growth. The Investment Manager employs both a top-down and bottom-up approach to investing. It is expected that the Company will have exposure to between 35 to 65 holdings.

Where possible, investment will generally be made directly in the stock markets of the Frontiers Universe. Where the Investment Manager determines it appropriate, investment may be made through collective investment schemes, although such investments are not likely to be significant. Investment in other closed-ended investment funds admitted to the Official List will not exceed more than 10 per cent., in aggregate, of the value of the Gross Assets (calculated at the time of any relevant investment). It is intended that the Company will generally be invested in equity investments; however, the Investment Manager may invest in equity-related investments, such as derivatives or convertibles, and, to a lesser extent, 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 countries in the Frontiers Universe, the Company may be unable to invest (whether directly or through nominees) in companies in certain countries in the Frontiers Universe or, in the opinion of the Company and/or the Investment Manager, it may not be advisable to do so. In such circumstances, or in countries where acceptable custodial and other arrangements are not in place to safeguard the Company's investments, the Company intends to gain economic exposure to companies in such countries by investing indirectly through derivatives. Derivatives are financial instruments linked to the performance of another asset or security, such as promissory notes, contracts for difference, futures or traded options. Save as provided below, there is no restriction on the Company investing in derivatives in such circumstances or for efficient portfolio management purposes.

The Company may be geared through borrowings and/or by entering into derivative transactions (taking both long and short positions) that have the effect of gearing the Company's portfolio to enhance performance. The Company may also use borrowings for the settlement of transactions, to facilitate share repurchases (where applicable) and to meet on-going expenses.

The respective limits on gearing (whether through the use of derivatives, borrowings or a combination of both) are set out below:

- Maximum gearing through the use of derivatives or borrowings to gain exposure to long positions in securities: 140 per cent. of net assets
- Maximum exposure to short positions (for shorting purposes the Company may use indices or individual stocks): 10 per cent. of net assets
- Maximum gross exposure (total long exposure plus total short exposure): 150 per cent. of net assets
- Maximum net exposure (total long exposure minus total short exposure): 130 per cent. of net assets

In normal circumstances, the Company will typically have net exposure of between 95 per cent. and 120 per cent. of net assets.

When investing via derivatives, 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 which shall, at the time of entering into such derivatives, have a Standard & Poor's credit rating of at least A- on its long-term senior unsecured debt.

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

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 17.

Portfolio construction is a continuous process, with the Investment Manager analysing constantly the impact of new ideas and information on the portfolio as a whole. The approach is flexible, varying through market and economic cycles to create a portfolio appropriate to the focused and unconstrained strategy of the Company. The macroeconomic environment is factored into all portfolio decisions. In general, macroeconomic analysis is a more dominant factor in investment decision making when the outlook is negative. The macro process is comprised of three parts: political assessment, macroeconomic analysis and appraisal of the valuation of a country's market, which can only take place with thorough analysis of stock specific opportunities.

The Investment Manager's research team generates ideas from a diverse range of sources. These include frequent travel to the markets in which the Company invests and regular conversations with contacts that allow the Frontiers team to assess the entire eco-system around a company; namely competitors, suppliers, financiers, customers and regulators. The team leverages the internal research network sharing information between BlackRock's investment teams using a proprietary research application and database, and develops insights from macroeconomic analysis. The Board believes that BlackRock's research platform is a significant competitive advantage, both in terms of information specific to emerging and frontier market equities and through its global insights across asset classes. Access to companies is extremely good given BlackRock's market presence, which makes it possible to develop a detailed knowledge of a company and its management.

The research process focuses on cash flow, as the investment team believes that this is ultimately the driver of share prices over time. The process is designed with the aim of identifying companies that can translate top line revenue growth to free cash flow and investing in these companies when the analysis suggests that the cash flow stream is undervalued. Financial models are developed focusing on company financials, particularly cash flow statements, rather than relying on third party research.

The Investment Manager's research team monitors differing levels of risk throughout the process and believes that avoiding major downside events can generate significant outperformance over the long-term. Inputs from BlackRock's Risk & Quantitative Analysis Team (RQA) are an integral part of the investment process. The overall premise of BlackRock's risk analysis is to try and understand risk as opposed to avoiding risk. RQA analyse market and portfolio risk factors including stress tests, correlations, factor returns, cross-sectional volatility and attributions. BlackRock's evaluation procedures and financial analysis of the companies within the portfolio also take into account environmental, social and governance matters and other business issues. The Company invests primarily on financial grounds to meet its stated objectives.

PERFORMANCE

Details of the Company's performance for the year are given in the Chairman's Statement on pages 4 to 6. The Investment Managers' Report on pages 7 to 9 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 52. The total loss for the year, after taxation, was US$29,342,000 (2017: profit of US$60,204,000) of which the revenue return amounted to US$19,328,000 (2017: US$13,107,000) and the capital loss amounted to US$48,670,000 (2017: profit of US$47,097,000).

The Directors are recommending the payment of a final dividend of 4.40 cents per ordinary share and a one-off special dividend of 1.00 cent per ordinary share in respect of the year ended 30 September 2018 (2017: 4.20 cents and nil) as set out in the Chairman's Statement on page 4.

KEY PERFORMANCE INDICATORS

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

Performance measured against the benchmark

At each meeting the Board reviews the performance of the portfolio as well as the net asset value and share price for the Company and compares this to the return of the Company's benchmark. The Board considers this to be an important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to BlackRock. 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 will formulate and submit 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. The next opportunity will take place on or around the date of the Company's AGM in 2021.

For the year under review the Company's shares have traded at an average premium to the cum-income NAV of 3.2% and were trading at a premium of 3.2% on a cum-income basis at 7 December 2018. The Directors have the authority to buy back up to 14.99% of the Company's issued share capital (excluding treasury shares). The Directors sought and received shareholder authority at the last AGM 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. Further information can be found in the Directors' Report on page 36.

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.

Alternative Performance Measures (see glossary on pages 92 to 94).

	Year ended 30 September 2018[1]		Year ended 30 September 2017[1]	
	£%	US$%	£%	US$%
Net asset value total return[2]	-4.0	-6.6	+17.7	+21.5
Share price total return[3]	-3.1	-5.7	+19.8	+23.6
Reference index return[4]	+5.3	+2.3	+21.5	+25.5
Premium to cum income NAV		2.6		1.5
Ongoing charges[5]		1.42		1.44
Ongoing charges including performance fees		1.42		1.64

1 Based on an exchange rate of US$1.3041 to £1 at 30 September 2018 and US$1.3417 to £1 at 30 September 2017.
2 Calculated with dividends reinvested in accordance with AIC guidelines.
3 Calculated on a mid to mid basis with dividends reinvested.
4 With effect from 1 April 2018, the Reference Index changed to a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index +MSCI Saudi Arabia Index. Prior to 1 April 2018, the Reference Index was the MSCI Frontier Markets Index. The performance of the reference indices during the year ended 30 September 2018 has been blended to reflect this change. The Reference Index shown for the year ended 30 September 2017 is the MSCI Frontier Markets Index.
5 Calculated as a percentage of average net assets and using expenses, excluding performance fees, VAT refunded, transaction charges, 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 Market 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 Company's Audit and 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 and 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, The Bank of New York Mellon (International) Limited.

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.

Principal Risk	Mitigation/Control
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.	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.
Income/Dividend Risk The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by shareholders.	The 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.

Strategic report continued

Principal Risk	Mitigation/Control
Legal & Regulatory Risk The Company has been approved 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 Guidance & Transparency Rules.	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.
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.	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.
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 (the Investment Manager and AIFM), and of The Bank of New York Mellon (International) Limited (the Depositary and Fund Accountant), which ensures safe custody of the Company's assets and maintains the Company's accounting records. The Company's share register is maintained by the Registrar, Computershare. 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.

Principal Risk	Mitigation/Control
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 the Frontiers Universe 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 the Frontiers Universe 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 the Frontiers Universe 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'.
Political Risk Investments in the Frontiers Universe may include a higher element of risk compared to more developed markets due to greater political instability. Political and diplomatic events in the Frontiers Universe 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 17 to the financial statements, together with a summary of the policies for managing these risks.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 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 2023. In determining this period, the Board took into account the Company's investment objective to achieve long-term capital growth and the fact that on or around the AGM in 2021 it will be necessary for the Board to formulate and submit to shareholders proposals (which may constitute a tender offer and/or other method of distribution, as was the case in 2016) 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 on pages 21 to 23;
- 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 equity portfolio (as at 30 September 2018, 89.5% of the equity portfolio was capable of being liquidated in less than 20 days) and largely fixed overheads (excluding performance fees) which comprise a very small percentage of net assets (1.42%). 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, or 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 adverse impact of potential changes in law, regulation and taxation and the matter of foreign exchange risk. They have determined that although there are a number of potential risks associated with the Brexit process, any transition following any agreement, and the legal, fiscal and regulatory landscape thereafter, they do not believe that this represents a material threat to the Company's strategy and business model, nor do they believe that the Investment Manager would be materially impeded in achieving the Company's investment objective. In addition, the level of complexity, uncertainty and general lack of information present a number of potential outcomes and scenarios, which may or may not prove to be malign or benign and/or supportive of the Investment Manager in achieving the Company's investment objective.

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 on 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 6 and in the Investment Manager's Report on pages 7 to 9.

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 30.

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 2018, all of whom held office throughout the year, are set out in the Directors' biographies on page 26. As at the date of this report, the Board consists of five men. The Company does not have any employees.

BY ORDER OF THE BOARD

KEVIN MAYGER
FOR AND ON BEHALF OF
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
10 December 2018

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

The Board currently consists of five non-executive Directors (NEDs), all of whom are wholly independent of the Manager

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 and Management Engagement Committee
2 scheduled meetings per annum

Chairman: Stephen White
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 Chairman of the Governors of the Haberdashers Monmouth Schools. He was formerly Chairman of Taylor Young Investment Management Limited, non-executive Chairman of Kazimir Russian Growth Fund and also the Chief Executive Officer of Foreign & Colonial Emerging Markets Limited.

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

Stephen White

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, Aberdeen New India Investment Trust plc and Polar Capital Technology 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 PriceWaterhouse. He is a Chartered Accountant.

Attendance record:
Board: 5/5
Audit and 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 of 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 and Management Engagement Committee: 2/2

John Murray

Appointed 12 July 2011

Former executive chairman (until 30 November 2018) and one of the founders of Ecofin Limited, a London-based investment firm which specialises in the global utility, infrastructure and renewable energy sectors. He was a director of a number of funds managed by Ecofin and was formerly, until October 2018, a director of Lonestar Resources Inc., a U.S. listed company. 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 and Management Engagement Committee: 2/2

Sarmad Zok

Appointed 8 February 2011

Chairman and Chief Executive Officer of Kingdom Hotel Investments (KHI) headquartered in Dubai, UAE and a non-executive director on the boards of Four Seasons Hotels and Resorts, AccorHotels, Mövenpick Hotels & Resorts Management and Kingdom Holding Company. Mr Zok is an active member of the boards of the hotel management companies he sits on, being directly engaged on strategy, product, operations/guest experience, growth and value creation. In his early career, Mr Zok worked at HVS International and Hilton International. He holds a Bachelor of Science in Hotel Management from the University of Surrey and a Masters of Arts in Property Valuation and Law from City University Business School in London.

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

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the 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 2016 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 2016 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. Further information on the Directors can be found on page 26.

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 26. Board composition is kept under review and when the need arises, care will be taken to ensure that appointees have sufficient time to devote to the role. 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 34 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 that each of the Directors retiring stands for re-election at the forthcoming AGM, given their 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 Directors' Report on page 34.

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 26 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.

Audit and Management Engagement Committee

A separate Audit and Management Engagement Committee has been established and comprises the whole Board. Further details are given in the Report of the Audit and Management Engagement Committee on pages 41 to 45.

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 38 to 40. 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 2018 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 Mr White. 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 32 and 33. 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 The Bank of New York Mellon (International) Limited. The agreement with the previous Depositary, BNY Mellon Trust & Depositary (UK) Limited, was novated via a Deed of Novation dated 1 November 2017. The address at which this business is conducted is given on page 82.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 34.

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 and 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 "Risk Management, Internal Control and Related Financial Reporting".

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 and 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 The 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.

Corporate governance statement continued

FINANCIAL REPORTING

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 46, the Independent Auditor's Report on pages 47 to 51 and the statement of Going Concern on page 34 and on longer term viability on page 24.

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.

BlackRock is a signatory to the United Nations Principles on Responsible Investing and a member of both the Financial Accounting Standards Board (FASB) Task Force on Climate Related Financial Disclosures and the Sustainability Accounting Standards Board (SASB). BlackRock was also represented on the 32 member, industry-led Financial Stability Task Force on Climate-related Financial Disclosures (TCFD). It is BlackRock's belief that enhanced, meaningful disclosures are an important step towards building understanding of the impact of climate risks on individual companies, sectors, and investment strategies. Given climate risk is a systemic issue, we believe disclosure standards should be developed and implemented at the market-level. We are therefore supportive of the need for greater transparency and disclosure on climate related issues. 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.

CRIMINAL FINANCES ACT

The Criminal Finances Act 2017 came into force on 25 May 2018 and introduced a new corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in a transparent and ethical manner. The Board takes a zero-tolerance approach to facilitation of tax evasion.

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 36 and 37 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 of the Board. There is also a section within this report entitled "Additional Information – Shareholder Information", on pages 83 to 85 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 GUIDANCE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 32 to 37 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

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

In addition, information on Directors' shareholdings is given on page 40 in the Directors' Remuneration Report.

FOR AND ON BEHALF OF THE BOARD

AUDLEY TWISTON-DAVIES
Chairman
10 December 2018

Governance

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2018.

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 86 and 87 and in the notes to the financial statements on pages 67 to 80.

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

THE COMMON REPORTING STANDARD

On 1 January 2016 the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced and is applicable to the Company.

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.

GDPR

Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation ("GDPR") on 25 May 2018. The Board has sought and received assurances from its third party service providers that they have taken appropriate steps to ensure compliance with the new regulation. The Company's 'Data Privacy Policy' can be found on the Company's website at www.blackrock.co.uk/brfi.

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 pooled investments 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 pooled investments 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 to 6 and the Investment Manager's Report on pages 7 to 9.

DIVIDENDS

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 20 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 Reference Index (all calculations on a US dollar basis with dividends 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 Reference Index (US dollar basis with dividends reinvested) since the last date in relation to which a performance fee had previously been paid. For the year ended 30 September 2018 no performance fee was payable. Further details are given in note 4 on page 59. 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$378.3 million (£279.6 million) as at 31 December 2017 and this contribution is matched by BIM (UK). For the year ended 30 September 2018, US$93,000 (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. 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 Company is required under the AIFMD to appoint an AIFMD compliant depositary. 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 (BNYMTD) with effect from 2 July 2014. With effect from 1 November 2017, the role of the Depositary was transferred by operation of a novation agreement from BNYMTD to its parent company, The Bank of New York Mellon (International) Limited (the Depositary).

The Depositary's 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 BFM 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 are provided by 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, shareholder documentation, the Common Reporting Standard and the Foreign Account Tax Compliance Act.

The Registrar receives a fixed fee plus disbursements and VAT per annum. Fees in respect of corporate actions are negotiated on an arising basis.

CFD COUNTERPARTIES

The Company uses derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes, to gain exposure to the Frontiers Universe in certain circumstances. Citibank, 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.

Directors' report continued

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 at:

www.blackrock.com/corporate/en-gb/about-us/investment-stewardship/voting-guidelines-reports-position-papers

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 737 proposals at 61 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 46 management resolutions and abstained from voting on 61 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 21 to 23.

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 1.42% 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 2018 and their biographies are set out on page 26. Details of Directors' interests in the ordinary shares of the Company are set out on page 40 of the Directors' Remuneration Report. All the Directors held office throughout the year under review. The Company's Articles of Association ("the Articles") require that one third of the Directors retire by rotation each year and seek re-election at the AGM and also that every Director submit himself or herself for re-election at least every three years. Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board. Having given due regard to developing corporate governance and best practice, all Directors have agreed to retire and submit themselves for re-election annually.

Accordingly, all Directors will retire at the forthcoming 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 all Directors continues to be effective and that they demonstrate a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. The Board, having considered the retiring Directors' performance within the annual Board performance evaluation process, hereby recommends that shareholders vote in favour of each Director's proposed re-election.

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

DIRECTORS' INDEMNITY

In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour. The Company has entered into deeds of indemnity with Directors individually which are available for inspection at the Company's registered office and will also be available at the 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 38 to 40. 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 binding shareholder vote every three years. The Company's Remuneration Policy was last put to shareholders at the AGM in 2017. Further details are given on page 38.

SUBSTANTIAL SHARE INTERESTS

As at 30 September 2018, 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 Inc.	38,165,565	19.02
Investec Wealth & Investment Limited	15,146,073	7.55
Rathbone Brothers Plc	9,794,809	4.88
Brewin Dolphin	8,447,895	4.21
Transact Nominees	6,936,126	3.46

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

As at 10 December 2018, being the latest practicable date prior to disclosure of the Annual Report, the Company had received notification of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

	Number of ordinary shares	% of issued share capital
BlackRock Inc.	38,165,565	15.32
Wells Capital Management	17,345,344	6.95
Investec Wealth & Investment Limited	15,146,073	6.08
Rathbone Brothers Plc	9,794,809	3.95
Brewin Dolphin	8,447,895	3.39

* 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 2018, the Company had 200,616,108 ordinary shares in issue. Full details of the Company's issued share capital are given in note 15 to the Financial Statements on page 66. Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 91. 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. Shareholder authority to renew these powers will be sought at the forthcoming AGM. A total of 22,748,000 new ordinary shares were allotted during the year to 30 September 2018 at an average price of 159.16p per share and for a total consideration of £36,205,000 (US$49,347,000).

Following the year end, a further 3,625,000 ordinary shares were allotted at an average price of 136.73p per share and for a total consideration of £4,922,365 (US$6,300,627). The Company also allotted a total of 44,927,580 C Shares at 100p per share. Further information can be found in the Chairman's Statement on pages 4 to 6. There were no shares bought back during the year or in the period up to the date of this report. 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.

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) 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 14 resolutions. Resolutions 1 to 11 are proposed as ordinary resolutions and resolutions 12 to 14 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 2018 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 remuneration policy as set out in the policy table on page 39.

Resolution 3 – Approval of a final dividend

Resolution 3 seeks shareholder approval of a final dividend of 4.40 cents per ordinary share for the year ended 30 September 2018.

Resolutions 4 to 8 – Re-election of the Directors

Resolutions 4 to 8 relate to the re-election of the Directors, each of whom are retiring and standing for re-election. The Board has undertaken a formal performance evaluation during the year and confirms that the performance of the Directors continues to be effective and that each Director demonstrates commitment to their role.

Resolutions 9 and 10 – 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 and 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 pages 43 and 44.

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

Ordinary Resolution 11 – Authority to allot ordinary shares

Resolution 11 seeks to renew the authority of the Directors to allot ordinary shares for cash up to an aggregate nominal amount of US$249,168.68 which is equivalent to 24,916,868 ordinary shares of 1 cent each and represents 10% of the Company's issued ordinary share capital (excluding any treasury shares) as at the date of the Notice of Annual General Meeting, or, if different, such nominal amount as represents 10% of the Company's issued share capital as at the date of the passing of this resolution..

Special Resolution 12 – Authority to dis-apply pre-emption rights

Special Resolution 12 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$249,168.68 which is equivalent to 24,916,868 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.

Special Resolution 13 – Authority to buy back shares

The special resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own ordinary shares. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV per ordinary share. Under the Listing Rules of the Financial Conduct Authority the maximum price which can be paid shall be the higher of (i) an amount equal to 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The Directors are seeking authority to purchase up to 37,350,386 ordinary shares (being approximately 14.99% of the issued ordinary share capital as at the date of the Notice of Annual General Meeting) or, if different, such nominal amount as represents 14.99% of the Company's issued share capital as at the date of the passing of this resolution.

Special Resolution 14 – Notice period for General Meetings

Special Resolution 14 empowers the Directors to hold general meetings (other than annual general meetings) on 14 days' notice, which is the minimum notice period permitted by the Companies Act 2006. The EU Shareholder Rights Directive increases the minimum notice period to 21 days unless two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days, hence this resolution being proposed. It is not intended that this power will be used as a matter of course, rather that this flexibility will be utilised where the Board believes that the nature of the business to be conducted requires that a general meeting be convened at 14 days' notice.

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 27 to 31. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR

The Auditor, Ernst & Young LLP, has indicated its willingness to continue in office and resolutions proposing their reappointment and authorising the Company's Audit and Management Engagement Committee to determine its remuneration for the ensuing year will be submitted at the AGM.

The Directors' Report was approved by the Board at its meeting on 10 December 2018.

BY ORDER OF THE BOARD

KEVIN MAYGER
FOR AND ON BEHALF OF
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
10 December 2018

Governance

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 30 September 2018 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 Auditor's opinion is included in their report on pages 47 to 51.

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 5 December 2018. Following this review it was agreed that with effect from 1 October 2018 all Directors' fees would be increased by £1,000 per annum. The basis for determining the level of any change in Directors' remuneration is set out in the Policy Report below. Directors' fees were last increased on 1 October 2016. The Board's remuneration is set out in the policy table and implementation report 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.

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 2017. The remuneration policy will be subject to a triennial binding shareholder vote at the AGM in 2020. At the Company's AGM held on 31 January 2017, 99.96% (including votes cast at the Chairman's discretion) were in favour of the resolution to approve the remuneration policy and 0.04% of votes cast were against.

At the Company's AGM held on 7 February 2018, 99.96% of votes cast were in favour of the resolution to approve the Directors' remuneration report in respect of the year ended 30 September 2017 and 0.04% against.

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 2018: Chairman – £37,000 Audit and Management Engagement Committee Chairman – £31,000 Directors – £27,000 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, with the exception of Mr Zok, 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	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 and 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 2018:

	Year ended 30 September 2018			Year ended 30 September 2017		
	Base Salary £	Taxable Benefits[7] £	Total £	Base Salary £	Taxable Benefits[7] £	Total £
Audley Twiston-Davies (Chairman)[1]	36,000	–	36,000	36,000	–	36,000
John Murray[2]	26,000	–	26,000	26,000	–	26,000
Nick Pitts-Tucker[3]	26,000	–	26,000	26,000	–	26,000
Lynn Ruddick[4]	N/A	N/A	N/A	4,274	1,018	5,292
Stephen White[5]	30,000	–	30,000	29,430	–	29,430
Sarmad Zok[6]	26,000	13,257	39,257	26,000	12,755	38,755
	144,000	13,257	157,257	147,704	13,773	161,477

1 Appointed as a Director on 23 November 2010.
2 Appointed as a Director on 12 July 2011.
3 Appointed as a Director on 23 November 2010.
4 Appointed as Chairman of the Audit and Management Engagement Committee and as a Director on 23 November 2010 and retired on 22 November 2016.
5 Appointed as Audit and Management Engagement Committee Chairman on 22 November 2016 and as a Director on 13 July 2016.
6 Appointed as a Director on 8 February 2011.
7 Taxable benefits relate to travel and subsistence costs.
There were no discretionary payments made during the year.

Directors' remuneration report continued

The information in the table on page 39 has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

At 30 September 2018, fees of US$16,000 (£12,000) (2017: US$16,000 (£12,000)) 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 39 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.

	2018	2017	Change
Directors' total remuneration	£157,257 (US$205,000)	£161,477 (US$179,000)	-£4,220 +US$26,000
Total dividends paid and payable	US$16,879,000	US$12,309,000	US$4,570,000
Net revenue profit on ordinary activities after tax	US$19,328,000	US$13,107,000	+US$6,221,000

No payments were made in the period to any past Directors (2017: £nil).

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.

	2018	2017
Audley Twiston-Davies (Chairman)	128,935	128,935
John Murray	121,967	121,967
Nick Pitts-Tucker	110,148	110,148
Sarmad Zok	Nil	38,787
Stephen White	30,000	30,000

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.

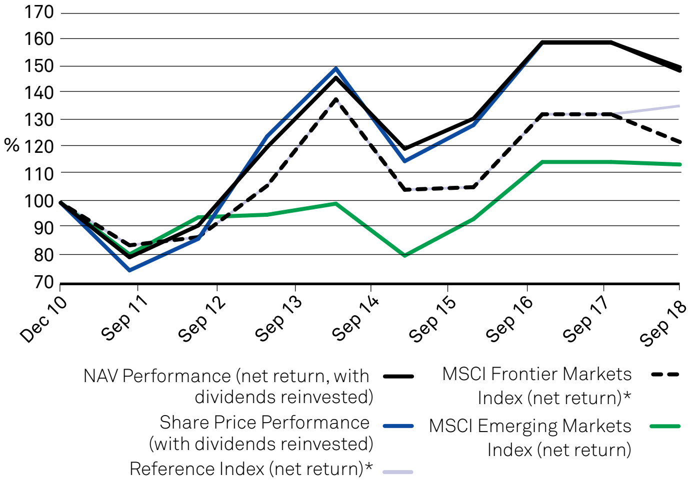
RETIREMENT OF DIRECTORS

Further details are given in the Directors' Report on pages 28 and 34.

PERFORMANCE

The graph below compares the Company's NAV and share price total returns with the total return on an equivalent investment in the Reference 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 2018



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

* With effect from 1 April 2018, the Reference Index changed to a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index (net total return, USD). Prior to 1 April 2018, the Reference Index was MSCI Frontier Markets Index (net total return, USD). The performance of the reference indices during this period has been blended to reflect this change. The performance of the MSCI Frontier Markets Index (net return) since 1 April 2010 has been provided for comparison purposes only.

FOR AND ON BEHALF OF THE BOARD

AUDLEY TWISTON-DAVIES
Chairman
10 December 2018

Report of the audit and management engagement committee

As Chairman of the Audit and Management Engagement Committee I am pleased to present the Committee's report to shareholders for the year ended 30 September 2018.

ROLE AND RESPONSIBILITIES

The Company has established a separately chaired Audit and 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. The Committee also has primary responsibility for managing the relationship with the external auditor, including the assessment of the external auditor's ongoing independence and objectivity.

All of the Directors are members of the Committee and their biographies can be found on page 26. The Board considers that at least one member of the Committee has recent and relevant financial experience and has specific competence in accounting and/or auditing. 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

Report of the audit and management engagement committee continued

- 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 29.

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 and 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, and ensures that any non-audit services proposed to be performed by the external auditor are in accordance with the Company's policy on the provision of non-audit services. 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 43 and 44. The fees paid to the external Auditor are set out in note 5 on page 60.

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 page 43 sets out the key areas of risk identified and also explains how these were addressed by the Committee.

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 and 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 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 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.

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. 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. Mr Ashley Coups has been the Company's audit partner since 2016.

The EU has 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 amounted to £6,500 (US$9,000) (2017: £6,500 (US$9,000)). The value is considered to be immaterial and was not such that it might threaten the Auditors' independence. No other non-audit services were provided to the Company by the Auditor during the year. Further details can be found in note 5 to the Financial Statements on page 60.

The Auditor has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the Audit and 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 reviews the independence of its relationship with the Company and reports 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 its independence and objectivity.

As a result of their review, the Committee has concluded that Ernst & Young LLP is independent of the Company and therefore it has made a recommendation to the Board that it be reappointed.

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 Directors' Responsibilities in respect of the Annual Report and Financial Statements on page 46.

STEPHEN WHITE
Chairman of the
Audit and Management Engagement Committee
10 December 2018

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, Corporate Governance Statement and the Report of the Audit and Management Engagement Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance 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 26 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 2016 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 and Management Engagement Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit and Management Engagement Committee's report on pages 41 to 45 of this Annual Report. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 30 September 2018, 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
10 December 2018

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

OPINION

We have audited the financial statements of BlackRock Frontiers Investment Trust plc ("the Company") for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

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

- the disclosures in the annual report set out on pages 20 to 23 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 20 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 56 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 24 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	▸ Incorrect calculation of the performance fee ▸ Incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital ▸ Incorrect valuation and existence of the investment portfolio
Materiality	▸ Overall materiality of US$3.6m (2017: US$3.5m) which represents 1% (2017: 1%) of net assets.

KEY AUDIT MATTERS

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

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

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incorrect calculation of the performance fee As noted in note 4 in the notes to the financial statements, the Company's performance fee for the period amounted to US$ nil (2017: US$0.6 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. This risk is consistent with the prior year.	**We performed the following procedures:** We obtained an understanding of The Bank of New York Mellon (International) Limited's (the "Administrator") systems and controls in this area to ensure the accurate recording of performance fees by performing walkthrough procedures and reading internal controls reports. Agreed all key inputs used in the calculations to the accounting records and benchmark data to third party source information. Recalculated the performance fees calculation and agreed the calculation and methodology to the Investment Management Agreement (IMA).	**What we reported to the Audit and Management Engagement Committee:** We have no issues to communicate with respect to our assessment of the Administrator's processes and controls surrounding calculation of the performance fee. We agreed all key inputs used in the calculation to the accounting records and benchmark data.
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. As set out in note 3 to the financial statements the Company has reported investment income of US$19.3 million (2017: US$13.2 million) excluding income from contracts for difference. Net income from contracts for difference amounted to US$3.2 million (2017: US$2.7 million). We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders. There is also a risk that inappropriate journal entries applied to the income account could result in a manipulation of the Company's revenue to support performance and dividend targets. This risk is consistent with the prior year.	**We performed the following procedures:** We obtained an understanding of The Bank of New York Mellon (International) Limited's (the "Administrator") systems and controls in this area to ensure the accurate recording of routine and special dividends by performing walkthrough procedures and reading internal controls reports. For a representative sample we: agreed dividends received from the underlying financial records to an independent pricing source and agreed to bank statements as additional supporting evidence; agreed the exchange rates used to convert the dividend income received in foreign currencies to Sterling; performed a review of all special dividends received during the period and assessed the appropriateness of the accounting treatment adopted; and for completeness of income we checked, for all investments, all dividends declared as per an independent pricing source had been recorded in the correct accounting period. to test for the risk of management override we tested a sample of manual journal entries posted to the income account and corroborate business purpose.	**What we reported to the Audit and Management Engagement Committee:** We have no issues to communicate with respect to our consideration of the Administrator's processes and controls surrounding revenue recognition and allocation of special dividends. We agreed the sample of dividends received to an independent source, agreed the exchange rate used to convert the foreign currency received to Sterling and agreed them to the bank statements. Based on the procedures performed, we identified no issues. For all special dividends, we gained an understanding of the basis of accounting treatment. Based on the procedures performed, we identified no exceptions. For all investments, we checked that the dividends declared as per an independent pricing source had been fully recorded and were recorded in the correct accounting period. Based on the procedures performed, we identified no issues.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incorrect valuation and existence of the investment portfolio The valuation of the portfolio is US$348.5 million (2017: US$354.4 million), which includes the BlackRock Institutional Cash Fund of US$100.9 million (2017: US$66.2 million). There are also CFD positions amounting to an asset of US$0.5 million (2017: liability of US$ 1.4 million). For further details, refer to pages 13 to 17 of the Annual Report. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders. This risk is consistent with the prior year.	**We performed the following procedures:** We obtained an understanding of The Bank of New York Mellon (International) Limited's (the "Administrator") systems and controls in this area to ensure the accurate recording of security pricing and units held by performing walkthrough procedures and reading internal controls reports. Agreed all of the investment holding prices at the year end to a relevant independent source. Agreed all of the foreign exchange rates used at the balance sheet date to convert the portfolio to US Dollars to an independent pricing source. Reviewed stale pricing report in order to assess stock liquidity and challenge the Manager over any items that are stale at the balance sheet date. Agreed the number of shares held for each security to confirmations of legal title received independently from the Company's custodian and depositary, The Bank of New York Mellon (International) Limited. Recalculated the movement in unrealised gain based on the audited transaction report for the period.	**What we reported to the Audit and Management Engagement Committee:** We have no issues to communicate with respect to our assessment of the Administrator's processes and controls surrounding investment pricing and trade processing. For all listed investments, we noted no differences in market value or exchange rates that were in excess of our tolerable threshold when compared to an independent source. We noted no issues in our reconciliation between the Custodian and Depositary confirmations and the Company's underlying financial records.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be US$3.6 million (2017: US$3.5 million), which is 1% (2017: 1%) of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

During the course of our audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year end.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely US$2.7 million (2017: US$2.6 million). We have set our performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of US$1.02 million (2017: US$0.7 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 and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of US$0.2 million (2017: US$0.2million), 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.

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

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 46, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable** set out on page 46 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** set out on page 41 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 27 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.

- We understood how BlackRock Frontiers Investment Trust plc is complying with those frameworks through discussions with the Audit and Management Engagement Committee and Company Secretary and review of the Company's documented policies and procedures.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to management override in relation to inappropriate revenue journals and incomplete or inaccurate revenue recognition through incorrect allocation of special dividends between revenue and capital. For management override, we noted no issues in agreeing a sample of revenue journal entries back to the audited income report or through to the corresponding announcements prepared by the Company. For special dividends, we noted no issues in agreeing all special dividends to independent sources and bank statements, as well as checking that they had been correctly recorded as capital or revenue.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

- We have reviewed that the Company's control environment is adequate for the size and operating model of such a listed investment Company.

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

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the Company on 11 May 2011 to audit the financial statements for the period ending 30 September 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 8 years, covering the periods ending 30 September 2011 and the years ending 2012 to 30 September 2018.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

USE OF OUR REPORT

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.

ASHLEY COUPS (SENIOR STATUTORY AUDITOR)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London
10 December 2018

Notes:

1. The maintenance and integrity of the BlackRock Frontiers Investment Trust plc website is the responsibility of the Directors; 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 2018

	Notes	Revenue 2018	Revenue 2017	Capital 2018	Capital 2017	Total 2018	Total 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Income							
Income from investments held at fair value through profit or loss	3	19,295	13,195	–	–	19,295	13,195
Net income from contracts for difference	3, 11	3,245	2,731	–	–	3,245	2,731
Other income	3	103	42	–	–	103	42
Total revenue		22,643	15,968	–	–	22,643	15,968
Net (loss)/profit on investments held at fair value through profit or loss	10	–	–	(27,899)	54,896	(27,899)	54,896
Net loss on foreign exchange		–	–	(336)	(835)	(336)	(835)
Net (loss)/profit from contracts for difference	11	–	–	(22,830)	3,367	(22,830)	3,367
Total		22,643	15,968	(51,065)	57,428	(28,422)	73,396
Expenses							
Investment management and performance fees	4	(856)	(672)	(3,424)	(3,285)	(4,280)	(3,957)
Other operating expenses	5	(1,252)	(1,062)	(118)	(130)	(1,370)	(1,192)
Total operating expenses		(2,108)	(1,734)	(3,542)	(3,415)	(5,650)	(5,149)
Net profit/(loss) on ordinary activities before finance costs and taxation		20,535	14,234	(54,607)	54,013	(34,072)	68,247
Finance costs	6	(5)	(2)	(18)	(7)	(23)	(9)
Net profit/(loss) on ordinary activities before taxation		20,530	14,232	(54,625)	54,006	(34,095)	68,238
Taxation	7	(1,202)	(1,125)	5,955	(6,909)	4,753	(8,034)
Profit/(loss) for the year		19,328	13,107	(48,670)	47,097	(29,342)	60,204
Earnings/(loss) per ordinary share (cents)	9	10.13	7.70	(25.50)	27.67	(15.37)	35.37

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/(loss) for the year disclosed above represents the Company's total comprehensive income.

The notes on pages 56 to 80 form part of these financial statements.

Financial statements

Statement of changes in equity for the year ended 30 September 2018

	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 2018								
At 30 September 2017		1,778	46,275	5,798	230,776	55,901	9,719	350,247
Total comprehensive income:								
Net (loss)/profit for the year		–	–	–	–	(48,670)	19,328	(29,342)
Transactions with owners, recorded directly to equity:								
Share issues	15, 16	228	49,119	–	–	–	–	49,347
Share issue costs	16	–	(299)	–	–	–	–	(299)
C Share issue costs – write back	16	–	–	–	23	–	–	23
Dividends paid*	8	–	–	–	–	–	(13,481)	(13,481)
At 30 September 2018		2,006	95,095	5,798	230,799	7,231	15,566	356,495
For the year ended 30 September 2017								
At 30 September 2016		1,643	21,456	5,798	230,794	8,804	7,902	276,397
Total comprehensive income:								
Net profit for the year		–	–	–	–	47,097	13,107	60,204
Transactions with owners, recorded directly to equity:								
Share issues		135	24,967	–	–	–	–	25,102
Share issue costs		–	(148)	–	–	–	–	(148)
C Share issue costs		–	–	–	(18)	–	–	(18)
Dividends paid**	8	–	–	–	–	–	(11,290)	(11,290)
At 30 September 2017		1,778	46,275	5,798	230,776	55,901	9,719	350,247

* Final dividend of 4.20 cents per share for the year ended 30 September 2017, declared on 1 December 2017 and paid on 9 February 2018 and interim dividend paid in respect of the year ended 30 September 2018 of 3.00 cents per share, declared on 17 May 2018 and paid on 29 June 2018.

** Final dividend of 4.00 cents per share for the year ended 30 September 2016, declared on 22 November 2016 and paid on 17 February 2017 and interim dividend paid in respect of the year ended 30 September 2017 of 2.70 cents per share, declared on 25 May 2017 and paid on 30 June 2017.

The notes on pages 56 to 80 form part of these financial statements.

Financial statements

Statement of financial position as at 30 September 2018

	Notes	2018	2017
		US$'000	US$'000
Non current assets			
Investments held at fair value through profit or loss	10	348,501	354,384
Current assets			
Other receivables	12	755	5,416
Derivative financial assets held at fair value through profit or loss	11	4,011	882
Cash and cash equivalents	11	4,425	5,947
Cash collateral held with brokers in respect of contracts for difference	11	10,180	1,431
		19,371	13,676
Total assets		367,872	368,060
Current liabilities			
Other payables	13	(7,847)	(7,644)
Derivative financial liabilities held at fair value through profit or loss	11	(3,511)	(2,281)
Cash collateral received in respect of contracts for difference	11	–	(1,930)
		(11,358)	(11,855)
Total assets less current liabilities		356,514	356,205
Non current liabilities			
Non current tax liability	7(c)	–	(3,286)
Deferred taxation liability	7(c)	–	(2,653)
Management shares of £1.00 each (one quarter paid)	14	(19)	(19)
Net assets		356,495	350,247
Equity attributable to equity holders			
Called up share capital	15	2,006	1,778
Share premium account	16	95,095	46,275
Capital redemption reserve	16	5,798	5,798
Special reserve	16	230,799	230,776
Capital reserves	16	7,231	55,901
Revenue reserve	16	15,566	9,719
Total equity		356,495	350,247
Net asset value per ordinary share (cents)	9	177.70	196.91

The financial statements on pages 52 to 80 were approved and authorised for issue by the Board of Directors on 10 December 2018 and signed on its behalf by Mr Audley Twiston-Davies, Chairman.

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

The notes on pages 56 to 80 form part of these financial statements.

Financial statements

Cash flow statement for the year ended 30 September 2018

	2018 US$'000	2017 US$'000
Operating activities		
Net (loss)/profit on ordinary activities before taxation	(34,095)	68,238
Add back finance costs	23	9
Net loss/(profit) on investments and contracts for difference held at fair value through profit or loss (including transaction costs)	47,874	(59,209)
Net loss on foreign exchange	336	835
Sales of investments held at fair value through profit or loss	245,347	164,419
Purchases of investments held at fair value through profit or loss	(232,640)	(172,655)
Sales of Cash Fund*	195,025	65,645
Purchases of Cash Fund*	(229,748)	(89,213)
Realised losses on closure of contracts for difference	(77,413)	(24,567)
Realised gains on closure of contracts for difference	55,539	30,586
(Increase)/decrease in other receivables	(203)	705
Decrease in other payables	(2,139)	(568)
Decrease in amounts due from brokers	3,567	294
Increase in amounts due to brokers	2,342	2,507
Net cash collateral (pledged)/received	(10,679)	782
Taxation paid	(1,186)	(2,095)
Net cash outflow from operating activities	(38,050)	(14,287)
Financing activities		
Interest paid	(23)	(9)
Proceeds from share issues	50,644	23,805
Share issue costs paid	(276)	(166)
Dividends paid	(13,481)	(11,290)
Net cash inflow from financing activities	36,864	12,340
Decrease in cash and cash equivalents	(1,186)	(1,947)
Effect of foreign exchange rate changes	(336)	(835)
Change in cash and cash equivalents	(1,522)	(2,782)
Cash and cash equivalents at the start of the year	5,947	8,729
Cash and cash equivalents at the end of the year	4,425	5,947
Comprised of:		
Cash at bank	4,425	5,947
	4,425	5,947

* Cash Fund represents funds held on deposit with BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund.

The notes on pages 56 to 80 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 eighth 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.

Insofar as the Statement of Recommended Practice (SORP) for investment trust companies and venture capital trusts issued by the Association of Investment Companies (AIC) in November 2014 and updated in January 2017, is compatible with IFRS, the financial statements have been prepared in accordance with the guidance set out in the SORP.

Substantially all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, the Directors have determined that it is appropriate for the financial statements to be prepared on a going concern basis.

The Company's financial statements are presented in US Dollars, which is the functional currency of the Company and 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.

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning on or after 1 October 2018 and have not been applied in preparing these financial statements (major changes and new standards issued are detailed below) as these are not expected to have any effect on the measurement of the amounts recognised in the financial statements of the Company.

IFRS standards that have been adopted during the year:

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

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses (effective 1 January 2017). The amendment has had no effect on the measurement of amounts recognised in the financial statements of the Company.

IFRS standards that have yet to be adopted:

IFRS 9 (2014) – Financial Instruments 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 standard is effective for periods beginning on or after 1 January 2018 with earlier application permitted. The Company does not plan to early adopt this standard.

IFRS 15 – Revenue from Contracts with Customers (effective for periods beginning on or after 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 have an impact.

(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 dividend. The return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

Deposit interest receivable is accounted for on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the cash equivalent of the dividend is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

(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 the capital column of the Statement of Comprehensive Income. Details of transaction costs on the purchases and sales of investments are disclosed within note 10 to the Financial Statements on page 63;

- 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 fee and finance costs 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 expected long term split of returns, in the form of capital gains and income, respectively, from the investment portfolio; and

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

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

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

All investments are measured initially and subsequently at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales of investments are recognised at the trade date of the disposal.

2. ACCOUNTING POLICIES continued

The fair value of the financial investments is based on their quoted bid price at the financial reporting date, without deduction for the estimated selling costs. This policy applies to all current and non current asset investments held by the Company. The fair value of the P-Notes are, when held, based on the quoted bid price of the underlying equity to which they relate.

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.

For all financial instruments not traded in an active market, the fair value is determined by using various valuation techniques. Valuation techniques include market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (e.g., discounted cash flow analysis and option pricing models making use of available and supportable market data as possible). Where no reliable fair value can be estimated for such instruments, they are carried at cost subject to any provision for impairment.

(h) Derivatives

The Company can hold 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.

Profits and losses on derivative transactions are recognised in the Statement of Comprehensive Income. They are shown in the capital column of the Statement of Comprehensive Income if they are of a capital nature and are 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, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the financial reporting date. Interim dividends should not be accrued in the financial statements unless they have been paid.

Dividends payable to equity shareholders are recognised in the Statements of Changes in Equity.

(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 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. For investment transactions and investments held at the year end, denominated in a foreign currency, the resulting gains or losses are included in the profit/(loss) on investments held at fair value through profit or loss in the Statement of Comprehensive Income.

(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 (Cash Fund) of US$100,917,000 (2017: US$66,194,000) 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) Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors do not believe that any accounting judgements or estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. INCOME

	2018 US$'000	2017 US$'000
Investment income:		
UK dividends	24	–
Overseas listed dividends	12,415	10,627
Overseas listed special dividends	707	488
Overseas listed stock dividends	3,798	1,507
Income from P-Notes	547	97
Interest from Cash Fund	1,804	476
	19,295	13,195
Net income from contracts for difference	3,245	2,731
	22,540	15,926
Other Income:		
Deposit interest	103	42
Total income	22,643	15,968

Dividends and interest received in cash during the year amounted to US$17,706,000 and US$1,771,000 (2017: US$15,701,000 and US$468,000).

No special dividends have been recognised in capital (2017: nil).

4. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

	2018			2017		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Investment management fee	856	3,424	4,280	672	2,689	3,361
Performance fee	–	–	–	–	596	596
Total	856	3,424	4,280	672	3,285	3,957

An investment management fee equivalent to 1.10% per annum of the Company's gross assets (defined as the aggregate net assets of the long equity and CFD portfolios 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 Reference Index, which, since 1 April 2018, is a composite of the MSCI Emerging Markets Index ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index. Prior to 1 April 2018, the Reference Index was the MSCI Frontier Markets Index. For the purposes of calculation of performance fee for the year to 30 September 2018, the performance of the Net Asset Value total return has been measured against the performance of the benchmark indices on a blended basis during the year.

For the year to 30 September 2018, the Company's NAV performance of -6.6% generated a deficit of US$39.88 million (2017: NAV performance of 21.5% and excess returns of US$5.96 million) resulting in no performance fees for the year (2017: US$596,000). 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.

5. OTHER OPERATING EXPENSES

	2018 US$'000	2017 US$'000
Allocated to revenue:		
Custody fee	503	429
Auditor's remuneration:		
– audit services	38	36
– other assurance services[1]	9	9
Registrar's fee	52	37
Directors' emoluments	205	179
Broker fees	62	38
Depositary fees[2]	44	35
Marketing fees	93	73
Other administrative costs	246	226
	1,252	1,062
Allocated to capital:		
Custody transaction charges	118	130
	1,370	1,192
The Company's ongoing charges, calculated as a percentage of average net assets and using expenses, excluding performance fees, VAT refunded, transaction costs and taxation were:	1.42%	1.44%
The Company's ongoing charges, calculated as a percentage of average net assets and using expenses and performance fees but excluding VAT refunded, transaction costs and taxation were:	1.42%	1.64%

1 Fees of US$9,000 (2017: US$9,000) relating to the review of the interim financial statements.
2 All expenses other than depositary fees are paid in Sterling and are therefore subject to exchange rate fluctuations.

For the year ended 30 September 2018, expenses of US$118,000 (2017: US$130,000) were charged to the capital column of the Statement of Comprehensive Income, which relate to transaction costs charged by the custodian on sale and purchase trades.

No fees were payable in 2018 or 2017 in relation to investing in new markets.

Details of the Directors' emoluments are given in the Directors' Remuneration Report on page 39.

6. FINANCE COSTS

	2018			2017		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Interest payable – bank overdraft	5	18	23	2	7	9
	5	18	23	2	7	9

7. TAXATION

(a) Analysis of charge/(credit) in year

	2018			2017		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Corporation tax	562	(562)	–	296	(296)	–
Overseas tax	640	–	640	830	–	830
Overseas tax on capital gains	–	546	546	–	4,552	4,552
Capital gains tax provision reversed	–	(3,286)	(3,286)	–	–	–
Prior year adjustment	–	–	–	(1)	–	(1)
Total current tax	1,202	(3,302)	(2,100)	1,125	4,256	5,381
Deferred tax – capital gains tax provision reversed	–	(2,653)	(2,653)	–	–	–
Total deferred tax	–	–	–	–	2,653	2,653
Total tax (note 7(b))	1,202	(5,955)	(4,753)	1,125	6,909	8,034

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

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2017: 19.5%). The differences are explained below:

	2018			2017		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Profit/(loss) on ordinary activities before taxation	20,530	(54,625)	(34,095)	14,232	54,006	68,238
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax 19.0% (2017: 19.5%)	3,901	(10,379)	(6,478)	2,775	10,530	13,305
Effects of:						
Non taxable overseas listed dividends	(2,612)	–	(2,612)	(2,186)	–	(2,186)
Non taxable overseas stock dividends	(722)	–	(722)	(294)	–	(294)
UK listed dividends	(5)		(5)	–	–	–
Capital gains tax on realised gains	–	(2,740)	(2,740)	–	4,552	4,552
Capital gains tax on unrealised gains	–	(2,653)	(2,653)	–	2,653	2,653
Loss/(profit) on investments held at fair value through profit or loss	–	5,301	5,301	–	(10,705)	(10,705)
Foreign exchange loss	–	64	64	–	163	163
Net loss/(profit) from contracts for difference	–	4,338	4,338	–	(657)	(657)
Overseas tax suffered	640	–	640	830	–	830
Movement of management expenses not utilised	–	92	92	–	346	346
Disallowed expenses	–	22	22	–	27	27
Total taxation charge for the year (note 7(a))	1,202	(5,955)	(4,753)	1,125	6,909	8,034

The Company is exempt from UK 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 UK corporation tax on any capital gains or losses.

At 30 September 2018 the Company had net surplus management expenses of US$8,151,000 (2017: US$7,668,000). 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 2018 is US$1,386,000 (30 September 2017: US$1,304,000).

7. TAXATION continued

Note 7 (c) Capital gains tax liability

Following the enactment of Argentine tax reform (Law No. 27,430), effective 1 January 2018, and discussions with the Company's advisers, capital gains on American Depositary Receipts over Argentine equity held by the Company will not give rise to an Argentine Capital Gains Tax liability and accordingly the provision for capital gains tax of US$5,939,000 previously accrued by the Company has been reversed.

Non current tax liability

	2018 US$'000	2017 US$'000
Non current tax liability		
At 1 October	3,286	–
Movement in provision for capital gains tax on realised gains from Argentinian securities	(3,286)	3,286
At 30 September	–	3,286

Deferred tax liability

	2018 US$'000	2017 US$'000
Deferred tax liability in respect of timing differences		
At 1 October	2,653	–
Movement in provision for capital gains tax on unrealised gains from Argentinian securities	(2,653)	2,653
At 30 September	–	2,653

8. DIVIDENDS

Dividends paid on equity shares:	Record date	Payment date	2018 US$'000	2017 US$'000
2017 final of 4.20 cents (2016: 4.00 cents) per ordinary share	5 January 2018	9 February 2018	7,631	6,573
2018 interim of 3.00 cents (2017: 2.70 cents) per ordinary share	1 June 2018	29 June 2018	5,850	4,717
			13,481	11,290

The total dividends payable in respect of the year ended 30 September 2018 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.

	2018 US$'000	2017 US$'000
Interim dividend of 3.00 cents per ordinary share (2017: 2.70 cents)	5,850	4,717
Final proposed dividend of 4.40 cents per ordinary share (2017: 4.20 cents)*	8,987	7,592
Special dividend of 1.00 cent per ordinary share (2017: nil)*	2,042	–
	16,879	12,309

* Based on 204,241,108 ordinary shares in issue on 10 December 2018.

9. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE

Total revenue, capital return and net asset value per ordinary share are shown below and have been calculated using the following:

	Year ended 30 September 2018	Year ended 30 September 2017
Net revenue profit attributable to ordinary shareholders (US$'000)	19,328	13,107
Net capital (loss)/profit attributable to ordinary shareholders (US$'000)	(48,670)	47,097
Total (loss)/profit attributable to ordinary shareholders (US$'000)	(29,342)	60,204
Equity shareholders' funds (US$'000)	356,495	350,247
The weighted average number of ordinary shares in issue during the year, on which the return per ordinary share was calculated was:	190,842,459	170,192,369
The actual number of ordinary shares in issue at the year end, on which the net asset value per ordinary share was calculated was:	200,616,108	177,868,108
Return per ordinary share		
Revenue earnings per share (cents)	10.13	7.70
Capital (loss)/earnings per share (cents)	(25.50)	27.67
Total (loss)/profit per share (cents)	(15.37)	35.37

	As at 30 September 2018	As at 30 September 2017
Net asset value per ordinary share (cents)	177.70	196.91
Ordinary share price (cents)*	182.25	199.91
Net asset value per ordinary share (pence)	136.26	146.76
Ordinary share price (pence)	139.75	149.00

* The Company's share price is quoted in Sterling and the above represents the US Dollar equivalent based on an exchange rate of US$1.3041 to £1 as at 30 September 2018 (30 September 2017: US$1.3417 to £1).

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$'000	2017 US$'000
Equity investments held at fair value through profit or loss	236,806	288,190
P-Notes	10,778	–
Cash Fund	100,917	66,194
Total value of financial asset investments at 30 September	348,501	354,384
Valuation brought forward at 1 October	354,384	267,684
Investment holding (gains)/losses at 1 October	(23,113)	6,347
Opening cost of equity investments	331,271	274,031
Acquisitions at cost	462,388	261,868
Disposal proceeds	(440,372)	(230,064)
Realised gains on sales	38,255	25,436
Cost carried forward at 30 September	391,542	331,271
Investment holding (losses)/gains at 30 September	(43,041)	23,113
Closing valuation of equity investments	348,501	354,384

During the year, transaction costs of US$561,000 (2017: US$437,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to US$519,000 (2017: US$478,000). All transaction costs have been included within the capital reserves.

Notes to the financial statements continued

10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS continued

Gains/(losses) on investments held at fair value through profit or loss

	2018 US$'000	2017 US$'000
Realised gains on sales	38,255	25,436
Changes in investment holding (losses)/gains	(66,154)	29,460
	(27,899)	54,896

11. DERIVATIVES

The Company may use a variety of derivative contracts, including 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 is given in the table below.

	2018			2017		
	Revenue US$'000	Capital US$'000	Total US$'000	Revenue US$'000	Capital US$'000	Total US$'000
Net unrealised gains/(losses) relating to underlying price movements	–	1,899	1,899	–	(1,706)	(1,706)
Net realised (losses)/gains relating to underlying price movements	–	(21,874)	(21,874)	–	6,019	6,019
Notional dividend income on long positions	4,157	–	4,157	2,967	–	2,967
Notional dividend expense on short positions	(192)	–	(192)	–	–	–
Notional interest expense on long positions	(704)	(2,855)	(3,559)	(236)	(946)	(1,182)
Notional interest expense on short positions	(16)	–	(16)	–	–	–
Total return on derivative contracts for the year	3,245	(22,830)	(19,585)	2,731	3,367	6,098

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

	2018 US$'000	2017 US$'000
Amounts due from brokers in respect of revaluation gains on CFDs	4,011	882
Derivative financial liabilities: Amounts due to brokers in respect of revaluation losses on CFDs	(3,511)	(2,281)
Total net derivative financial assets/(liabilities)	500	(1,399)

Net realised losses on CFD positions of US$21,874,000 (2017: gains of US$6,019,000) comprised realised gains of US$55,539,000 (2017: US$30,586,000) and realised losses of US$77,413,000 (2017: US$24,567,000).

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 2018 the Company held one P-Note (2017: nil), held 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:

	2018			2017		
	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	–	1,801	1,801	–	281	281
Income from investments held at fair value through profit or loss						
Dividend income from underlying securities	547	–	547	97	–	97
Total	547	1,801	2,348	97	281	378

At 30 September 2018, the fair value of the Company's holding in P-Notes amounted to US$10,778,000 (2017: US$ nil) representing 3.0% of net assets (2017: 0.0%).

As at 30 September 2018 the Company held cash and cash equivalent balances of US$4,425,000 (2017: US$5,947,000). The Company also pledged cash of US$10,180,000 (2017: US$1,431,000) 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 long and short CFDs up to 150% of net assets. However, to the extent the Investment Manager has elected not to be geared, the Company will generally hold a level of cash (or equivalent holding in the Cash Fund) on its balance sheet representative of the difference between the cost of purchasing investments directly and the lower initial cost of making a margin payment on a CFD contract. The Company was geared through its use of CFDs as at 30 September 2018 and 2017 and the net difference between the cost of direct investment and the purchase costs associated with holding the same exposures via long and short CFD contracts amounted to US$108,814,000 (2017: US$89,914,000). Had the Company been able to acquire all of the underlying long and short CFD positions through direct equity investment, its cash position (taking into account cash invested in the Cash Fund at 30 September 2018 of US$100,917,000 (2017: US$66,194,000)) at the year end would therefore have been lower by US$108,814,000 (2017: US$89,914,000).

As at 30 September 2018 the Company also owed US$nil (2017: US$1,930,000) 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$4,425,000 (2017: US$5,947,000), and an equivalent creditor of US$nil (2017: US$1,930,000) 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

	2018 US$'000	2017 US$'000
Amounts due from brokers	249	3,816
Share issue receivable	–	1,297
Prepayments and accrued income	506	303
	755	5,416

Notes to the financial statements continued

13. OTHER PAYABLES

	2018 US$'000	2017 US$'000
Amounts due to brokers	(6,155)	(3,813)
Accruals for expenses and interest payable	(1,692)	(3,747)
Other payables	–	(84)
	(7,847)	(7,644)

14. NON CURRENT LIABILITIES – MANAGEMENT SHARES

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:		
At 30 September 2017	177,868,108	1,778
Share issues	22,748,000	228
At 30 September 2018	200,616,108	2,006

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

During the year ended 30 September 2018 the Company issued 22,748,000 (2017: 13,535,000) shares for a total gross consideration of US$49,347,000 (2017: US$25,102,000).

A further 3,625,000 shares have been issued since the year end and up to and including the date of this report.

Following the C Share Scheme Issue and Issue, as described on page 4, 37,375,087 C Shares were issued on 27 November 2018 pursuant to the Scheme Issue to shareholders of BlackRock Emerging Europe plc, and a further 7,552,493 C Shares were issued pursuant to the placing and offer for subscription at an issue price of 100 pence per C Share.

16. 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 2017	46,275	5,798	230,776	36,945	18,956	9,719
Movement during the year:						
Total Comprehensive Income:						
Net profit/(loss) for the year	–	–	–	12,830	(61,500)	–
Transactions with owners:						
Share issues	49,119	–	–	–	–	–
Share issue costs	(299)	–	–	–	–	–
C Share issues costs - write back	–	–	23	–	–	–
Revenue return for the year	–	–	–	–	–	19,328
Dividends paid	–	–	–	–	–	(13,481)
At 30 September 2018	95,095	5,798	230,799	49,775	(42,544)	15,566

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. In accordance with the Company's status as an investment company under the provisions of section 1158 of the Corporation Tax Act 2010, net capital returns may be distributed by way of dividend.

17. RISK MANAGEMENT POLICIES AND PROCEDURES

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

Risk management framework

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 27 and in the Statement of Directors' Responsibilities on page 46, 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 the relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the AIFM review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at blackrock.co.uk/brfi.

The AIFM is responsible for monitoring investment performance, product risk monitoring and oversight and has 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 and tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA has the ability to determine if the appropriate risk management processes are in place. 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 AIFM reports to the Audit and Management Engagement Committee twice yearly on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit Committee. Any significant issues are reported to the Board as they arise.

Notes to the financial statements continued

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

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 financial instruments 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.

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 probability 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 Company 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 2018 and 30 September 2017 (based on a 99% confidence level) was 1.76% and 1.34% 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, P-Note and CFDs. The movements in the prices of these investments result in movements in the performance of the Company. Other price risk sensitivity has been covered by the VaR analysis under the market risk section above.

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 2018 on its equity and P-Note investments, excluding its holding in the Cash Fund, was US$247,584,000 (2017: US$288,190,000). In addition, the Company's gross market exposure to these price changes through its CFD portfolio was US$136,775,000 through long positions (2017: US$88,515,000) and was US$27,461,000 through short positions (2017: US$ nil).

The economic exposures within the CFD portfolio can be closed out at anytime by the Company, subject to market liquidity.

Concentration of exposure to market risks

An analysis of the Company's investment portfolio is shown on pages 11 to 17. At 30 September 2018 this shows that the majority of the portfolio invested in Argentina, Thailand, Indonesia, Vietnam and Egypt. Accordingly, there is a concentration of exposure to those countries, though it is recognised that an investment's country of domicile or its 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 exchange rates. Foreign currency sensitivity has been covered by the VaR analysis under the market risk section.

The fair values of the Company's monetary items which have foreign currency exposure at 30 September 2018 and 30 September 2017 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.

2018	Indonesian Rupiah US$'000	Vietnamese Dong US$'000	Thai Baht US$'000	Romanian Leu US$'000	Nigerian Naira US$'000
Receivables (due from brokers, dividends and other income receivable)	607	–	–	–	–
Contracts for difference – long (gross exposure)	25,574	32,049	22,364	–	–
Contracts for difference – short (gross exposure)	–	–	–	–	–
Cash and cash equivalents	–	–	–	5	–
Payables	(927)	–	(2,563)	–	–
Total foreign currency exposure on net monetary items	25,254	32,049	19,801	5	–
Investments at fair value through profit and loss that are equities	7,160	–	6,553	21,945	20,986
Total net foreign currency exposure	32,414	32,049	26,354	21,950	20,986

2018	Kuwaiti Dinar US$'000	Emirati Dirham US$'000	Egyptian Pound US$'000	Sterling US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	197	–	–	77	79
Contracts for difference – long (gross exposure)	3	–	1,134	–	55,651
Contracts for difference – short (gross exposure)	–	–	–	–	(27,461)
Cash and cash equivalents	672	–	–	–	202
Payables	–	–	–	(475)	–
Total foreign currency exposure on net monetary items	872	–	1,134	(398)	28,471
Investments at fair value through profit and loss that are equities	19,917	20,112	15,427	16,855	41,314
Total net foreign currency exposure	20,789	20,112	16,561	16,457	69,785

2017	Kuwaiti Dinar US$'000	Vietnamese Dong US$'000	Romanian Leu US$'000	Moroccan Dirham US$'000	Sterling US$'000	Other US$'000
Receivables (due from brokers, dividends and other income receivable)	–	–	2,074	–	8,321	8
Contracts for difference – long (gross exposure)	2	36,858	3,684	8,522	6,242	33,207
Cash and cash equivalents	2,179	–	–	–	–	87
Payables	(3,679)	–	(1,551)	–	(3,635)	(6,954)
Total foreign currency exposure on net monetary items	(1,498)	36,858	4,207	8,522	10,928	26,348
Investments at fair value through profit and loss that are equities	42,493	–	28,888	12,360	7,800	65,137
Total net foreign currency exposure	40,995	36,858	33,095	20,882	18,728	91,485

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

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 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 currencies 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 their own currencies.

(iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and on positions within the CFD portfolio. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Movements in interest rates will also have an impact on the financing costs of the CFD derivative contracts. Interest rate sensitivity risk has been covered by the VaR analysis under market risk section.

Interest rate exposure

The exposure at 30 September 2018 and 30 September 2017 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.

	2018 Within one year US$'000	2017 Within one year US$'000
Exposure to floating interest rates:		
CFD derivative contracts		
– Notional long positions	(136,775)	(88,515)
– Notional short positions	27,461	–
Cash Fund	100,917	66,194
Cash and cash equivalents	4,425	5,947
Cash held on margin deposit with brokers	10,180	1,431
Collateral held in respect of contracts for difference	–	(1,930)

The Company is exposed to interest rate risk on positions within the CFD portfolio. The Company incurs charges on long and short positions when 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 the Cash Fund. Interest received on this holding in the year was on average 1.90% (2017: 1.24%). There were no money market deposits as at 30 September 2018 or 30 September 2017.

The Company does not have any fixed rate exposure at 30 September 2018 or 30 September 2017. Interest rates received on cash balances or paid on bank overdrafts, respectively, by major currency account are set out in the table below.

2018	Interest received %	Interest paid %
US Dollar	1.875	4.000
Sterling	0.400	3.750

2017	Interest received %	Interest paid %
US Dollar	0.875	3.000
Sterling	0.000	3.250

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 investment guidelines permit it to be geared up to 140% of net assets through the use of derivatives or borrowings, although the Board currently envisages that any such gearing will not exceed 120% of net 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.

There were no past or impaired assets as of 30 September 2018 (30 September 2017: nil).

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

Depositary

The Company's Depositary was previously BNY Mellon Trust & Depositary (UK) Limited (the Depositary) (S&P long term credit rating as at 30 September 2018: A). With effect from 1 November 2017, the role of depositary has been transferred to The Bank of New York Mellon (International) Limited (S&P long term credit rating as at 30 September 2018: A). 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 2018 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.

The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited as the Company's custodian. Bankruptcy or insolvency of the custodian may also cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Counterparties/Brokers

The Company 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).

	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*
2018	5	8,980	–	8,183	BBB+
2017	5	5,947	1,930	7,013	AA

* S&P ratings.
** Calculated on a net basis.

Cash is subject to counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

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 may 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 to long and short CFDs and therefore the leverage, of this strategy to 150% of the Company's net 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 150% of the net 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 93. To the extent derivatives are used to gear the Company's portfolio, aggregate gearing through long and short CFDs will not exceed 150% of net assets. Short positions may not exceed 10% of net 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 34 positions as at 30 September 2018 (2017: 35).

The gross underlying notional exposures within the CFD portfolio at 30 September 2018 and 30 September 2017 were:

	2018 US$'000	% of net assets	2017 US$'000	% of net assets
CFDs – gross exposure relating to long positions	136,775	38.4	88,515	25.3
CFDs – gross exposure relating to short positions	27,461	7.7	–	–
Gross economic exposure subject to a 100% restriction (see above)	164,236	46.1	88,515	25.3
Net market exposure	109,314	30.7	88,515	25.3

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

Collateral

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

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

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

	Pledged collateral		Inbound collateral	
	30 September 2018 US$'000	30 September 2017 US$'000	30 September 2018 US$'000	30 September 2017 US$'000
Cash collateral	10,180	1,431	–	1,930

Receivables

Amounts due from debtors are disclosed on the Statement of Financial Position as receivables. The counterparties included in receivables 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 (RQA CCR). The Company monitors the ageing of receivables to mitigate the risk of debtor balances becoming overdue.

Notes to the financial statements continued

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

In summary, the exposure to credit risk at 30 September 2018 and 30 September 2017 was as follows:

	2018 3 months or less US$'000	2017 3 months or less US$'000
Cash at bank and on deposit and held on margin account with brokers	14,605	7,378
Cash Fund	100,917	66,194
P-Notes	10,778	–
CFD positions – amounts due from brokers	4,011	882
Other receivables (amounts due from brokers, dividends and interest receivable)	755	5,416

There were no past due or impaired assets as of 30 September 2018 (30 September 2017: nil).

The following table details the Company's exposure to CFD's and net cash collateral (received/pledged in US Dollars) analysed by counterparty as at the balance sheet date:

2018 Name of counterparty	Counterparty Country of Incorporation	Receivable/(payable) for CFDs US$'000	Cash Collateral (received)/pledged US$'000
HSBC	United Kingdom	(1,809)	8,980
Deutsche Bank AG	United Kingdom	1,402	980
Citibank N.A	United Kingdom	109	–
Bank of America Merrill Lynch	United Kingdom	798	220
		500	10,180

2017 Name of counterparty	Counterparty Country of Incorporation	Receivable/(payable) for CFDs US$'000	Cash Collateral (received)/pledged US$'000
HSBC	United Kingdom	(1,418)	1,131
Deutsche Bank AG	United Kingdom	(450)	300
Citibank N.A	United Kingdom	204	(1,610)
Bank of America Merrill Lynch	United Kingdom	265	(320)
		(1,399)	(499)

Management of counterparty credit risk

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

The counterparty/credit risk is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and with counterparties selected by RQA CCR on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;
- the Company's listed investments are held on its behalf by BNYM as the Company's custodian (as sub-delegated by the Depositary). Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports;
- transactions involving derivatives are either exchange traded where the relevant exchange guarantees settlement or on an over-the-counter basis. Transactions are entered into only with those counterparties approved by the credit department of the Investment Manager. Counterparties are selected on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default;

- the creditworthiness of financial institutions with whom cash is 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 risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meets its obligation. The RQA CCR team reviews the credit standard of the Company's brokers on a periodic basis, and sets limits on the amount that may be due from any one broker.

The Board monitors the Company's counterparty risk by reviewing:

- the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's custodian where controls are reviewed and tested;

- the custodian's Service Organisation Control (SOC 1) reports which include a report by the custodian's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Custodian's control processes;

- the Manager's internal control reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's review of the Manager's control processes; and

- in addition, the Depositary and the Manager report to the Board any significant breaches or issues arising as soon as these are identified.

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 derivative 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. The disclosures set out in the following table include financial assets and financial liabilities that are subject to an enforceable master netting agreement or similar agreement.

At 30 September 2018 and 2017, the Company's derivative assets and liabilities (by type) are as follows:

	At 30 September 2018		At 30 September 2017	
Derivatives	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
CFD position – long positions	3,974	(2,862)	882	(2,281)
CFD position – short positions	37	(649)	–	–
Total derivative assets and liabilities in the Statement of Financial Position	4,011	(3,511)	882	(2,281)
Derivatives not subject to a master netting agreement	–	–	–	–
Total assets and liabilities subject to a master netting agreement	4,011	(3,511)	882	(2,281)

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 2018 and 2017:

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

Counterparty	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 2018					
Deutsche Bank AG	1,968	–	–	–	1,968
Bank of America Merrill Lynch	957	–	–	–	957
HSBC	918	–	–	–	918
Citibank N.A	168	–	–	–	168
Total as at 30 September 2018	4,011	–	–	–	4,011
As at 30 September 2017					
Citibank N.A	398	–	–	(398)	–
Bank of America Merrill Lynch	366	–	–	(320)	46
Deutsche Bank AG	111	–	–	–	111
HSBC	7	–	–	–	7
Total as at 30 September 2017	882	–	–	(718)	164

Counterparty	Derivative liabilities subject to a master netting agreement US$'000	Derivatives available for offset US$'000	Non-cash collateral US$'000	Pledged cash collateral US$'000	Net amount of derivative liabilities US$'000
As at 30 September 2018					
Citibank N.A	(59)	–	–	–	(59)
Bank of America Merrill Lynch	(160)	–	–	160	–
Deutsche Bank AG	(566)	–	–	566	–
HSBC	(2,726)	–	–	2,726	–
Total as at 30 September 2018	(3,511)	–	–	3,452	(59)
As at 30 September 2017					
Bank of America Merrill Lynch	(101)	–	–	–	(101)
Citibank N.A	(194)	–	–	–	(194)
Deutsche Bank AG	(561)	–	–	300	(261)
HSBC	(1,425)	–	–	1,131	(294)
Total as at 30 September 2017	(2,281)	–	–	1,431	(850)

(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 2018 and 30 September 2017, based on the earliest date on which payment can be required, were as follows:

2018	3 months or less US$'000	Not more than one year US$'000	More than one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	7,847	–	–	7,847
Derivative financial liabilities held at fair value through profit or loss	3,511	–	–	3,511
	11,358	–	–	11,358

2017	3 months or less US$'000	Not more than one year US$'000	More than one year US$'000	Total US$'000
Amounts due to brokers, accruals and provisions	7,644	–	–	7,644
Amounts due to CFD counterparty brokers in respect of collateral held on account	1,930	–	–	1,930
Derivative financial liabilities held at fair value through profit or loss	2,281	–	–	2,281
	11,855	–	–	11,855

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, when held, backed by sufficient margin cash to reduce risk. Additional cash is held within the portfolio to further mitigate risk.

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 value (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 57 and 58.

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 as follows.

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

The fair value hierarchy has the following levels:

Level 1 – Quoted market price for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if 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. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Valuation techniques used for non-standardised financial 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 and relying as little as possible on entity specific inputs.

As at the year ended 30 September 2018, 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 were no P-Notes held as at the year ended 30 September 2017.

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

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. 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.

The level in the fair value hierarchy within which 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. 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 determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager.

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.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Fair values of financial assets and financial liabilities

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

Financial assets/(liabilities) at fair value through profit or loss at 30 September 2018	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	236,806	–	–	236,806
P-Notes	–	10,778	–	10,778
Cash Fund	100,917	–	–	100,917
Contracts for difference (gross exposure on long positions)	–	136,772	3	136,775
Liabilities:				
Contracts for difference (gross exposure on short positions)	–	(27,461)	–	(27,461)
	337,723	120,089	3	457,815

Financial assets at fair value through profit or loss at 30 September 2017	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets:				
Equity investments	287,979	–	211	288,190
Cash Fund	66,194	–	–	66,194
Contracts for difference (gross exposure on long positions)	–	88,513	2	88,515
	354,173	88,513	213	442,899

There were no transfers between levels of financial assets and financial liabilities during the year recorded at fair value as at 30 September 2018. For the year ended 30 September 2017, transfers of financial assets from fair value hierarchy Level 2 to Level 1 amounted to US$14,146,000. These arose primarily in relation to the Nigerian equity securities held in the investment portfolio where observable spot exchange rates as quoted on the FMDQ OTC Securities Exchange have been applied for valuing the Nigerian equity securities following the introduction of a special window for investors by the Central Bank of Nigeria effective 28 April 2017. The Company held one Level 3 long CFD security during the year ended 30 September 2018, which is also held at the year end. The Company held one Level 3 equity and long CFD security throughout the year ended 30 September 2017.

A reconciliation of fair value measurement in Level 3 is set out below.

Level 3 Financial assets at fair value through profit or loss at 30 September	2018 US$'000	2017 US$'000
Opening fair value	213	213
Disposal	(211)	–
Change in fair value during the year	1	–
Closing fair value	3	213

(e) 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 140% 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 140% of net assets.

The Company's total capital as 30 September 2018 was US$356,495,000 (2017: US$350,247,000).

17. RISK MANAGEMENT POLICIES AND PROCEDURES continued

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view on the market; and
- the need to buy back equity shares, either for cancellation or to be held in treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium).

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by law.

During the year, the Company complied with the externally imposed capital requirements to which it was subject.

18. RELATED PARTY DISCLOSURE: DIRECTORS' EMOLUMENTS

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report on pages 38 to 40. At 30 September 2018, US$16,000 (£12,000) (2017: US$16,000 (£12,000)) was outstanding in respect of Directors' fees.

19. TRANSACTIONS WITH INVESTMENT MANAGER AND AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on pages 32 and 33.

The investment management fee due for the year ended 30 September 2018 amounted to US$4,280,000 (2017: US$3,361,000). No performance fee is payable for the year ended 30 September 2018 (2017: US$596,000). At the year end, US$1,024,000 was outstanding in respect of management fees (2017: US$2,606,000) and US$nil (2017: US$596,000) was outstanding in respect of performance fees.

In addition to the above services, BlackRock has provided marketing services. The total fees paid or payable for these services for the year ended 30 September 2018 amounted to US$93,000 excluding VAT (2017: US$73,000) of which marketing fees of US$68,000 excluding VAT (2017: US$55,000) were outstanding as at year end.

The Company has an investment in the Cash Fund of US$100,917,000 (2017: US$66,194,000) at the year end, which is a fund managed by a company within the BlackRock Group.

20. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2018 (2017: nil).

21. POST BALANCE SHEET EVENT

Following the Scheme Issue and Issue described in the Chairman's Statement on pages 4 to 6, 37,375,087 C Shares were issued on 27 November 2018 pursuant to the Scheme Issue to shareholders of BlackRock Emerging Europe plc, and a further 7,552,493 C Shares were issued pursuant to the placing and offer for subscription at an issue price of 100 pence per C Share.

Following the year end and up to the date of this report the Company issued a further 3,625,000 ordinary shares.

Additional information

Analysis of shareholders

ANALYSIS OF CATEGORIES AS AT 30 SEPTEMBER 2018

	Holdings	%	Shares	%
Individuals	81	10.46	622,882	0.32
Bank or Nominees	676	87.34	199,355,415	99.37
Investment Trust	2	0.26	5,342	0.00
Insurance Company	1	0.13	206,115	0.10
Other Company	10	1.29	143,444	0.07
Pension Trust	1	0.13	1	0.00
Other Corporate Body	3	0.39	282,909	0.14
Total	774	100.00	200,616,108	100.00

BAND ANALYSIS AS AT 30 SEPTEMBER 2018

Range in shares held	No. of shareholders	%	No. of Shares	%
1-1,000	48	6.20	26,890	0.01
1,001-5,000	244	31.52	683,798	0.34
5,001-10,000	125	16.15	909,598	0.45
10,001-100,000	201	25.97	6,483,625	3.23
100,001-500,000	80	10.34	20,516,947	10.23
500,001-1,000,000	22	2.84	15,219,772	7.59
1,000,001 and above	54	6.98	156,775,478	78.15
	774	100.00	200,616,108	100.00

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
The Bank of New York Mellon (International) Limited[2]
1 Canada Square
London E14 5AL

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 (UK) LLP
4 More London Riverside
London SE1 2AU

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/February

Annual General Meeting.

May

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

June/July

Interim dividend paid.

Ordinary price share

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 PLC, through their secure website investorcentre.co.uk, or by telephone 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. Confirmation of dividends paid will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

DIVIDEND – 2018

The proposed final dividend in respect of the year ended 30 September 2018 is 4.40 cents per ordinary share. The Board has declared a one-off special dividend of 1 cent per ordinary share. Together with the interim dividend of 3.00 cents per share which was paid on 29 June 2018 to shareholders on the register on 1 June 2018, this gives a total dividend for the year ended 30 September 2018 of 8.40 cents per ordinary share.

Dividend timetable

Ex-dividend date:	3 January 2019
Record date:	4 January 2019
Last day for receipt of currency elections:	17 January 2019
Dividend payment date:	7 February 2019

ISIN/SEDOL NUMBERS

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

Ordinary Shares

ISIN	GB00B3SXM832
SEDOL	B3SXM83
Bloomberg code	BRFI LN Equity
Ticker	BRFI

C Shares

ISIN	GB00BD5GQJ41
SEDOL	BD5GQJ4
Bloomberg code	BRFC LN Equity
Ticker	BRFC

DIVIDEND TAX ALLOWANCE

With effect from April 2018, the annual tax free allowance on dividend income was reduced from £5,000 to £2,000.

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.

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: www.computershare.co.uk. 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.

Additional information

Shareholder information continued

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

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

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

ELECTRONIC 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 dividend confirmation.

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.

ANNUAL GENERAL MEETING

The AGM of the Company is to be held at 12.00 noon on Tuesday, 5 February 2019. If you are unable to attend the meeting you can view it on the Company's website at www.blackrock.co.uk/brfi where you will be able to watch the Portfolio Managers present their overview of the year and the outlook for the coming months.

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; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

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.

STOCKS AND SHARES INDIVIDUAL SAVINGS ACCOUNTS (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within stocks and shares Individual Savings Accounts. In the 2018/2019 tax year investors have an annual ISA allowance of £20,000 (2017/2018; £20,000) which can be invested in either cash or shares.

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, dividend confirmation statement 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
Email: cosec@blackrock.com

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.

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 93.

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 2018	1.18	1.18
Leverage ratio – as at 30 September 2017	1.13	1.09

OTHER RISK DISCLOSURES

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 17 to the notes to the financial statements on pages 67 to 80.

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.

KEVIN MAYGER
FOR AND ON BEHALF OF
BLACKROCK INVESTMENT MANAGEMENT (UK) LTD
Company Secretary
10 December 2018

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 allotted a total of 22,748,000 new ordinary shares during the year with a total nominal value of US$227,480 which were issued at an average price of 159.16p per share for a total consideration of £37,176,655 before the deduction of issue costs. Details of the allotments are set out in the following table:

Allottee	Number of issue transactions	Total shares issued	Price range (p)	Total consideration (£'000)	Average premium %
Winterflood Securities Limited	48	22,748,000	143.75 to 168.00	37,177	2.7%

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.

KEVIN MAYGER
FOR AND ON BEHALF OF
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
10 December 2018

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, 5 February 2019 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 11, as ordinary resolutions and, in the case of resolutions 12 to 14, as special resolutions).

Resolution 2 is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the remuneration policy as set out in the policy table on page 39.

ORDINARY BUSINESS

Ordinary Resolutions

1. To receive the report of the Directors of the Company and the Financial Statements for the year ended 30 September 2018, together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2018.

3. To approve the payment by the Company of a final dividend of 4.40 cents per ordinary share in respect of the year ended 30 September 2018.

4. To re-elect Mr Audley Twiston-Davies as a Director.

5. To re-elect Mr John Murray as a Director.

6. To re-elect Mr Stephen White as a Director.

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

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

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

10. To authorise the Audit and Management Engagement Committee to determine the Auditor's remuneration.

SPECIAL BUSINESS

Ordinary Resolution

11. 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$249,168.68 (being 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice), or, if different, such amount as represents 10% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of the passing of this resolution, provided this authority shall expire at earlier of 31 March 2020 and the conclusion of the annual general meeting to be held in 2020 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:

12. That, in substitution for all existing authorities and subject to the passing of resolution 11, 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 11, 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 2020 and the conclusion of the annual general meeting of the Company to be held in 2020, 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$249,168.68 (representing approximately 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice) or, if different, such amount as represents 10% of the Company's issued share capital as at the date of the passing of this resolution; 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.

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

    (a) the maximum number of Shares hereby authorised to be purchased is 37,350,386 (being the equivalent of

14.99% of the Company's issued share capital at the date of this notice) or, if different, such amount as represents 14.99% of the Company's issued share capital as at the date of the passing of this resolution;

(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 2020 and the conclusion of the annual general meeting of the Company in 2020 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

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

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

(b) cancelled immediately upon completion of the purchase.

14. That, the period of notice required for general meetings of the Company (other than Annual General Meetings) shall be not less than 14 clear days' notice.

BY ORDER OF THE BOARD
KEVIN MAYGER
FOR AND ON BEHALF OF
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED
Company Secretary
10 December 2018

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, 1 February 2019 (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 1 February 2019 (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, 1 February 2019 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. 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, 1 February 2019 (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.
9. 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, 1 February 2019 (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.
10. 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 Guidance 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 Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
11. 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.
12. 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.

13. 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.
14. 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 24 December 2018, 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.
15. 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.
16. As at the date of this report, the Company's issued share capital comprised 204,241,108 ordinary shares of 1 cent each (none of which are held in treasury) 44,927,580 C shares with 1 voting right per share, and 50,000 management shares of £1.00 each (which do not carry voting rights). Each ordinary share and each C share carries the right to one vote at general meetings. Therefore the total number of voting rights in the Company on 10 December 2018 is 249,168,688.
17. 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 10 December 2018 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" (as set out in note 9 of the notes to the financial statements on page 63) by the total number of ordinary shares in issue. For example, as at 30 September 2018 equity shareholders' funds were worth US$356,495,000 and there were 200,616,108 ordinary shares in issue (as set out in note 9 of the notes to the financial statements on page 63); the undiluted NAV was therefore 177.70 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.

TOTAL RETURN – NAV AND SHARE PRICE*

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/Share price.

NAV total return	Page	30 September 2018	30 September 2017	
Closing NAV per share (cents)	63	177.70	196.91	
Add back interim and final dividends for the year ended 30 September 2018 (2017) (cents)	62	7.20	6.70	
Effect of dividend reinvestment		(0.99)	0.80	
Adjusted closing NAV (cents)		183.91	204.41	(a)
Opening NAV per share (cents)	63	196.91	168.19	(b)
NAV total return (c = ((a - b)/b)) (%)		**-6.6**	**21.5**	(c)

* Alternative Performance Measures.

Share price total return	Page	30 September 2018	30 September 2017	
Closing share price (cents)[1]	63	182.25	199.91	
Add back interim and final dividends for the year ended 31 August 2018 (2017) (cents)	62	7.20	6.70	
Effect of dividend reinvestment		(0.98)	0.59	
Adjusted closing share price (cents)		188.47	207.20	(a)
Opening share price (cents)[1]	63	199.91	167.58	(b)
Share price total return (c = ((a - b)/b)) (%)		**-5.7**	**23.6**	(c)

1 Based on an exchange rate of $1.3041 at 30 September 2018 and $1.3417 to £1 at 30 September 2017.

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% (please see note 9 of the financial statements on page 63 for the audited inputs to the calculation).

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 = Total Gross Exposure ÷ Net Assets

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 2018, 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.

ONGOING CHARGES RATIO*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type 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 fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments (as set out in note 5 of the notes to the financial statement on page 60). Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

* Alternative Performance Measures.

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding performance fees, finance costs, VAT refunded, transaction charges, taxation and certain non-recurring items) expressed as a percentage of the average monthly net assets of the Company during the year.

Ongoing charges calculation	Page	30 September 2018 US$000	30 September 2017 US$000	
Management fee	59	4,280	3,361	
Other operating expenses	60	1,252	1,062	
Total management fee and other operating expenses		5,532	4,423	(a)
Performance fees	59	–	596	(b)
Total management and performance fee and other operating expenses (c = a+b)		5,532	5,019	(c)
Average net assets in the year		389,040	306,238	(d)
Ongoing charges (e = a/d)		**1.42%**	**1.44%**	**(e)**
Ongoing charges including performance fees (f = c/d)		**1.42%**	**1.64%**	**(f)**

GEARING AND BORROWINGS

The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital, investment in derivatives and structured financial instruments, and borrowings. 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 (please see the Statement of Financial Position on page 54 and notes 11 and 17 for the audited inputs to the calculation).

Be ScamSmart

FINANCIAL CONDUCT AUTHORITY

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

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

If so, you might have been contacted by fraudsters.

Avoid investment fraud

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

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

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

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers.** 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**

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

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Paper from responsible sources
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