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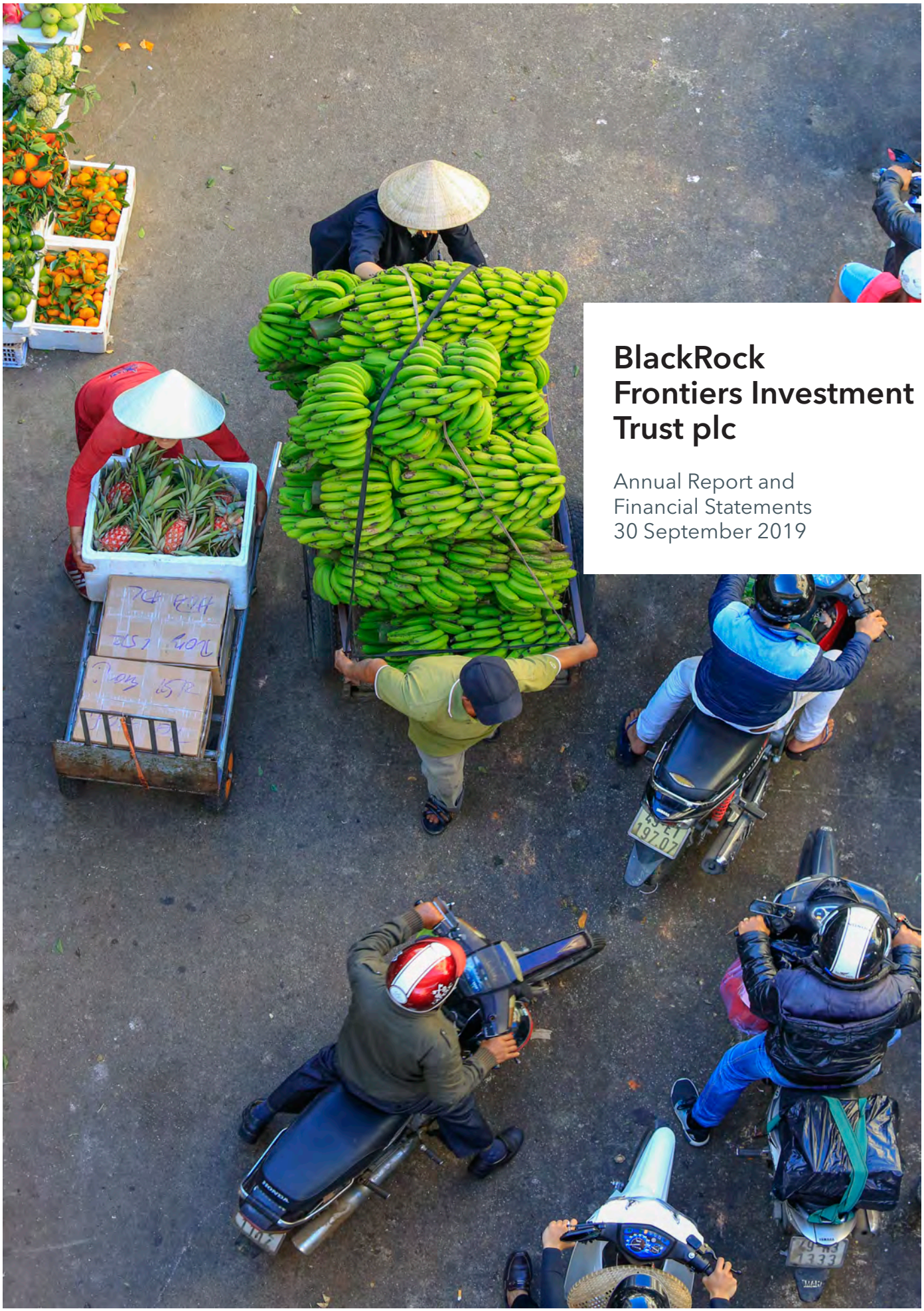


BlackRock Frontiers Investment Trust plc

Annual Report and Financial Statements
30 September 2019

BLACKROCK®

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

Katrina Hart

Director,
Appointed on 1 October 2019

Additional information on Board composition, the Company's corporate governance structure and the Directors' biographies can be found on pages 27 to 30.

Cover image: Street scene, Hoi An, Vietnam.

Why BlackRock Frontiers Investment Trust plc?

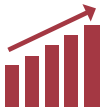
Reasons to Invest...

Investment Objective

The Company's 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 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").

Differentiated opportunity

Investing in Frontier markets provides the Company the opportunity to identify attractively valued businesses operating within faster growing economies often delivering highly attractive growth in cash flows and dividends. These markets often have low correlation with the developed markets and with each other, offering portfolio diversification opportunities.



Long-term focus

Looking through the daily noise which impacts markets for the best long term opportunities. We seek out mis-priced assets in some of the fastest growing countries in the world, home to over 3 billion of the world's poorest population. We look to align ourselves with good management teams of highly cash flow generative companies that we believe have the ability to create long term value for the patient investor.

Closed-ended structure

Investment Trusts have an independent Board of Directors elected to protect shareholders' interests and enhance shareholder value. The closed-ended structure means the Company does not have to sell assets to meet redemptions and can also retain a proportion of its income to help smooth dividend payments. It can also use gearing to potentially increase returns over time and can invest for the long-term in a more diverse portfolio of assets.

Expertise and Idea Generation

The Company is managed by BlackRock's Global Emerging Markets team and benefits from its expertise and global reach. The team has the resources to travel the globe to undertake extensive, proprietary, on-the-ground research to get to know the management of the companies in which they invest. The team also generates investment ideas using a diverse range of sources, including BlackRock's research platform.

Diversified Portfolio

The Portfolio Managers aim to ensure risk and returns are diversified by end market exposures. We work closely with our partners in the BlackRock Risk and Quantitative Analysis group to ensure that portfolio risk is deliberate, diversified and scaled.

Yield

The Company generated an attractive dividend yield of 4.8% for the year ended 30 September 2019. Dividends have consistently grown since the Company was launched in 2010.

A member of the Association of Investment Companies

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

Financial highlights

132.00p
Ordinary share price

▼ **0.9%**[1,2,4]

166.54c
NAV per ordinary share

▼ **1.5%**[3,4]

7.75c
Total dividends

▲ **4.7%**

4.8%[4]
Yield

US$400.8m
Net assets

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 world's tallest building. The company has already handled over more than 40,000 residences in Dubai.

Photo: Downtown Dubai, U.A.E

Percentage comparisons are year-on-year against 30 September 2018.

[1] Mid-market.
[2] Share price performance is calculated in Sterling terms with dividends reinvested.
[3] NAV performance is calculated in US Dollar terms with dividends reinvested.
[4] Alternative Performance Measures. See Glossary on pages 114 to 117.

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Performance record

The Company's financial statements are presented in US Dollars. The Company's shares are listed on the London Stock Exchange and quoted in UK pounds sterling. The sterling amounts shown below are presented for convenience. The difference in performance measured in US Dollars and UK pounds sterling reflects the depreciation of the pound against the US Dollar over the period.

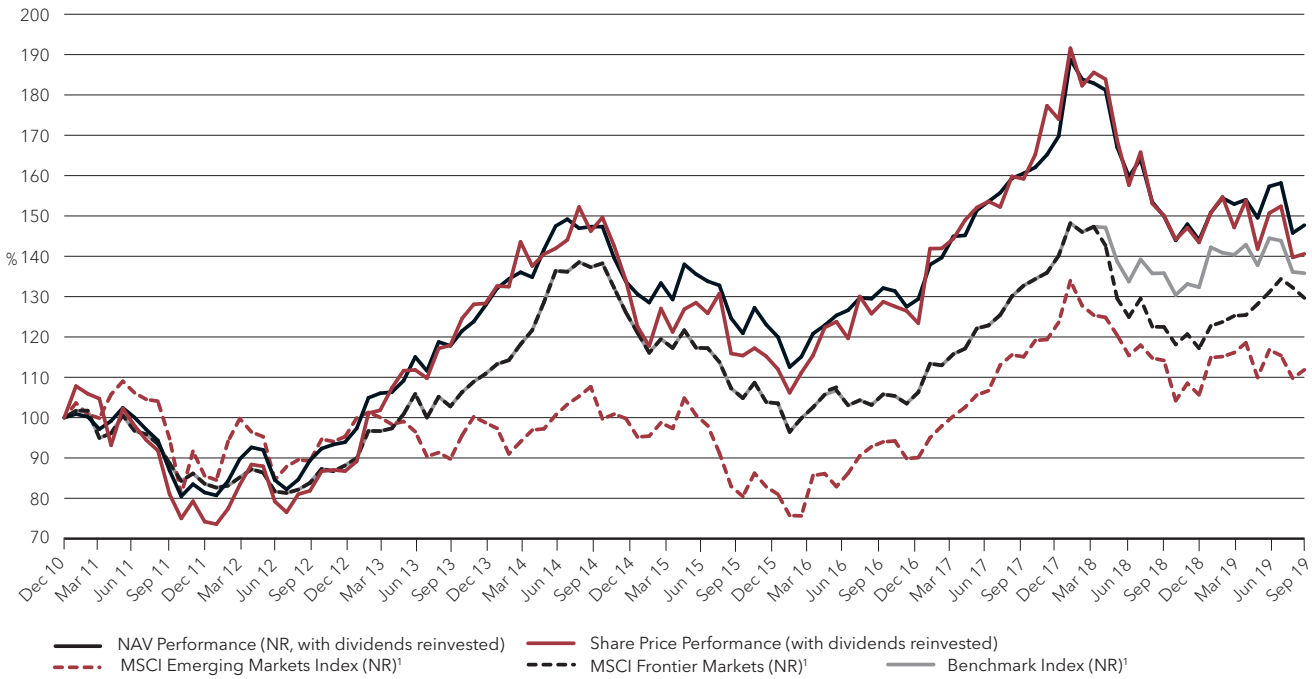
	30 September 2019	30 September 2018
US Dollar		
Net assets (US$'000)[1]	400,820	356,495
Net asset value per ordinary share (cents)	166.54	177.70
Ordinary share price (mid market)[2] (cents)	162.66	182.25
Sterling		
Net assets (£'000)[1,2]	325,262	273,365
Net asset value per ordinary share[2] (pence)	135.15	136.26
Ordinary share price (mid-market) (pence)	132.00	139.75
(Discount)/premium[4]	(2.3%)	2.6%

Performance	Year ended 30 September 2019 %	Year ended 30 September 2018 %	Since inception[3] %
US Dollar			
Net asset value per share (with dividends reinvested)[4]	-1.5	-6.6	+46.5
Benchmark Index (NR)[5,6]	+0.0	+2.3	+35.8
MSCI Frontier Markets Index (NR)[5,6]	+5.9	-7.7	+29.6
MSCI Emerging Markets Index (NR)[6]	-2.0	-0.8	+11.8
Ordinary share price (with dividends reinvested)[4]	-6.3	-5.7	+40.6
Sterling			
Net asset value per share (with dividends reinvested)[4]	+4.2	-4.0	+84.9
Benchmark Index (NR)[5,6]	+5.8	+5.3	+71.8
MSCI Frontier Markets Index (NR)[5,6]	+12.0	-5.1	+64.0
MSCI Emerging Markets Index (NR)[6]	+3.7	+2.0	+41.5
Ordinary share price (with dividends reinvested)[4]	-0.9	-3.1	+77.1

1 The change in net assets reflects shares issued in the year, proceeds from the C share issue, dividends paid and market movements.
2 Based on an exchange rate of US$1.2323 to £1 at 30 September 2019 and US$1.3041 to £1 at 30 September 2018.
3 The Company was incorporated on 15 October 2010 and its shares were admitted to trading on the London Stock Exchange on 17 December 2010.
4 Alternative Performance Measures, see Glossary on pages 114 to 117.
5 With effect from 1 April 2018, the Benchmark 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 Benchmark Index was the MSCI Frontier Markets Index. The performance returns of the Benchmark Index during the prior year and since inception have been blended to reflect this change.
6 Net return (NR) indices calculate the reinvestment of dividends net of withholding taxes using the tax rates applicable to non-resident institutional investors.

Sources: BlackRock and Datastream.

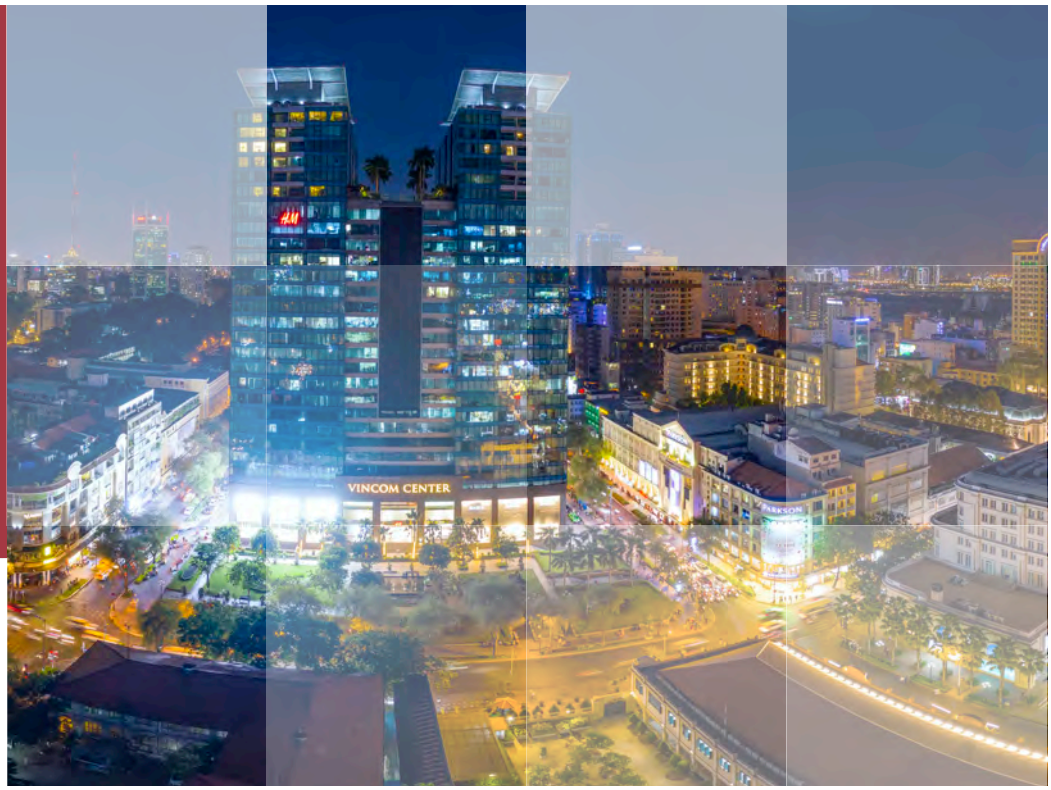
Performance since launch on 17 December 2010 to 30 September 2019



[1] With effect from 1 April 2018, the Benchmark 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 Benchmark Index was the MSCI Frontier Markets Index. The performance of the benchmark indices have been blended to reflect this change.

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

Vincom Retail is the largest and fastest growing retail developer, owner and operator in Vietnam. Being market leader in shopping malls in Vietnam's major cities allows the company to benefit from the country's favourable economic and consumption inflection point.



Chairman's statement

AUDLEY TWISTON-DAVIES

Dear Shareholder,

I am pleased to present to you the Annual Report and Financial Statements for the year ended 30 September 2019.

Overview

During the year to 30 September 2019, your Company's Net Asset Value per share decreased by 1.5%, underperforming the Benchmark Index which was flat over the same period. Frontier and emerging market volatility has been a feature during the twelve months under review, with fears of slowing global growth and US/China trade conflict negatively impacting both frontier and developed markets. More recently, the US/China trade tensions appear to have abated somewhat, with a deal to roll back the 'tit for tat' trade tariffs implemented earlier in the year agreed, in principle at least. (All performance figures are stated on a US Dollar basis with dividends reinvested).

A significant sell-off in frontier market assets occurred in Q4 2018. However, markets gained some ground back in Q1 2019. Country-specific political uncertainty also negatively impacted the performance of some of the portfolio's larger exposures during the period; most notably in Argentina where the outcome of the Presidential elections saw the local market fall substantially. A more detailed commentary on the performance and positioning of the portfolio, the key contributors and detractors to overall investment performance during the period and the portfolio managers' view on the outlook for frontier markets are given in their report which follows on pages 8 to 13.

Over the longer term, your Company has generated a total return of +46.5% since launch in 2010, comparing favourably to an increase of 35.8% for the Benchmark 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 84.9% since launch, compared with the return on the Benchmark Index in sterling terms of 71.8% over the same period.

Revenue return and dividends

The Company's revenue return per share for the year amounted to 8.24 cents (2018: 10.13 cents). The Directors are recommending the payment of a final dividend of 4.75 cents per ordinary share (2018: 4.40 cents) in respect of the year ended 30 September 2019. Together with the interim dividend of 3.00 cents per share (2018: 3.00 cents), this represents a total of 7.75 cents per share (2018: 8.40 cents), an increase of 4.7% over total ordinary dividends (excluding the special dividend) paid in the previous year.

Subject to shareholder approval, this dividend will be paid on 7 February 2020 to shareholders on the register of members at close of business on 3 January 2020. The ex-dividend date will be 2 January 2020. The Company does not have a policy of actively targeting income; nevertheless, this return represents an attractive yield of 4.8%. The Company has grown its dividend every year since launch and 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

Following shareholder approval in a General Meeting, the Company issued 44,927,580 C shares with a nominal value of 10 cents each at a price of £1.00 per share on 27 November 2018, the majority of which were issued in connection with the reconstruction of BlackRock Emerging Europe plc. The C shares were subsequently converted into 33,906,693 ordinary shares in January 2019 in accordance with the terms of the C share Prospectus and Circular. Upon conversion the investments which were attributable to the C Shares were merged with the Company's existing portfolio of investments.

The new Ordinary Shares arising on conversion of the C Shares rank pari passu with the Ordinary Shares then in issue. The C share issue raised total gross proceeds of US$57,620,000 which consisted of cash and other assets transferred under the rollover option in connection with the scheme of reconstruction of BlackRock Emerging Europe plc and proceeds received from the placing and offer for subscription. These assets were invested in accordance with the Company's existing investment policy. Please see note 12 on page 89 for further information.

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 2019, the Company had 240,672,801 ordinary shares in issue. In addition to the Ordinary shares created upon conversion of the C share issue as described above, in response to sustained demand for the Company's shares, a total of 6,150,000 new ordinary shares were issued during the year to 30 September 2019. No further new ordinary shares were issued during the period from 1 October 2019 up to the date of this report.

For the year under review, the Company's ordinary shares have traded at an average premium to NAV of 0.8% and were trading at a premium of 0.5% on a cum-income basis at 4 December 2019, the latest practicable date prior to the issue of this report. The Directors have been granted the authority by shareholders to buy back up to 14.99% of the Company's issued share capital (excluding any shares held in treasury) and also to issue or sell from treasury on a non pre-emptive basis up to 10% of the Company's issued share capital. Both authorities expire on the conclusion of the forthcoming AGM to be held on Tuesday, 4 February 2020 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 45 and 46.

Board composition

The Board consists of six independent Non-executive Directors. 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. Having served on the Board since July 2011, Mr Murray will be retiring at the forthcoming Annual General Meeting (AGM) and will therefore cease to be a Director of the Company from its conclusion. On behalf of the Board, I would like to take this opportunity to thank Mr Murray for his invaluable contribution to the long-term success of the Company during his tenure. We wish him well for the future.

As part of its succession planning arrangements, the Board commenced a search during the year to identify a new Director to join the Board, assisted by a third-party recruitment firm. Following a detailed evaluation of each of the candidates, the Board selected Mrs Katrina Hart who was subsequently appointed with effect from 1 October 2019. Katrina brings a wealth of financial sector experience and expertise, both complementing and enhancing the skills and experience of the existing Board. Further information on Katrina and all of the Directors can be found in their biographies on pages 28 to 30.

The Directors have agreed to submit themselves to annual re-election and therefore all Directors, with the exception of Mr Murray, will retire and will stand for election or re-election at the forthcoming AGM.

Corporate Governance

Earlier this year, the Association of Investment Companies (AIC) published the 2019 Code of Corporate Governance (the AIC Code) which was endorsed by the Financial Reporting Council (FRC) as being appropriate for investment companies. The AIC Code applies to accounting periods beginning on or after 1 January 2019. The Board has determined that, effective from the Company's new financial year, it will comply with the recommendations of the 2019 AIC Code. This in most material respects is the same as the FRC Code, save that there is greater flexibility regarding the tenure of office of the Chairman.

Outlook

In a world where growth looks challenged and sources of yield are increasingly scarce, our investment universe stands out. Frontier markets remain the fastest growing countries in the world. As demonstrated by the dividends paid by the Company, our holdings generate an attractive yield. The markets have de-rated meaningfully over the last couple of years, enabling the managers to find companies with strong earnings growth profiles, trading on very attractive valuations. As such, the Board believes that frontier markets remain an attractive proposition for the medium to long-term investor.

The Board believes that the Company's broadened investable universe provides the investment managers with the flexibility to adjust the portfolio's geographic exposure to take advantage of opportunities across frontier markets.

Annual General Meeting

The AGM of the Company will be held at BlackRock's offices at 12 Throgmorton Avenue, London EC2N 2DL on Tuesday, 4 February 2020 at 12.00 noon. Details of the business of the meeting are set out in the Notice of Meeting on pages 119 to 122. 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
5 December 2019

Investment managers' report

for the year ended 30 September 2019

Portfolio & Market Commentary

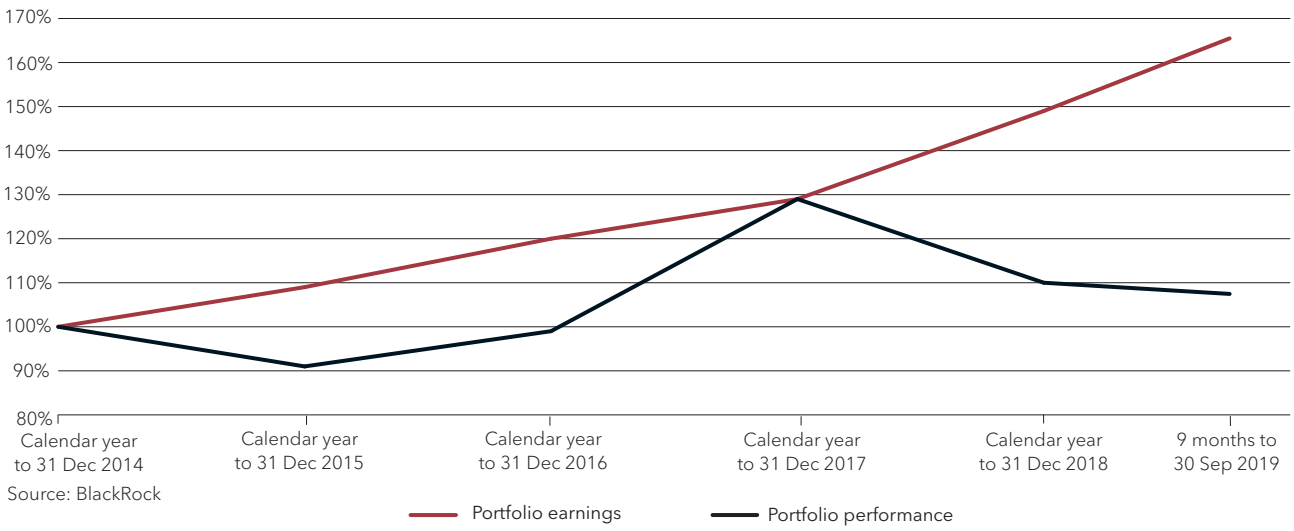
During the twelve months to 30 September 2019, the Company returned -1.5%* (on a US Dollar basis with dividends reinvested) versus its Benchmark Index which was flat and returned 0.0%**. The MSCI Frontier Markets Index return +5.9%, while the MSCI Emerging Markets Index returned -2.0% over the same period. Since inception the Company has returned +46.5%, compared to +35.8% return of its Benchmark Index and +29.6% return of the MSCI Frontier Markets Index, while MSCI Emerging Markets Index has lagged, returning +11.8%.

2019 was a somewhat frustrating year for the Company as frontier markets went not just broadly, but exactly nowhere, returning exactly 0.0% over the 12 months to the end of September. Whilst there were highs (Greece, Vietnam) and lows (Argentina, Malaysia) within that, the aggregate performance is still disappointing.

Fundamentally, investors expect that price performance will follow earnings growth and companies that are able to sustainably grow their earnings should see strong share price performance. The chart below, using BlackRock proprietary data, shows how the earnings of the companies in our portfolio have grown over the past five years and how the overall value of our frontier markets portfolio has developed. Whilst the earnings have grown consistently at an average rate of around 10% p.a., this has not been the case for the portfolio's value. There has been a substantial de-rating of these frontier markets' earnings.

"We believe valuations are now at very attractive levels, around the cheapest that we have seen since we launched the Company."

Cumulative portfolio earnings vs NAV performance (in US Dollar terms)



Source: BlackRock

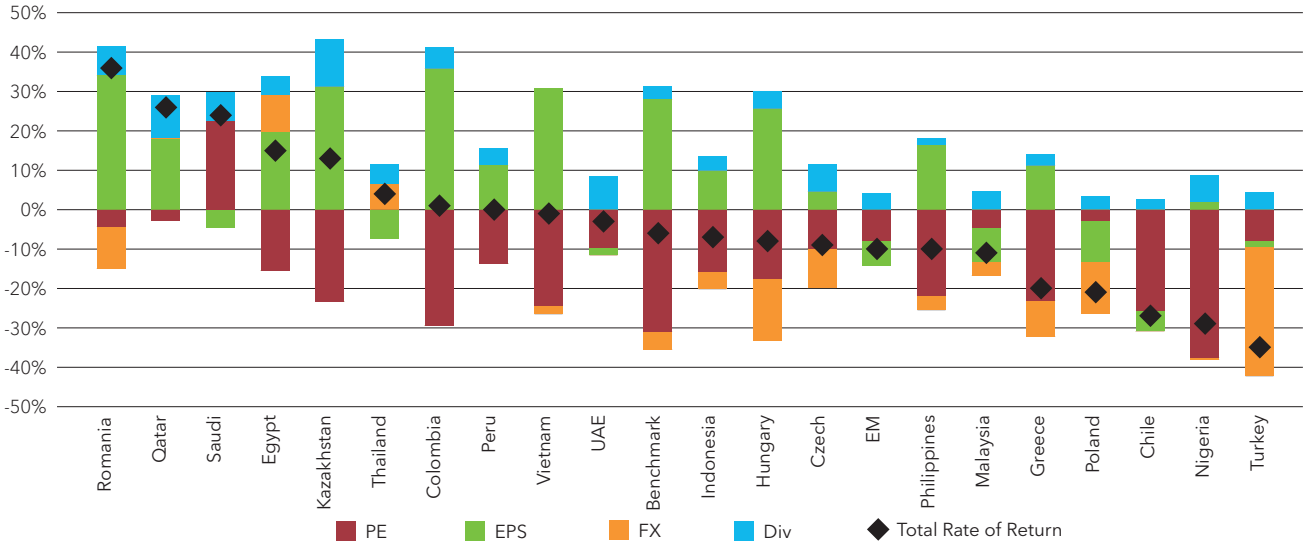
The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

* Source: BlackRock, as at 30 September 2019.

** Source: MSCI. With effect from 1 April 2018 the Benchmark Index changed to MSCI Emerging Markets ex Selected Countries + MSCI Frontier Markets Index + MSCI Saudi Arabia Index. Prior to 1 April 2018, the Benchmark Index was MSCI Frontier Markets Index. The performance of the Benchmark Index has been blended to reflect this change.

The chart below shows the total rates of return in US dollars for the individual frontier markets for the 21 months to 30 September 2019, as well as a disaggregation of that performance into earnings growth, dividend, valuation multiple and currency. You can see clearly that whilst earnings growth has been strong in many markets, overall market performance has been held back by a general de-rating in valuation multiples.

Decomposition of Returns



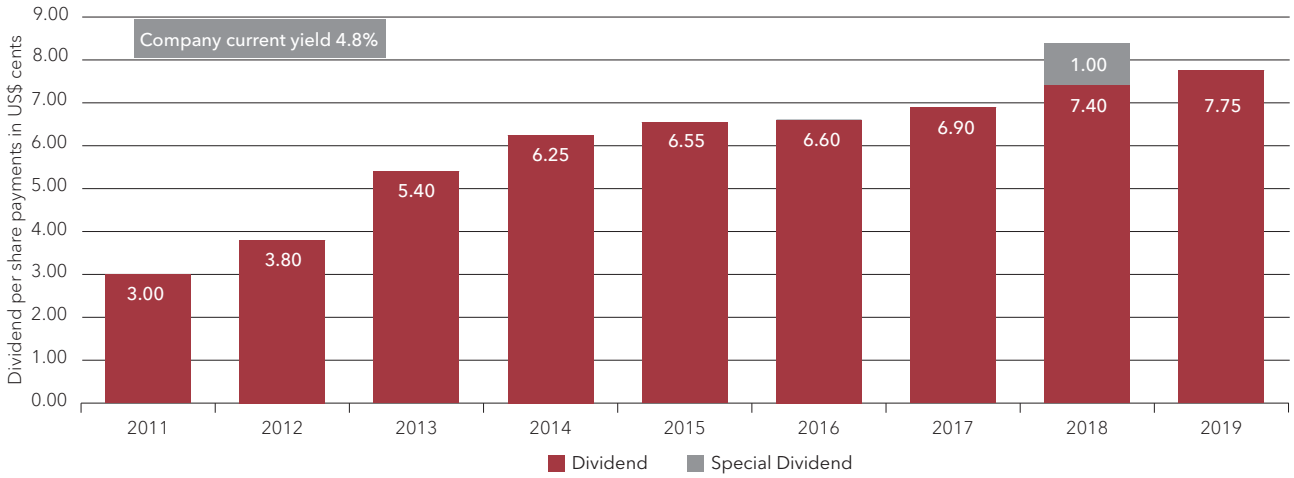
For presentational purposes Argentina has been omitted from the chart above.
The respective figures are as follows:

PE	EPS	FX	Div	TRR
-71.5%	14.1%	0.0%	1.2%	-66%

Source: BlackRock.

Given the strong earnings profile that we have seen from portfolio holdings, dividends have consistently grown since the Company was launched and we believe the yield on the Company's shares is currently attractive.

Dividend progression since launch

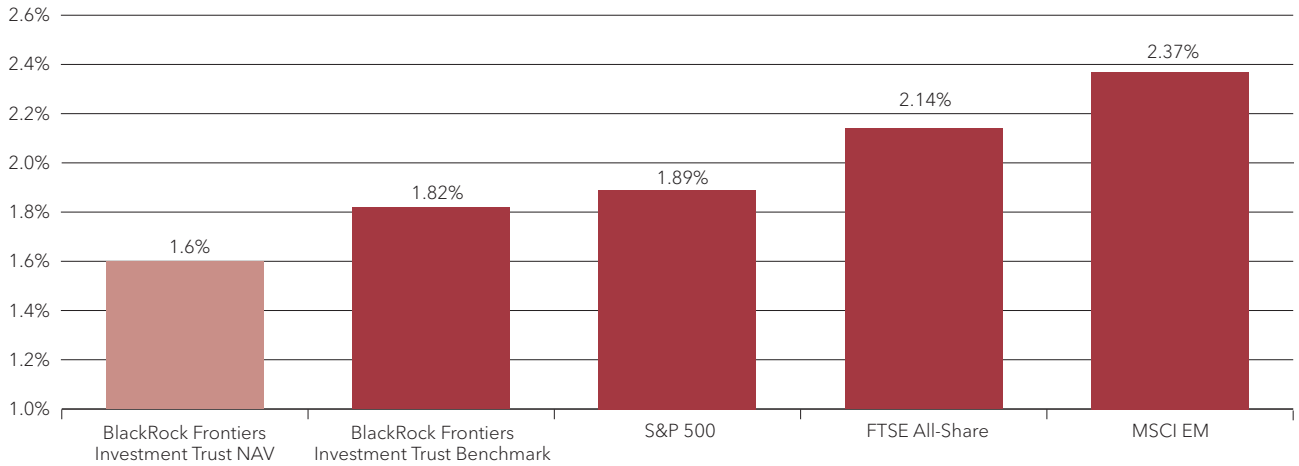


Source: BlackRock, as at 30 September 2019.
Dividend yield cannot be guaranteed.
The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Investment managers' report continued

The low correlation between frontier markets and all developed and emerging markets means that the inclusion of a Frontier Markets Fund within a portfolio can bring significant diversification benefits, as demonstrated by the chart below.

Low volatility since inception



Source: Bloomberg, MSCI, as at 30 September 2019. Volatility of weekly returns since 17 December 2010, inception date of the BlackRock Frontiers Investment Trust.

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.

Thai Beverage is a leading beverage company in Southeast Asia and the largest one in Thailand. Not only does the company have an international presence in more than 90 countries, Thai Beverage benefits from a distribution network covering more than 400,000 points of sale in Thailand.

Review of performance

Investments in **Greece** proved the benefits of a patient approach during the year. After falling nearly 40% during the first quarter of the year, our holding in National Bank of Greece subsequently rose more than 150% to become the largest single stock contributor to performance. The positive performance came as the bank showed substantial progress in reducing exposure to defaulted loans. We made a particularly timely switch between Alpha Bank and National Bank of Greece during the year recognising the substantial differentiation in provision coverage between the two banks, which was subsequently reflected in very differentiated share price performance.

Our patience was also repaid in **Vietnam**, where holdings in Mobile World (+32%) and FPT (+37%) both showed very strong performance after an unremarkable 2018 (both +9%). The Company has held both of these names for nearly 5 years. Mobile World has been a phenomenal success story. The company started life retailing mobile phones and has expanded from this into wider consumer electronics and for the last couple of years has entered the supermarket space. Whilst this remains a daunting challenge, the extent of white goods space in a country as underpenetrated as Vietnam is enviable. FPT, a digital technology company, offers similar long-term growth potential.

Positions in **Indonesia** rose following the re-election of Joko Widodo as President. He is expected to continue to follow market friendly policies and continue the reform path initiated during his first administration. Our position in Semen Indonesia, a building materials manufacturer, (+23%) rose as the company announced a takeover of rival Holcim Indonesia, which is expected to have a substantial beneficial impact on future margins. Mitra Adiperkasa, a clothing and speciality retailer (+29%), rose as the company reported strong same store sales growth and improved margins through the year.

As an Indonesian conglomerate, Astra International owns Southeast Asia's largest independent automotive group and is the leading provider of a full range of automobile and motorcycle products. It is also an active participant in the development of Indonesia's strategic infrastructure, including toll roads, energy, transportation and logistics and sea ports.

Investment managers' report continued

"Frontier Markets is a volatile universe. This means that opportunities are frequently presented to an active manager to trade mis-priced stocks. The last year was no different in this respect. "

One such example included Thai Beverage (+31%), which we were able to buy at very attractive levels in Q4 2018. Having historically been able to take market share from multinational peers in Thailand, the company bought a majority stake in Sabeco, a state-owned Vietnamese brewer, with the intention of repeating this strategy. However, the stock sold off substantially post acquisition on market fears that the company had overpaid for the acquisition. As at September 2019, the stock was trading at almost exactly the same price as it had been two years previously in September 2017.

AirArabia (+30%) is another very similar example, where again the stock was trading at a similar price to two years ago as at 30 September 2019. Here, the sell-off was perhaps more justified as the company had to write off substantial portions of its investment book in connection with the downfall of Abraaj Group, a Middle Eastern private equity group. Although raising some questions around management judgement, the write off had no impact on company operations, which have continued to show very strong growth as the company has taken market share across the Middle East.

The example of **Argentina** reinforces our belief in the importance of diversification. Our expectation was that Mr Macri had a good chance to win a second term in the Argentine presidential elections. If he had been able to, we believe that this would have given Argentina the best hope of economic normalisation that we have seen in our lifetimes. However, this view proved incorrect, as Mr Macri performed surprisingly poorly in the primary elections which correctly foresaw the outcome of the October elections, which were won by Alberto Fernandez, returning the country to Peronist rule. The Argentine market fell more than 50% on the day following this election. This was the 2nd largest USD single day fall that any country index anywhere in the world has seen over the last 60 years. Hence, our holdings in Energy company YPF (-39%) and Energy Utility Pampa Energia (-62%) detracted from returns.

"Our position in telecommunications company, Telecom Malaysia (+26%), contributed well to returns as the stock bounced from a very low valuation. We have since exited the position."

Overall performance in **Malaysia** was disappointing during the year. Our holding in British American Tobacco Malaysia (-49%) impacted returns, following disappointing earnings results which saw higher costs and a larger than expected decline in the legal tobacco market. An expected government crackdown on the illegal market has failed to impact on illicit volumes as expected.

Other disappointing stocks in the portfolio included Alior Bank in **Poland**, which fell 43% during the year as the company reported a substantial deterioration in its asset quality. We have subsequently exited the position as we believe that the company still has insufficient provisions on its balance sheet.

Portfolio Activity

In general, individual stock turnover in the portfolio has been fairly low during the year. As patient, long term investors, we have maintained positions in conviction stocks where we think valuations are fundamentally cheap. Given the volatility we see across our markets, we will add and reduce the size of positions with market moves, and we have continued this practice through the year, trimming winners and topping up losers.

We have substantially increased our holdings in the **Philippines**, moving from a net short position to a net long position over the year. In an increasingly growth challenged world, we think that the Philippines will continue to grow faster than its peers and that this will be supportive for valuations.

> "Every country that we invest in carries inherent risks. We believe that investing in a diversified portfolio is the best approach to frontier markets."

We substantially reduced our holdings in **Argentina** post the primary elections in August, given our view that in order to roll over the dollar debt outstanding, the country will require a level of fiscal adjustment that will be very challenging for the new administration to meet. We exited most of our positions in **Kuwait**. The market rose substantially following the announcement in June that MSCI will upgrade Kuwait to emerging market status subsequent to the exchange meeting certain conditions by November 2019. We believe that our holdings reached fair value and have exited National Bank of Kuwait and Mobile Telecommunications (Zain).

Outlook

Whilst expectations for global growth look increasingly challenged, Frontier Markets continue to offer exposure to countries that we believe have high structural growth. We note that a lot of stocks in our universe are trading at extremely low valuations whilst offering very attractive dividend yields, which we view as a rewarding opportunity for long term patient investors.

SAM VECHT and EMILY FLETCHER
BlackRock Investment Management (UK) Limited
5 December 2019

Exciting and undiscovered: the real emerging economies

***Are investors getting what they need from their exposure to emerging economies? Emily Fletcher and Sam Vecht discuss why they may need to look beyond conventional funds to access the most exciting opportunities*.**

These are not easy times to be an investor. Over half of central banks are now cutting rates[1], a reflection of the scarcity of growth in the global economy. It has become more difficult, but also more important, to find differentiated sources of growth in a portfolio.

Emerging markets have typically been a ready option for that differentiated growth. Their economies tend to be expanding faster, giving companies a fertile environment in which to grow earnings. However, we believe it is important for investors to look at how they access that growth.

Following strong performance from certain technology names and its increased integration in global supply chains, North Asia dominates the MSCI Emerging Markets Index – China now forms 32% of the MSCI Emerging Markets Index, South Korea 12% and Taiwan another 11.5%[2]. We believe concentration may increase further as greater weight is given to the newly-opening Chinese A-Shares market. Investors using mainstream emerging markets funds could see their allocations become even more skewed as a result. Rather than being exposed to differentiated growth, investors may find that their portfolios are blown about by macroeconomic factors, such as the more recent China/US trade dispute.

Overlooked opportunities

This is fine if it is the type of exposure investors are seeking, but it still leaves investors vulnerable to the ebb and flow of the global economy and may not provide as much diversification as they hope. Many of the same factors driving performance will also be those driving developed markets. We would rather invest in individual markets and companies with idiosyncratic sources of growth.

By expanding its benchmark in early 2018 to include the smaller economies within the MSCI Emerging Markets Index, the Company aims to provide investors with direct access to an even broader range of opportunities that have been relatively forgotten. Research by Kepler[3] shows that the largest eight emerging markets – China, South Korea, Brazil, Taiwan, India, South Africa, Russia and Mexico – make up around 75% of open-ended emerging market portfolios. Investment in the Company can be a way to balance the inherent biases of an emerging markets portfolio, providing access to fast growing economies less correlated to the global economic cycle.

Frontier and other early-stage markets generally struggle to attract international capital – and many do not seek it at all. Either way, capital markets are generally far less developed in frontier markets. Stock market and currency movements are more likely to be dominated by local factors – current accounts and trade accounts, for example – and much less by the machinations of the global economy.

It means that frontier markets should see lower volatility of returns and move less on some of the big macroeconomic factors driving other markets. That is not to say on an individual basis they're not extremely volatile, simply that it is local events that drive pricing – elections, reform, economic management – rather than US Dollar, US interest rates, global growth or trade tensions.

The good, the bad and the ugly

Equally, there is a far broader universe of countries from which to choose. We use quantitative screens to create a "macro dashboard", which brings in an analysis of fiscal accounts, liquidity supply and current economic activity plus other factors such as political stability. This helps us find those markets where companies have a strong environment in which to flourish. There will always be problem areas – at any given time, we will be very negative on between 20% and 30% of our universe – but, crucially, we always have options.

At any given time, the portfolio will have significant geographic diversity. Today it has 25 different countries represented. No individual country dominates the portfolio. Indonesia has the largest share of the portfolio at 14.7%. This is deliberate on our part. These are volatile markets and bringing them together in the right way, to blend different types of risk, is vitally important.

The temptation, at difficult times, can be to limit exposure to countries in earlier stages of their development. However, we believe this misreads the type of investment opportunities available from frontier markets. In frontier markets, the variation between markets is greater – from Argentina on one side, through to some of the Middle Eastern markets on the other. Despite this increased volatility at the single country level, frontier markets taken in aggregate continue to be less volatile than global emerging markets or even the S&P 500 Index. As such, we

[1] Financial Times, October 2019.
[2] MSCI Emerging markets factsheet, MSCI, August 2019.
[3] BlackRock Frontiers Investment Trust plc, Kepler, April 2019.

see them as an important source of differentiated growth at a time when there isn't a lot to go around.

Unless otherwise stated all data is sourced from BlackRock as at October 2019.

For more information on the Company and how to access the potential opportunities presented by frontier markets, please visit www.blackrock.com/uk/brfi.

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. You may not get back the amount originally invested.

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.

Company Specific Risks

Exchange rate risk: The return of your investment may increase or decrease as a result of currency fluctuations.

Emerging Europe: Emerging market investments are usually associated with higher investment risk than developed market investments. Therefore, the value of these investments may be unpredictable and subject to greater variation.

Frontiers: The Company invests in a number of developing emerging markets ("Frontier Markets"), which tend to be more volatile than more established markets and therefore present a higher degree of risk as they are less well regulated and may be affected by political and social instability and other factors.

Gearing risk: Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall.

Important Information

Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority.

The Company is managed by BlackRock Fund Managers Limited (BFM) as the Alternative Investment Fund Manager (AIFM). BFM has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited. The Company's shares are traded on the London Stock Exchange and dealing may only be through a member of the Exchange. The Company will not invest more than 15% of its gross assets in other listed investment trusts. SEDOL™ is a trademark of the London Stock Exchange plc and is used under licence.

Net Asset Value (NAV) performance is not the same as share price performance, and shareholders may realise returns that are lower or higher than NAV performance.

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

BlackRock have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our products are suitable, please read the Key Information Documents (KIDs) and the Annual and Half Yearly Reports available at blackrock.co.uk/brfi which detail more information about the risk profiles of the investments. We recommend you seek independent professional advice prior to investing.

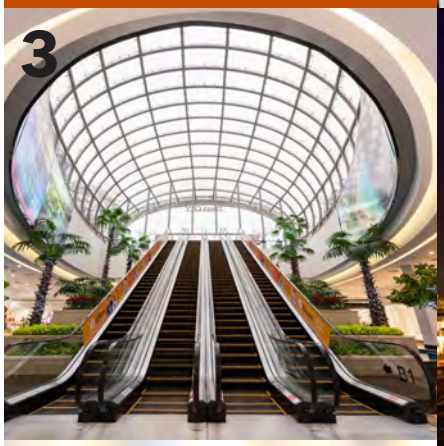
Any research in this material has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

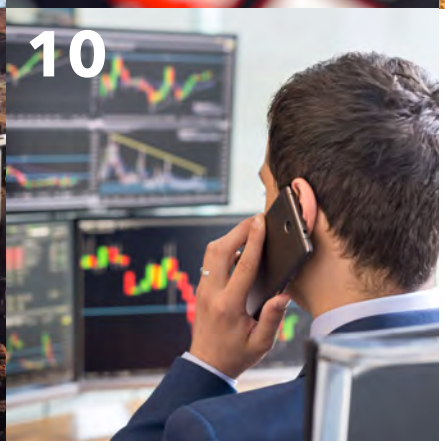
This material is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

Portfolio

Ten largest investments[1]

as at
30 September 2019





1 — 2018 1st

Astra International[2]

Consumer Discretionary (Indonesia)

Portfolio value	$	13,925,000
Percentage of portfolio	%	3.5 (2018: 4.6)

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 an active participant in the development of Indonesia's strategic infrastructure, including toll roads, energy, transportation and logistics and sea ports.

2 ▲ 2018 n/a

Charoen Pokphand Food

Consumer Staples (Thailand)

Portfolio value	$	12,833,000
Percentage of portfolio	%	3.2 (2018: Nil)

is an agro-industrial and food conglomerate headquartered in Thailand. The company's core businesses are livestock and aquaculture. The company operates in 17 countries and exports to over 30 countries in five continents, covering more than 3 billion people.

3 ▲ 2018 37th

Vincom Retail[3]

Real Estate (Vietnam)

Portfolio value	$	12,337,000
Percentage of portfolio	%	3.1 (2018: 1.5)

is a Vietnam-based company primarily engaged in the leasing of retail outlets in its shopping malls, comprising Vincom Center, Vincom Mega Mall, Vincom Plaza and Vincom+. The company's business activities also include the development and operation of commercial buildings, residential properties and office spaces.

4 ▲ 2018 n/a

PTT Global Chemical

Materials (Thailand)

Portfolio value	$	12,270,000
Percentage of portfolio	%	3.1 (2018: Nil)

is Thailand's largest petrochemical and refining company with combined olefins and aromatics capacity of 8.75 million tons per year plus a refining capacity of 280,000 barrels of crude oil and condensate per day.

5 ▲ 2018 41st

Eastern Tobacco

Consumer Staples (Egypt)

Portfolio value	$	11,870,000
Percentage of portfolio	%	2.9 (2018: 1.4)

is an Egypt-based company, which is engaged in manufacturing tobacco products. The company's product portfolio includes cigarettes, cigars, pipe tobacco, and molasses tobacco, as well as other related products such as cigarettes' filter rods and homogenized tobacco.

6 ▲ 2018 30th

LT Group

Industrials (Philippines)

Portfolio value	$	11,595,000
Percentage of portfolio	%	2.9 (2018: 1.8)

is a diversified investment company that is involved in beverages, tobacco, property development, and banking businesses in the Philippines, including Philippines National Bank.

7 ▲ 2018 14th

Mobile World[3]

Consumer Discretionary (Vietnam)

Portfolio value	$	10,738,000
Percentage of portfolio	%	2.7 (2018: 2.6)

is Vietnam's top mobile phone retailer by revenue and net profit after tax with 2,200+ stores nationwide. MWG operates the following concepts: "thegioididong" mobile phone retail chain, "Dien May Xanh" consumer electronics retail chains, "Bach Hoa Xanh" grocery retail chain. In addition, MWG expanded to regional markets with the first mobile phone retail chain named "Bigphone" in Cambodia.

8 ▲ 2018 13th

Emaar Development

Real Estate (United Arab Emirates)

Portfolio value	$	10,606,000
Percentage of portfolio	%	2.6 (2018: 2.5)

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.

9 ▲ 2018 11th

Orascom Construction

Industrials (Egypt)

Portfolio value	$	10,382,000
Percentage of portfolio	%	2.6 (2018: 2.7)

is an engineering, procurement and construction contractor based in Egypt. The company was Egypt's first multinational corporation and is now one of the region's largest corporations focused on infrastructure, industrial and high-end commercial projects in the Middle East, North Africa, the United States, and the Pacific Rim for public and private clients.

10 ▲ 2018 n/a

Bank of the Philippine Islands

Financials (Philippines)

Portfolio value	$	9,965,000
Percentage of portfolio	%	2.5 (2018: Nil)

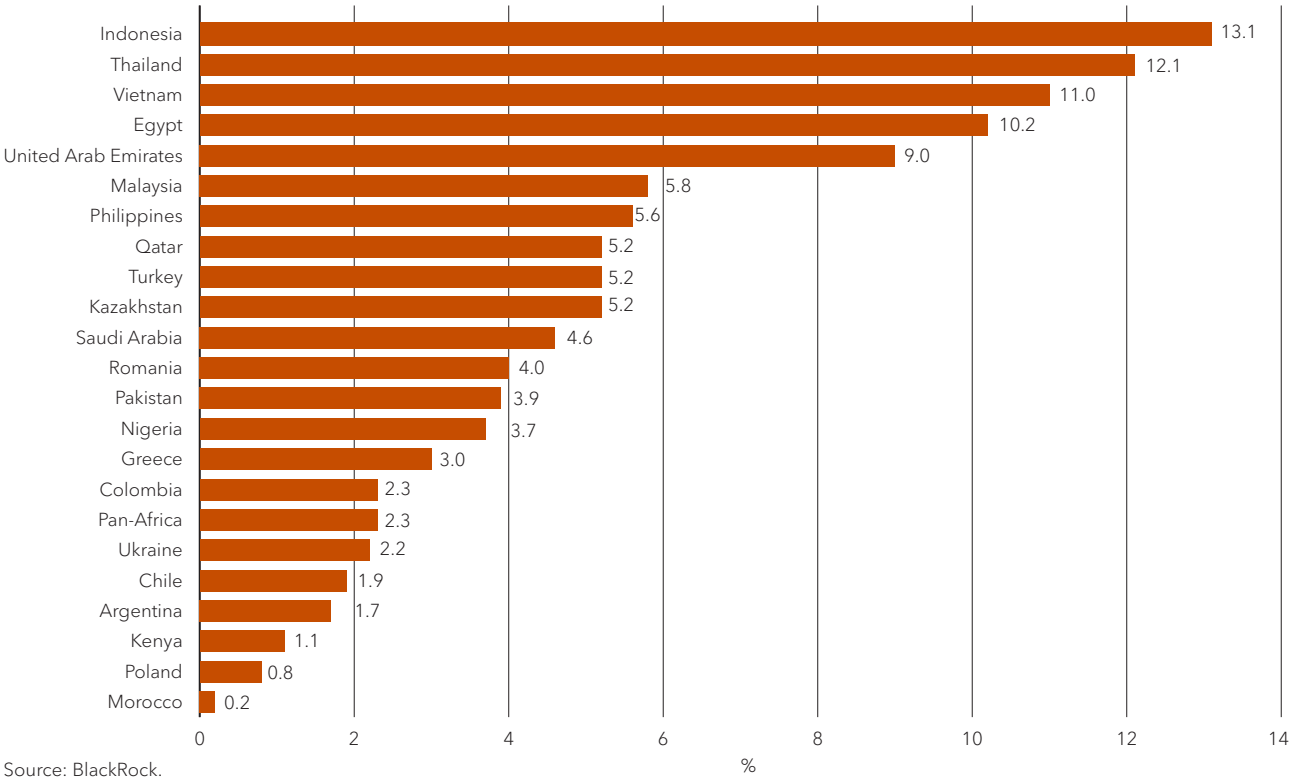
is a leading bank in the Philippines and in the Southeast Asian region. BPI is a universal bank and together with its subsidiaries and affiliates, it offers a wide range of financial products and solutions that serve both retail and corporate clients. The bank has a network of over 800 branches in the Philippines, Hong Kong and Europe, and close to 3,000 ATMs and CDMs (cash deposit machines).

1 Gross market exposure as a % of net assets. Percentages in brackets represent the portfolio holding at 30 September 2018.
2 Includes exposure gained via both contracts for difference and equity holdings.
3 Exposure gained via contracts for difference only.

Portfolio analysis

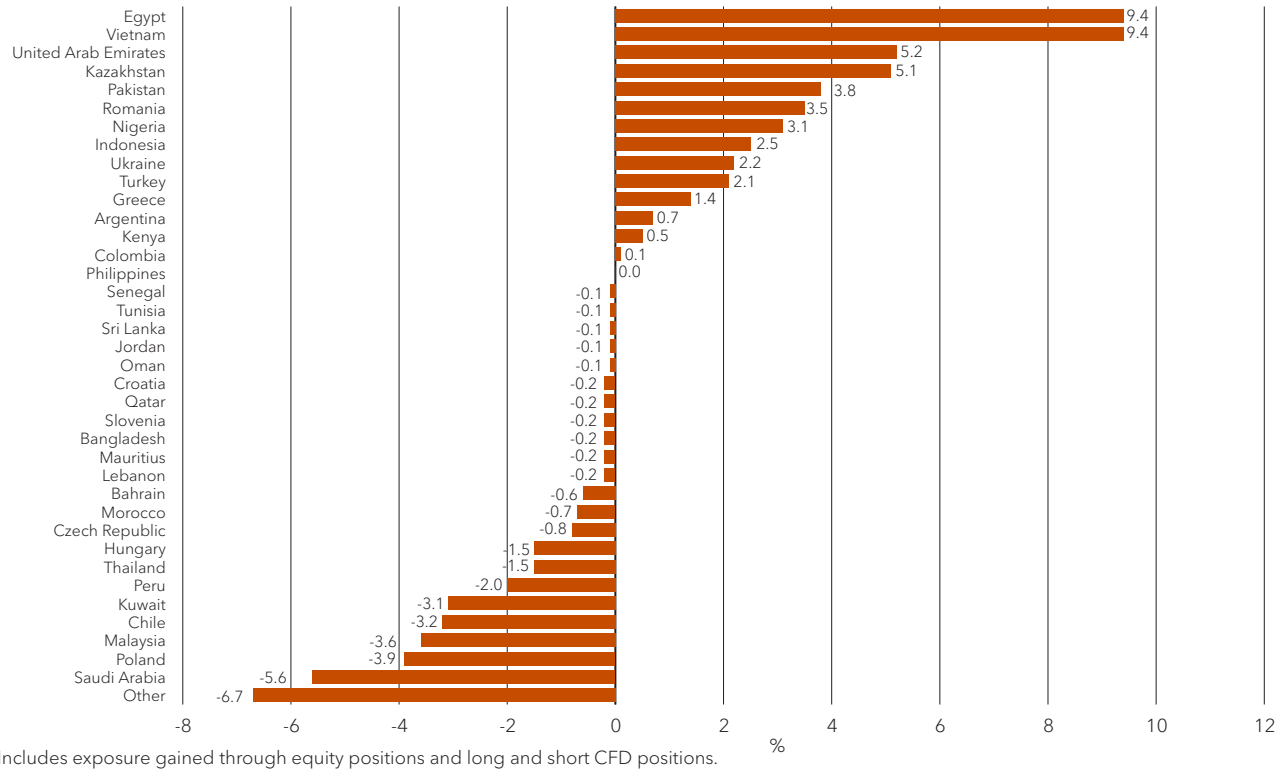
as at 30 September 2019

Country allocation: Absolute weights (Gross market exposure as a % of net assets)[1]



Source: BlackRock.

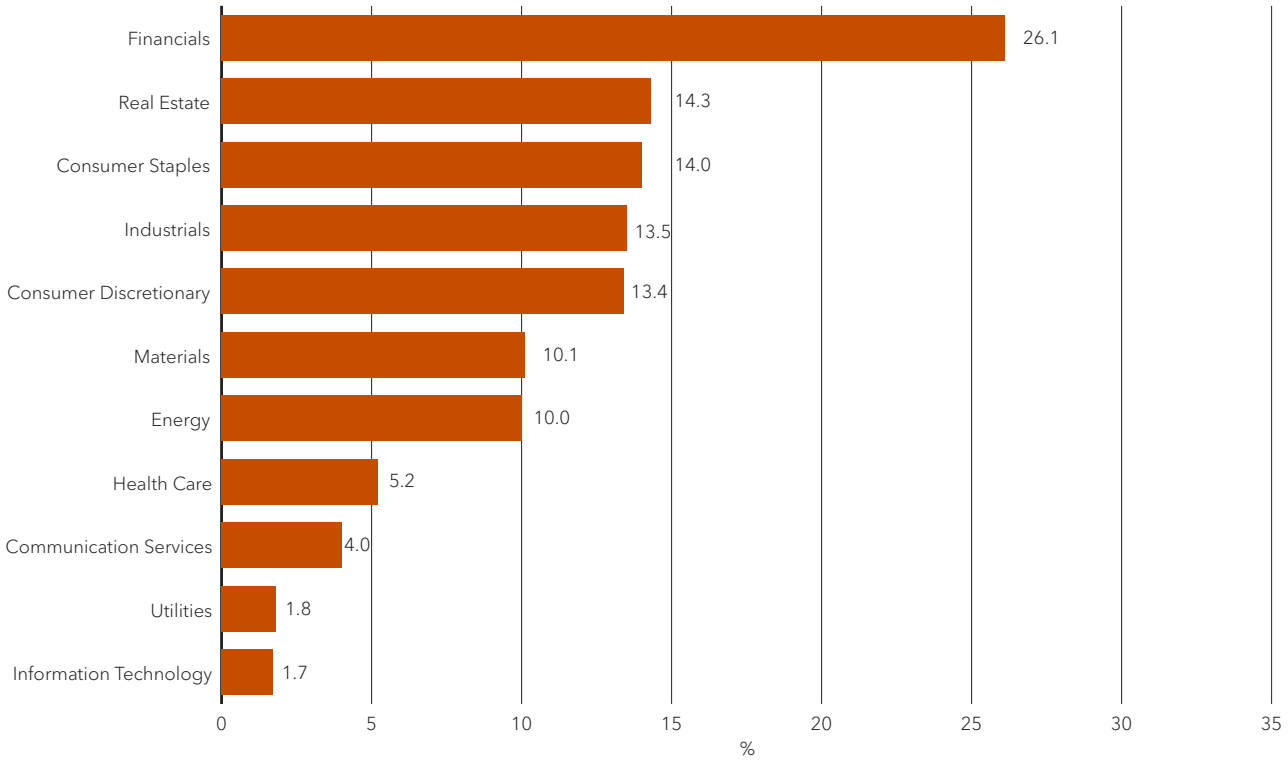
Country allocation relative to the Benchmark Index (%)[1]



[1] Includes exposure gained through equity positions and long and short CFD positions.

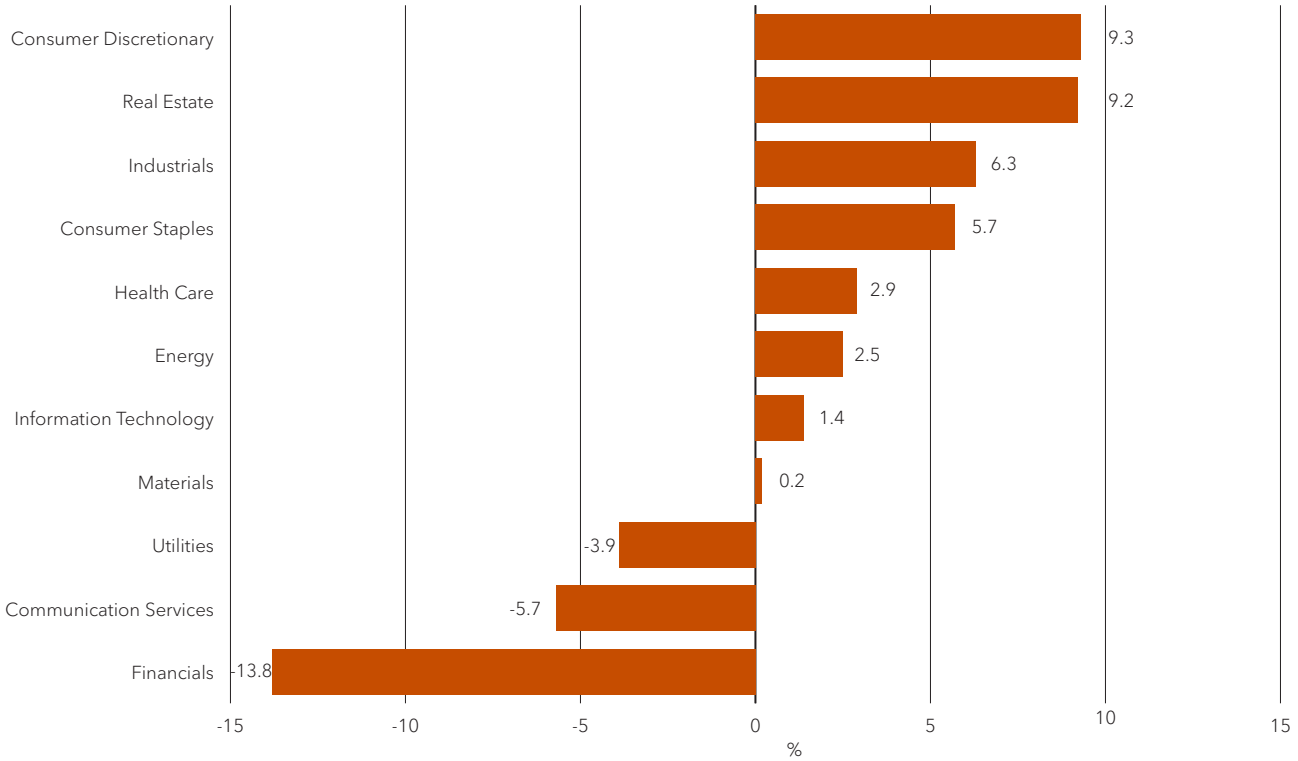
Sources: BlackRock and Datastream.

Sector allocation: Absolute weights (Gross market exposure as a % of net assets)[1]



Source: BlackRock.

Sector allocation relative to the Benchmark Index (%)[1]



[1] Includes exposure gained through equity positions and long and short CFD positions.
Sources: BlackRock and Datastream.

Investments

as at 30 September 2019

Company	Principal country of operation	Sector	Fair value and market exposure[1]	Gross market exposure as a % of net assets[3]
			US$'000	
Equity portfolio				
Charoen Pokphand Food	Thailand	Consumer Staples	12,833	3.2
PTT Global Chemical	Thailand	Materials	12,270	3.1
Thai Beverage	Thailand	Consumer Staples	9,859	2.4
Total Access Communication	Thailand	Communication Services	7,133	1.8
Land & Houses Public Company	Thailand	Real Estate	6,288	1.6
			48,383	**12.1**
Bank Mandiri	Indonesia	Financials	9,065	2.3
Semen Indonesia	Indonesia	Materials	7,103	1.8
Mitra Adiperkasa	Indonesia	Consumer Discretionary	6,946	1.7
PT Pakuwon Jati	Indonesia	Real Estate	6,649	1.6
Indo Tambangraya	Indonesia	Energy	6,058	1.5
Astra International	Indonesia	Consumer Discretionary	5,447	1.4
			41,268	**10.3**
Eastern Tobacco	Egypt	Consumer Staples	11,870	2.9
Orascom Construction	Egypt	Industrials	10,382	2.6
Medinet Nasr	Egypt	Real Estate	7,950	2.0
EFG Hermes Holdings	Egypt	Financials	7,070	1.8
Integrated Diagnostics	Egypt	Health Care	3,593	0.9
			40,865	**10.2**
Emaar Development	United Arab Emirates	Real Estate	10,606	2.6
Air Arabia	United Arab Emirates	Industrials	9,522	2.4
Emaar Properties	United Arab Emirates	Real Estate	8,468	2.1
			28,596	**7.1**
LT Group	Philippines	Industrials	11,595	2.9
Bank of the Philippine Islands	Philippines	Financials	9,965	2.5
Bloomberry Resorts	Philippines	Consumer Discretionary	787	0.2
			22,347	**5.6**
Sapura Energy	Malaysia	Energy	7,108	1.8
Genting	Malaysia	Consumer Discretionary	7,070	1.8
British American Tobacco Malaysia	Malaysia	Consumer Staples	6,614	1.6
			20,792	**5.2**

Company	Principal country of operation	Sector	Fair value and market exposure[1]	Gross market exposure as a % of net assets[3]
			US$'000	
Koza Altin	Turkey	Materials	9,435	2.4
Turk Hava Yollari	Turkey	Industrials	6,217	1.5
Tupras	Turkey	Energy	5,045	1.3
			20,697	**5.2**
Banca Transilvania	Romania	Financials	8,471	2.1
Erste Group Bank	Romania	Financials	7,770	1.9
			16,241	**4.0**
Kazatomprom	Kazakhstan	Energy	7,677	1.9
Halyk Savings Bank	Kazakhstan	Financials	7,548	1.9
			15,225	**3.8**
Zenith Bank	Nigeria	Financials	9,027	2.2
United Bank for Africa	Nigeria	Financials	5,913	1.5
			14,940	**3.7**
Ecopetrol (including ADRs)	Colombia	Energy	9,360	2.3
			9,360	**2.3**
Vivo Energy	Pan-Africa	Consumer Discretionary	9,151	2.3
			9,151	**2.3**
MHP	Ukraine	Consumer Staples	8,830	2.2
			8,830	**2.2**
YPF ADR	Argentina	Energy	4,494	1.1
Pampa Energia	Argentina	Utilities	2,341	0.6
			6,835	**1.7**
Hub Power	Pakistan	Utilities	4,261	1.0
Lucky Cement	Pakistan	Materials	1,872	0.5
			6,133	**1.5**
Equity Group	Kenya	Financials	3,981	1.0
			3,981	**1.0**
Bank Pekao	Poland	Financials	3,098	0.8
Alior Bank	Poland	Financials	62	0.0
			3,160	**0.8**
Latam Airlines Group	Chile	Industrials	2,396	0.6
			2,396	**0.6**

Investments continued

as at 30 September 2019

Company	Principal country of operation	Sector	Fair value and market exposure[1]	Gross market exposure as a % of net assets[3]
			US$'000	
National Bank of Greece	Greece	Financials	2,308	0.6
			2,308	0.6
Douja Promotion Groupe Addoha	Morocco	Real Estate	883	0.2
			883	0.2
Equity investments			322,391	80.4
BlackRock's Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund (Cash Fund)			71,191	17.8
Total equity investments (including Cash Fund)			393,582	98.2
Total investments excluding CFDs			393,582	98.2

Company	Principal country of operation	Sector	Fair value[1]	Gross market exposure[2]	Gross market exposure as a % of net assets[3]
			US$'000	US$'000	
CFD portfolio					
Long positions					
Vincom Retail	Vietnam	Real Estate		12,337	3.1
Mobile World	Vietnam	Consumer Discretionary		10,738	2.7
FPT	Vietnam	Information Technology		6,934	1.7
Quang Ngai Sugar	Vietnam	Consumer Staples		6,918	1.7
Petrovietnam Fertilizer & Chemicals	Vietnam	Materials		2,618	0.7
				39,545	**9.9**
National Medical Care	Saudi Arabia	Health Care		9,364	2.4
United International Transport	Saudi Arabia	Industrials		8,916	2.2
				18,280	**4.6**
Astra International	Indonesia	Consumer Discretionary		8,478	2.1
Mitra Adiperkasa	Indonesia	Consumer Discretionary		2,879	0.7
				11,357	**2.8**
MCB Bank	Pakistan	Financials		8,123	2.0
Hub Power	Pakistan	Utilities		781	0.2
Lucky Cement	Pakistan	Materials		638	0.2
				9,542	**2.4**
Alpha Bank	Greece	Financials		5,551	1.4
National Bank of Greece	Greece	Financials		3,977	1.0
				9,528	**2.4**
Ooredoo	Qatar	Communication Services		8,810	2.2
				8,810	**2.2**
NMC Health	United Arab Emirates	Health Care		7,786	1.9
				7,786	**1.9**
Kaz Minerals	Kazakhstan	Materials		5,737	1.4
				5,737	**1.4**
Latam Airlines Group	Chile	Industrials		5,393	1.3
				5,393	**1.3**

Investments continued

as at 30 September 2019

Company	Principal country of operation	Sector	Fair value[1]	Gross market exposure[2]	Gross market exposure as a % of net assets[3]
			US$'000	US$'000	
UMW	Malaysia	Consumer Discretionary		1,919	0.5
Sapura Energy	Malaysia	Energy		473	0.1
				2,392	0.6
Equity Group	Kenya	Financials		297	0.1
				297	0.1
Kuwait Food (Americana)[4]	Kuwait	Consumer Discretionary		3	0.0
				3	0.0
Total long CFD positions			2,072	118,670	29.6
Total short CFD positions			286	(16,254)	(4.0)
Total CFD portfolio			2,358	102,416	25.6

Fair value and gross market exposure of investments

as at 30 September 2019

Portfolio	Fair value[1]	Gross market exposure[2]	Gross market exposure as a % of net assets[3]	
	US$'000	US$'000	2019	2018
Equity investments and P-Notes	322,391	322,391	80.4	69.4
Total long CFD positions	2,072	118,670	29.6	38.4
Total short CFD positions	286	(16,254)	(4.0)	(7.7)
Total gross exposure	**324,749**	**424,807**	**106.0**	**100.1**
Cash Fund[3]	71,191	71,191	17.8	28.3
Total investments and derivatives	**395,940**	**495,998**	**123.8**	**128.4**
Cash and cash equivalents[1, 3]	6,020	(94,038)	(23.5)	(29.3)
Other net current (liabilities)/assets	(1,121)	(1,121)	(0.3)	0.9
Non-current liabilities	(19)	(19)	–	–
Net assets	**400,820**	**400,820**	**100.0**	**100.0**

The Company was geared through the use of long and short CFD positions and gross and net gearing as at 30 September 2019 was 14.1% and 6.0% (2018: 15.5% and 0.1% respectively). Gross and net gearing are Alternative Performance Measures, see Glossary on page 114.

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$2,358,000 represents the fair valuation of all the CFD contracts, which is determined based on the difference between the notional transaction 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$116,598,000 at the time of purchase, and subsequent market movement in prices have resulted in unrealised gains on the long CFD positions of US$2,072,000 resulting in the value of the total market exposure to the underlying securities increasing to US$118,670,000 as at 30 September 2019. The notional price of selling the securities to which exposure was gained via the short CFD positions would have been US$16,540,000 at the time of entering into the contract, and subsequent market movement in prices have resulted in unrealised gains on the short CFD positions of US$286,000 resulting in the value of the market exposure of these investments decreasing to US$16,254,000 at 30 September 2019. If the short positions had been closed on 30 September 2019 this would have resulted in a gain of US$286,000 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/sold direct holdings rather than exposure being gained through CFDs.

4 Unquoted investment.

Governance

Vincom Retail's dominant position in the retail market in Vietnam, as well as nationwide scale enables the company to attract best-in-class tenant portfolios with about 1,000 unique tenants across the country.

Governance structure

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

5 scheduled meetings per annum

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

Chairman: Audley Twiston-Davies

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.

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' biographies

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

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.

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

Directors' biographies continued

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

Katrina Hart

(Appointed 1 October 2019)

Currently a non-executive director of Premier Miton Group plc, Polar Capital Global Financials Trust plc, Keystone Investment Trust plc and of AEW UK REIT plc. Mrs Hart spent her executive career in investment banking, advising, analysing and commentating on a broad range of businesses. Initially working in corporate finance at ING Barings and Hawkpoint Partners, she then moved into equities research at HSBC, covering the General Financials sector. Latterly, Mrs Hart headed up the Financials research teams at Bridgewell Group plc and Canaccord Genuity, specialising in wealth and asset managers.

Attendance record:

N/A

Strategic report

The Directors present the Strategic Report of the Company for the year ended 30 September 2019.

Principal activity

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

Investment objective

The Company's investment objective is to achieve long-term capital growth 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 page 42. 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

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 Benchmark 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 Benchmark Index and the Company's portfolio may frequently be overweight or underweight any particular country relative to the Benchmark 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

Strategic report continued

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 16 to 25.

Investment approach and process

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.

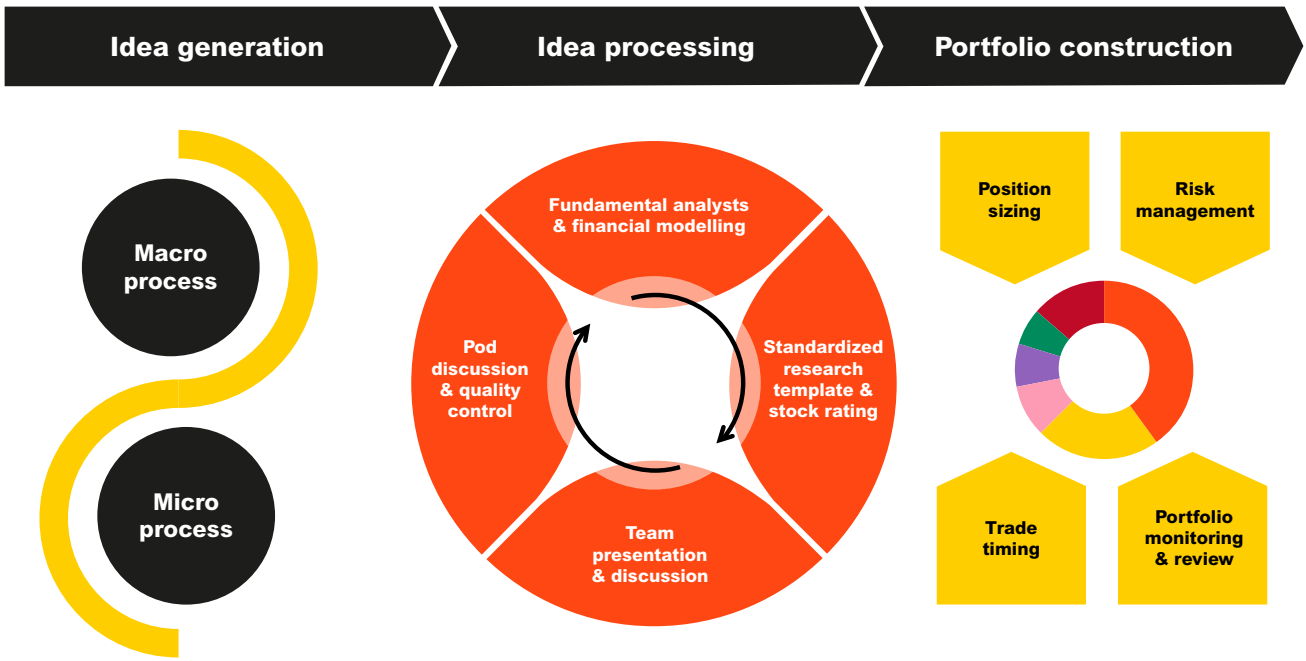
The research process focuses on cash flow and future earnings growth, as the investment team believes that this is ultimately the driver of share prices over time. The process is designed with the aim of identifying companies that can translate top line revenue growth to free cash flow and investing 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.

Environmental, Social and Governance (ESG) factors can be useful and relevant indicators for investment purposes and can help portfolio managers with their decision making through identifying potentially negative events or corporate behaviour. This results in the expectation that there will be an outperformance bias towards better governed companies in the long-run. The portfolio managers work closely with BlackRock's Investment Stewardship team (BIS) to assess the governance quality of companies and investigate any potential issues, risks or opportunities.

Specific to corporate governance, the portfolio management team leverages local expertise (BIS and investors) in its proprietary, risk-based approach. Financial statement integrity is central to the analysis, where BIS applies a range of systematic measures to highlight companies' accounting ratios in its assessment of balance sheet and earnings quality risks. For other categories under the corporate governance umbrella (e.g. audit quality, board accountability, executive pay and ownership and control), BIS flags risks based on internal research, including regulatory filings announcements and public news feeds. Governance (G) data from MSCI ESG Research Manager and other data sources may also be employed for supporting consideration. Environmental (E) and Social (S) factors are primarily assessed using MSCI data, examining whether specific E&S exposure exists, and if so, to determine how well such exposure is being managed. Further information on the Manager's approach to ESG and Socially Responsible Investing can be found in the Corporate Governance report on pages 50 and 51.

The Investment Managers' 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. 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.



Risk-aware portfolios built from a structured research framework

Strategic report continued

Performance

Details of the Company's performance for the year are given in the Chairman's Statement on pages 6 and 7. The Investment Managers' Report on pages 8 to 13 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 71. The total loss for the year, after taxation, was US$6,681,000 (2018: loss of US$29,342,000) of which the revenue return amounted to US$18,924,000 (2018: US$19,328,000) and the capital loss amounted to US$25,605,000 (2018: loss of US$48,670,000).

The Directors are recommending the payment of a final dividend of 4.75 cents per ordinary share in respect of the year ended 30 September 2019 (2018: final dividend of 4.40 cents and a special dividend of 1.00 cent) as set out in the Chairman's Statement on page 6.

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 4.

Share rating

The Directors recognise the importance to investors that the Company's share price should not trade at a significant discount or premium 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 0.8% and were trading at a premium of 0.5% on a cum-income basis at 4 December 2019. 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 46.

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 114 to 117).

	Year ended 30 September 2019[1]		Year ended 30 September 2018[1]	
	£%	US$%	£%	US$%
Net asset value total return[2]	+4.2	-1.5	-4.0	-6.6
Share price total return[3]	-0.9	-6.3	-3.1	-5.7
Benchmark Index return[4]	+5.8	+0.0	+5.3	+2.3
(Discount)/premium to cum income NAV		(2.3)		2.6
Ongoing charges[5]		1.39		1.42
Ongoing charges including performance fees		1.39		1.42

1 Based on an exchange rate of US$1.2323 to £1 at 30 September 2019 and US$1.3041 to £1 at 30 September 2018.
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 Benchmark 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 Benchmark Index was the MSCI Frontier Markets Index. The performance of the Benchmark indices have been blended to reflect this change.
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 pages 36 to 38.

Strategic report continued

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 this risk 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; • 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; and • regularly reviews detailed performance attribution analyses.
Income/Dividend Risk The amount of dividends and future dividend growth will depend on the Company's underlying portfolio. In addition, 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.
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.

Principal Risk	Mitigation/Control
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.
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 18 to the financial statements, together with a summary of the policies for managing these risks.

Strategic report continued

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 Participatory 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'.

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 2024. 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 36 to 38;
- 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 2019, 92.3% of the equity portfolio was capable of being realised in less than 20 days) and largely fixed overheads (excluding performance fees) which comprise a very small percentage of net assets (1.39%). In addition, any performance fees are capped at 1% of gross assets in years where the NAV per share has fallen or 2.5% of gross assets 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.

The Board has determined that the factors considered are applicable to the period up to the AGM in 2024 and beyond.

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 6 and 7 and in the Investment Manager's Report on pages 8 to 13.

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 pages 50 and 51.

Strategic report continued

Modern slavery

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 2019, all of whom, with the exception of Katrina Hart who was appointed with effect from 1 October 2019, held office throughout the year, are set out in the Directors' biographies section on pages 28 to 30. As at the date of this report, the Board consists of five men and one woman constituting 16.6% female Board representation. Following the retirement of Mr Murray at the conclusion of the AGM this will increase to 20%. 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
5 December 2019

Directors' report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 30 September 2019.

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 112 and 113 and in the notes to the financial statements on pages 91 to 105.

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.

Shareholder Rights Directive II

The Shareholder Rights Directive II took effect from 10 July 2019 with some transitional provisions. It encourages long-term shareholder engagement and transparency between companies and shareholders. In substantive terms the changes are small for investment companies and the majority of requirements apply to the Company's remuneration policy and disclosure of processes, as well as related party transactions. There are also additional rules for Alternative Investment Fund Managers and proxy advisers.

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 6 and 7 and the Investment Manager's Report on pages 8 to 13.

Dividends

Details of dividends paid and payable in respect of the year are set out in the Strategic Report on page 34 and in the Chairman's Statement on page 6.

Directors' report continued

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 Benchmark 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 gross 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 Benchmark 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 2019 no performance fee was payable (2018: Nil). Further details are given in note 4 on page 80. 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 of US$406.2 million (£319.0 million) as at 31 December 2018 and this contribution is matched by BIM (UK). For the year ended 30 September 2019, US$79,000 (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. Following negotiations with the Depositary, with effect from 1 January 2019, the Depositary receives a fee payable at 0.0095% (previously 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, Morgan Stanley, Credit Suisse and Bank of America Merrill Lynch act as contracts for difference (CFD) counterparties to the Company under separate International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements are terminable subject to 30 days' notice by either party.

Change of control

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

Exercise of voting rights in investee companies

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

BIM (UK)'s global corporate governance and engagement principles are published on the website at:

https://www.blackrock.com/corporate/about-us/investment-stewardship#our-responsibility

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 524 proposals at 56 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 47 management resolutions and abstained from voting on 14 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 36 to 38.

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 1.39% 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 2019 and their biographies are set out on pages 28 to 30. Details of Directors' interests in the ordinary shares of the Company are set out on page 55 of the Directors' Remuneration Report. All the Directors, with the exception of Mrs Hart, 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.

Directors' report continued

Accordingly, all Directors, with the exception of Mr Murray, 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 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 53 to 55. 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 and therefore an ordinary resolution approving the policy will be put to shareholders at this year's AGM. A copy of the full policy is set out on pages 56 and 57.

Substantial share interests

As at 30 September 2019, the Company had received notification in accordance with the FCA's Disclosure Guidance 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.

Name	No. of shares	Voting rights	% of share capital
BlackRock Inc.	33,387,158	33,387,158	13.9
Investec Wealth & Investment Limited	18,406,138	18,406,138	7.7
Rathbone Brothers Plc	10,974,639	10,974,639	4.6
Brewin Dolphin	9,482,140	9,482,140	3.9
Integrated Financial Arrangements Ltd/ Transact Nominees	5,742,629	5,742,629	3.0

As at 4 December 2019, 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.

Share capital, ordinary share issues and repurchases

At 30 September 2019, the Company had 240,672,801 ordinary shares in issue. Full details of the Company's issued share capital are given in note 16 to the Financial Statements on page 90. Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 122. 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 6,150,000 new ordinary shares were allotted during the year to 30 September 2019 at an average price of 136.12p per share and for a total gross consideration of £8,371,000 (US$10,845,000). No further ordinary shares were allotted following the year end.

The Company also allotted a total of 44,927,580 C Shares at 100p per share which were subsequently converted into 33,906,693 Ordinary shares. Further information can be found in the Chairman's Statement on pages 6 and 7. 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 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 15 resolutions. Resolutions 1 to 12 are proposed as ordinary resolutions and resolutions 13 to 15 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 2019 and the Auditor's 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 future policy table on page 57.

Resolution 3 – Approval of the Directors' Remuneration Policy

This resolution is a triennial binding vote on the Directors' Remuneration Policy, which is set out in full on pages 56 and 57.

Resolution 4 – Approval of a final dividend

Resolution 4 seeks shareholder approval of a final dividend of 4.75 cents per ordinary share for the year ended 30 September 2019.

Resolutions 5 to 9 – Re-election of the Directors

Resolutions 5 to 9 relate to the re-election of the Directors, each of whom will stand for election or re-election, with the exception of John Murray who will retire from the Board at the conclusion of the AGM. 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 10 and 11 – 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

Directors' report continued

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 61 and 62.

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

Ordinary Resolution 12 – Authority to allot ordinary shares

Resolution 12 seeks to renew the authority of the Directors to allot ordinary shares for cash up to an aggregate nominal amount of US$240,672.80 which is equivalent to 24,067,280 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 13 – Authority to dis-apply pre-emption rights

Special Resolution 13 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$240,672.80 which is equivalent to 24,067,280 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 14 – 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 36,076,852 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 15 – Notice period for General Meetings

Special Resolution 15 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 47 to 52. 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 5 December 2019.

By order of the Board

KEVIN MAYGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
5 December 2019

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 six 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 six non-executive Directors, the Board does not consider it necessary to nominate a senior independent director. Further information on the Directors can be found in the Directors' Report on pages 43 and 44.

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 28. 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

Corporate governance statement continued

the most appropriate candidate, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report. Following the conclusion of the AGM, the Board will be comprised of four men and one woman resulting in 20% female Board representation.

Board independence

The Board consider a range of factors including any findings from the Board's annual performance appraisal process, a Director's length of tenure and whether the Director in question demonstrates impartiality and sufficient challenge of the Board and the Manager. The Board also takes into account the provisions of the UK Corporate Governance Code and evolving best practice when considering the independence criteria of the Board, its Committees and that of individual Directors. However, the Board does not believe that length of tenure should be the predominate factor in determining an individual's independence.

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

Succession Planning

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 43 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, with the exception of Mr Murray who has decided to retire from the Board, 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 refreshment of the Board, but do not believe it is appropriate, nor in shareholders' interests, to put in place a finite tenure period for any single Director.

As part of its succession planning arrangements, the Board commenced a search during the year to identify a new Director to join the Board, assisted by a third-party recruitment firm, Trust Associates Limited. Trust Associates has no other connection to the Company or individual Directors. Following a detailed evaluation of each of the candidates, the Board selected Mrs Katrina Hart who was subsequently appointed with effect from 1 October 2019. The Board will continue to conduct a phased refreshment of its composition in accordance with its succession plan to ensure that an appropriate range of Director tenure exists.

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 in the Directors' Report on page 43.

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 27 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 regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

The Board has responsibility for ensuring that the Company 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 fair, 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 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. On the recommendation of the Nomination Committee, the Board engaged a third-party recruitment firm, Trust Associates Limited, to assist in the search for a new Director during the year.

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 58 to 62.

Remuneration Committee

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Report and Remuneration Policy on pages 53 to 57. As stated in the Directors' Remuneration Policy, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee. No Director is present when his or her individual remuneration is determined.

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 2019 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 page 42. 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 (BNYM). The address at which this business is conducted is given on page 108.

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 43.

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

Corporate governance statement continued

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 reports 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 require a special resolution to be passed by shareholders.

Financial reporting

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 63, the Independent Auditor's Report on pages 65 to 70 and the statement of Going Concern on page 43 and on longer term viability on pages 39 and 40.

Socially responsible investment and ESG matters

Generally, 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 which have varying degrees of political and corporate governance standards. The Board believes that it is important to invest in companies whose boards act responsibly in respect of environmental, ethical and social issues. The Investment Manager's evaluation procedures and financial analysis of the companies within the portfolio includes research and appraisal, and also takes into account environmental policies, social, ethical and other business issues. However, the Company invests primary on financial grounds to meet its stated investment objective. In this regard, the Global Emerging Markets team works closely with BlackRock's Investment Stewardship team.

BlackRock defines environmental, social, and governance (ESG) integration as the practice of incorporating material ESG information into investment decisions in order to enhance risk-adjusted returns. Some of BlackRock's clients call this responsible investing – to BlackRock, integrating ESG information, or sustainability considerations, should be part of any robust investment process and means adapting research and core investment processes to account for additional sources of risk and return that are explained by ESG information. In alpha-seeking strategies, BlackRock can use ESG information when conducting research and due diligence on new investments, and again when monitoring investments in a portfolio. Of course, ESG information is not the sole consideration for investment decisions; instead, the firm's investment professionals assess a variety of economic and financial indicators, which can include ESG issues, to make investment decisions appropriate for clients' objectives. BlackRock's approach to ESG integration is to broaden the total amount of information its investment professionals consider in order to improve investment analysis, seeking to meet or exceed economic return and financial risk targets.

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 Manager is also a Tier 1 signatory to the UK Stewardship Code, which, among other things, sets out the responsibilities of institutional shareholders in respect of investee companies. The Manager's approach to, and compliance with, the UK Stewardship Code is publicly available on the BlackRock website: https://www.blackrock.com/corporate/about-us/investment-stewardship#our-responsibility. The Manager's approach to Responsible Investment is detailed on the website at https://www.blackrock.com/corporate/about-us/investment-stewardship#about-us.

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 45 and 46, 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 Corporate Governance Code, 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 106 to 111 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.

Corporate governance statement continued

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 41 to 46 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 55 in the Directors' Remuneration Report.

For and on behalf of the Board

AUDLEY TWISTON-DAVIES
Chairman
5 December 2019

Directors' remuneration report

The Board presents the Directors' remuneration report for the year ended 30 September 2019 which has been prepared in accordance with sections 420-422 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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 65 to 70.

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 Company's Directors' Remuneration Policy was last reviewed on 26 November 2019. Following this review it was agreed that with effect from 1 October 2019 all Directors' fees would be retrospectively increased by £1,000 per annum. The basis for determining the level of any change in Directors' remuneration is set out in the Directors' Remuneration Policy on page 56. Directors' fees were last increased on 1 October 2018. No discretionary fees have been paid to Directors during the year or since inception and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken and why it was deemed necessary to pay such additional remuneration.

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. No advice or services were provided by any external agencies or third parties.

Implementation of the Remuneration Policy in the year 2020

The Directors intend that the future Remuneration Policy will be implemented as set out on pages 56 and 57. The Directors do not receive any performance related remuneration or incentives. Discretionary payments are permitted under the policy; however such discretionary payments would only be considered in exceptional circumstances.

Remuneration/service contracts

The maximum remuneration of the Directors is determined within the limits of the Company's Articles and currently amounts in aggregate to £200,000. No element of the Directors' remuneration is performance related. The Company does not and 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.

Directors' remuneration report continued

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 2019:

	Year ended 30 September 2019			Year ended 30 September 2018		
Directors	Base Salary £	Taxable Benefits[6] £	Total £	Base Salary £	Taxable Benefits[6] £	Total £
Audley Twiston-Davies (Chairman)[1]	37,000	–	37,000	36,000	–	36,000
John Murray[2]	27,000	–	27,000	26,000	–	26,000
Nick Pitts-Tucker[3]	27,000	–	27,000	26,000	–	26,000
Stephen White[4]	31,000	–	31,000	30,000	–	30,000
Sarmad Zok[5]	27,000	13,322	40,322	26,000	13,257	39,257
Total	149,000	13,322	162,322	144,000	13,257	157,257

[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 Audit and Management Engagement Committee Chairman on 22 November 2016 and as a Director on 13 July 2016.
[5] Appointed as a Director on 8 February 2011.
[6] Taxable benefits relate to travel and subsistence costs.
There were no discretionary payments made during the year.

The information in the table above has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors. The Directors receive no variable remuneration.

At 30 September 2019, fees of US$15,000 (£12,000) (2018: 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 above also comprises the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared to the Company's net profit on ordinary activities after taxation, total operating expenditure and dividend distributions.

	2019	2018	Change
Directors' total remuneration	£162,322 (US$201,000)	£157,257 (US$205,000)	+£5,065 -US$4,000
Total dividends paid and payable	US$18,652,000	US$16,879,000	US$1,773,000
Buy back of ordinary shares	Nil	Nil	–
Net revenue profit on ordinary activities after tax	US$18,924,000	US$19,328,000	-US$404,000

No payments were made in the period to any past Directors (2018: £nil).

Five year change comparison

Over the last five years, Directors' pay has increased as set out in the table below:

	2019	2014	Change
Chairman	37,000	34,000	+8.8%
Audit Committee Chairman	31,000	28,000	+10.7%
Director	27,000	24,000	+12.5%

As previously noted, the Company does not have any employees and hence no comparisons are given in respect of the comparison between Directors' and employees' pay increases.

Shareholdings

The interests of the Directors in the ordinary shares of the Company are set out in the table below. The Company does not have a share option scheme, therefore none of the Directors has an interest in any share options in the Company. There is no requirement for Directors to hold shares in the Company.

	2019	2018
Audley Twiston-Davies (Chairman)	128,935	128,935
John Murray	121,967	121,967
Nick Pitts-Tucker	110,148	110,148
Sarmad Zok	Nil	Nil
Stephen White	30,000	30,000
Katrina Hart	18,883	Nil

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.

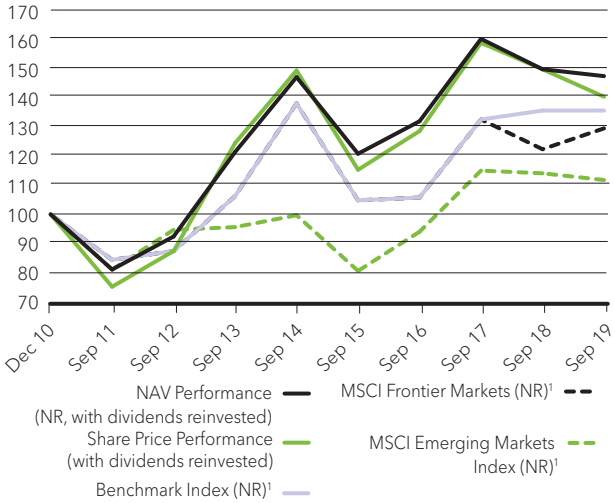
Retirement of Directors

Further details are given in the Directors' Report on pages 43 and 44.

Performance

The graph below compares the Company's NAV and share price total returns with the total return on an equivalent investment in the Benchmark Index[1]. 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 2019



[1] 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 Benchmark Index was the MSCI Frontier Markets Index. The performance of the Benchmark indices during the year ended 30 September 2019 has been blended to reflect this change.

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

For and on behalf of the Board

AUDLEY TWISTON-DAVIES
Chairman
5 December 2019

Directors' remuneration policy

In setting the appropriate level of Directors' fees, a number of factors are considered, including the workload of the Directors, their responsibilities, any change in these responsibilities and additional legal duties (for example as a result of new legislation being implemented), the relationship with their suppliers and the size and complexity of the Company. The time commitment required, the level of skills and appropriate experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity are also taken into account. The Board also considers the average rate of inflation during the period since the last fee increase and reviews the level of remuneration in comparison 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 to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, is used to review whether any change in remuneration is necessary. The review is performed on an annual basis. The Board is cognisant of the need to avoid any potential conflicts of interest and has therefore agreed a mechanism by which no Director is present when his or her own pay is being considered.

The Company has no employees and consequently no consideration is required to be given to employment conditions elsewhere in setting this policy and there has been no employee consultation.

No element of the Directors' remuneration is performance related or subject to recovery or withholding (except for tax). Directors cannot be awarded any share options or long-term performance incentives. None of the Directors has a service contract with the Company or receives any non-cash benefits (except as described in the policy table), pension entitlements or compensation for loss of office.

The remuneration policy would be applied when agreeing the remuneration package of any new Director. The terms of Directors' 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.

Directors' appointments do not have a fixed duration, but they can be terminated by the Company in writing at any time without obligation to pay compensation. On termination of the appointment, Directors shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. No payments for loss of office are made. Directors are also subject to re-election at least every three years and, if not elected, their appointment ceases immediately. However, in accordance with the UK Corporate Governance Code the Board have agreed that all Directors will, being eligible, stand for re-election annually.

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. To date, no shareholders have commented in respect of the Company's Remuneration Policy. The Company obtained shareholder approval for its remuneration policy at the AGM in 2017. In accordance with the Companies Act 2006, the remuneration policy is subject to a triennial binding shareholder vote at the forthcoming AGM in 2020. It is the intention of the Board that the Remuneration Policy will continue to apply for three years. 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 5 February 2019, 99.99% of votes cast were in favour of the resolution to approve the Directors' remuneration report in respect of the year ended 30 September 2018 and 0.01% against.

Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken.

Future 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 2019: Chairman – £38,000 Audit and Management Engagement Committee Chairman – £32,000 Directors – £28,000 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 set a limit of £200,000 in respect of the aggregate 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 considers 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.
	Discretionary Payments	The Company's Articles authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties. Any such extra work undertaken is subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit 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. The payment of such fees would only be considered in exceptional circumstances and any discretionary fees paid will be clearly disclosed.
	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.

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 2019.

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 pages 28 to 30. 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. As permitted by the AIC Code of Corporate Governance, 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

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

Narrative reporting

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

Management engagement

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

Third-party service providers

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

Reporting responsibilities

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

Internal Audit

- considering the need for an internal audit function, as set out in the Corporate Governance Statement on page 50.

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 Company's non-audit services policy is set out in full in the Committee's terms of reference which are available at the Company's website at: www.blackrock.co.uk/brfi. 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 page 61. The fees paid to the external Auditor are set out in note 5 on page 81.

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

Report of the audit and management engagement committee continued

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	Listed investments are valued using stock exchange prices by third party vendors. Unquoted or illiquid investments, if any, are valued by the Directors based on recommendations from BlackRock's Pricing Committee. The Board reviews detailed portfolio valuations on a regular basis throughout the year and receives confirmation from BlackRock that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company, and that the carrying values are materially correct. The Board also relies on BlackRock's and Fund Accountant's (BNYM) controls which are documented in semi-annual internal control reports and reviewed by the Committee.
The risk of misappropriation of assets and unsecured ownership of investments	The Depositary is responsible for financial restitution for loss of financial investments held in custody. The Depositary reports to the Audit 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. There are review processes performed by BNYM and the Manager 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 Committee also reviews the facts and circumstances of all special dividends to determine the revenue/capital treatment. There are review processes performed by BNYM and the Manager on the completeness and accuracy of income, and also 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.

Auditor and audit tenure

The Company's 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. For the year ended 30 September 2019, the ratio of non-audit fees to audit fees is 1.50:1 (2018: 0.25:1)The fees paid to the Auditor in respect of non-audit services which related to (i) the work on the C share issue and conversion amounted to £37,500 (US$49,000) and (ii) review of the half yearly financial statements amounted to £6,500 (US$8,000) (2018: £6,500 (US$9,000)). The value is considered to be immaterial and was not such that it might threaten the Auditor's 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 81.

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

Report of the audit and management engagement committee continued

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 Accountant.

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 63.

STEPHEN WHITE
Chairman of the Audit and Management Engagement Committee
5 December 2019

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 pages 28 to 30 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 profit/loss 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 58 to 62 of this Annual Report. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 30 September 2019, 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
5 December 2019

Financial statements

Vivo Energy is a downstream petroleum company operating in 23 countries across Africa, with a network of over 2,000 service stations. The company offers fuel and lubricants to retail clients but also a wide range of commercial products to the marine, mining, manufacturing and aviation sectors.

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 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement 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 2019 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 35 to 38 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 35 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 pages 43 and 75 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 39 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	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. • Incorrect valuation and defective title to the investment portfolio and derivatives. • Incorrect calculation of the performance fee.
Materiality	• Overall materiality of $4.01m (2018: $3.56m) which represents 1% (2018: 1%) of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 continued

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income (as described on page 60 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 76 and note 3 to the financial statements). The total income from investments received for the year to 30 September 2019 was $23.58m (2018: $22.54m), consisting primarily of dividend income from overseas listed investments. Net income from contracts for difference ("CFD") amounted to $1.86m (2018: $3.25m). The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	**We performed the following procedures:** We obtained an understanding of The Bank of New York Mellon (International) Limited (BNYM) and BlackRock Fund Managers Limited (the Manager) processes and controls around revenue recognition and classification of special dividends by reviewing their internal controls reports and performing our walkthrough procedures. For the classification of special dividends, we also evaluated the design and implementation of controls. We agreed a sample of dividends received as noted in the income report to the corresponding announcement made by the investee company. We recalculated the dividend income by multiplying the investment holdings at the XD date, traced from the accounting records, by the dividend per share as agreed to an external source. Where applicable, we also agreed the exchange rates to an external source. We traced a sample of dividends received to the bank statements. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 30 September 2019. We agreed the dividend rate to corresponding announcements made by the investee company. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements, if paid post year end. We obtained the special dividends report, income report and the acquisition and disposal report produced by BNYM to identify special dividends received or accrued during the year, above our testing threshold. During the year, the Company received six special dividends. Five special dividends amounting to $1.22m in total were classified as revenue, one special dividend of $0.10m was classified as capital. We reviewed the underlying circumstances and motives surrounding the payment of all special dividends and challenged and corroborated the classification as revenue or capital respectively.	**What we reported to the Audit and Management Engagement Committee:** We had no issues to report to the Audit and Management Engagement Committee with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incorrect valuation and defective title to the investment portfolio and derivatives (as described on page 60 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 77 and notes 10 and 11 to the financial statements). The valuation of the equity investment portfolio is $393.58m (2018: $348.50m), which includes an investment in the BlackRock Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund of $71.19m (2018: $100.92m). The CFD portfolio amounted to $2.36m (2018: $0.50m). The valuation of the instruments held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted bid prices at the reporting date. The fair value of CFDs is based on the bid prices of the underlying securities in respect of long positions, and the offer prices in respect of short positions.	**We performed the following procedures:** We obtained an understanding of BNYM's process surrounding investment and derivative pricing by reviewing their internal control reports and performing our walkthrough procedures. For all equity investments and derivatives in the portfolio, we compared the market prices and exchange rates applied to a relevant independent pricing vendor and recalculated the fair value as at the year-end. We reviewed the stale pricing report produced by BNYM to investigate any stale priced investments held as at the year end. We also assessed the liquidity of the equity investment portfolio through analysing the monthly average trading volume of the investments. We agreed the number of shares held for each security to confirmations of legal title received independently from the Company's Depositary and Custodian, The Bank of New York Mellon (International) Limited, as at 30 September 2019. We agreed all year-end open CFD positions to confirmations received independently from the Company's brokers.	**What we reported to the Audit and Management Engagement Committee:** We had no issues to report to the Audit and Management Engagement Committee with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio and derivatives.
Incorrect calculation of the performance fee (as described on page 60 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 76 and note 4 to the financial statements). The Company's performance fee for the period amounted to $0.00m ($0.00m). The performance fee is calculated using a methodology as set out in the Investment Management Agreement ("IMA") between the Company and the Manager. Incorrect calculation of this fee could have a material impact on the return generated for shareholders.	**We performed the following procedures:** We obtained an understanding of BNYM's process surrounding calculation of the performance fee by reviewing their internal control reports and performing our walkthrough procedures. We agreed all key inputs used in the calculation to the accounting records or the IMA and benchmark data to third party source information. We recalculated the performance fee payable, agreed the calculation methodology to the IMA and concluded no performance fee was payable for the year.	**What we reported to the Audit and Management Engagement Committee:** We had no issues to report to the Audit and Management Engagement Committee with respect to our procedures performed over the risk of incorrect calculation of the performance fee.

Independent auditor's report continued

There have been no changes to the key audit matters raised in the above risk table from the prior year.

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.

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 $4.01m (2018: $3.56m), which is 1% (2018: 1%) of net assets. We believe that net assets 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 judgment was that performance materiality was 75% (2018: 75%) of our planning materiality, namely $3.01m (2018: $2.67m). 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 $1.08m (2018: $1.03m) for the revenue column of the Statement of Comprehensive Income, being 5% of the net profit 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 $0.20m (2018: $0.18m), 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.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 63 and 106 to 122, 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 pages 62 and 63** – 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 and Management Engagement Committee reporting set out on pages 58 to 62** – the section describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee or;

- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 47 to 52** – 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 Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements set out on page 63, 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

Independent auditor's report continued

Company and determined that the most significant are IFRSs, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the AIC 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 the Company Secretary and a 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 incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- 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 9 years, covering periods from our appointment through to the period ending 30 September 2019.
- 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
5 December 2019

Statement of comprehensive income

for the year ended 30 September 2019

	Notes	Revenue		Capital		Total	
		2019	2018	2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Income from investments held at fair value through profit or loss	3	21,717	19,295	–	–	21,717	19,295
Net income from contracts for difference	3, 11	1,858	3,245	–	–	1,858	3,245
Other income	3	216	103	–	–	216	103
Total revenue		23,791	22,643	–	–	23,791	22,643
Net loss on investments held at fair value through profit or loss	10	–	–	(21,959)	(27,899)	(21,959)	(27,899)
Net loss on foreign exchange		–	–	(406)	(336)	(406)	(336)
Net profit/(loss) from contracts for difference	11	–	–	1,423	(22,830)	1,423	(22,830)
Total		23,791	22,643	(20,942)	(51,065)	2,849	(28,422)
Expenses							
Investment management and performance fees	4	(886)	(856)	(3,543)	(3,424)	(4,429)	(4,280)
Other operating expenses	5	(1,082)	(1,252)	(214)	(118)	(1,296)	(1,370)
Total operating expenses		(1,968)	(2,108)	(3,757)	(3,542)	(5,725)	(5,650)
Net profit/(loss) on ordinary activities before finance costs and taxation		21,823	20,535	(24,699)	(54,607)	(2,876)	(34,072)
Finance costs	6	(311)	(5)	(1,245)	(18)	(1,556)	(23)
Net profit/(loss) on ordinary activities before taxation		21,512	20,530	(25,944)	(54,625)	(4,432)	(34,095)
Taxation	7	(2,588)	(1,202)	339	5,955	(2,249)	4,753
Profit/(loss) for the year		18,924	19,328	(25,605)	(48,670)	(6,681)	(29,342)
Earnings/(loss) per ordinary share (cents)	9	8.24	10.13	(11.15)	(25.50)	(2.91)	(15.37)

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 discontinued during the year. All income is attributable to the equity holders of the Company.

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

The notes on pages 75 to 105 form part of these financial statements.

Statement of changes in equity

for the year ended 30 September 2019

	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 2019								
At 30 September 2018		2,006	95,095	5,798	230,799	7,231	15,566	356,495
Total comprehensive income:								
Net (loss)/profit for the year		–	–	–	–	(25,605)	18,924	(6,681)
Transactions with owners, recorded directly to equity:								
Share issues	16, 17	62	10,783	–	–	–	–	10,845
Share issue costs	17	–	(55)	–	–	–	–	(55)
Share issues – conversion of C shares	12	339	58,184	–	–	–	–	58,523
Dividends paid[1]	8	–	–	–	–	–	(18,307)	(18,307)
At 30 September 2019		**2,407**	**164,007**	**5,798**	**230,799**	**(18,374)**	**16,183**	**400,820**
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		228	49,119	–	–	–	–	49,347
Share issue costs		–	(299)	–	–	–	–	(299)
C share issue costs – write back		–	–	–	23	–	–	23
Dividends paid[2]	8	–	–	–	–	–	(13,481)	(13,481)
At 30 September 2018		**2,006**	**95,095**	**5,798**	**230,799**	**7,231**	**15,566**	**356,495**

[1] Final dividend of 4.40 cents per share for the year ended 30 September 2018, declared on 10 December 2018 and paid on 7 February 2019 and special dividend paid in respect of the year ended 30 September 2018 of 1.00 cent per share, declared on 10 December 2018 and paid on 7 February 2019. Interim dividend paid in respect of the year ended 30 September 2019 of 3.00 cents per share, declared on 30 May 2019 and paid on 28 June 2019.

[2] 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.

The notes on pages 75 to 105 form part of these financial statements.

Statement of financial position

as at 30 September 2019

	Notes	2019	2018
		US$'000	US$'000
Non current assets			
Investments held at fair value through profit or loss	10	393,582	348,501
Current assets			
Other receivables	13	7,760	755
Derivative financial assets held at fair value through profit or loss	11	3,414	4,011
Cash and cash equivalents	11	6,020	4,425
Cash collateral held with brokers in respect of contracts for difference	11	40	10,180
		17,234	19,371
Total assets		410,816	367,872
Current liabilities			
Other payables	14	(5,211)	(7,847)
Derivative financial liabilities held at fair value through profit or loss	11	(1,056)	(3,511)
Cash collateral received in respect of contracts for difference	11	(3,710)	–
		(9,977)	(11,358)
Total assets less current liabilities		400,839	356,514
Non current liabilities			
Management shares of £1.00 each (one quarter paid)	15	(19)	(19)
Net assets		400,820	356,495
Equity attributable to equity holders			
Called up share capital	16	2,407	2,006
Share premium account	17	164,007	95,095
Capital redemption reserve	17	5,798	5,798
Special reserve	17	230,799	230,799
Capital reserves	17	(18,374)	7,231
Revenue reserve	17	16,183	15,566
Total equity		400,820	356,495
Net asset value per ordinary share (cents)	9	166.54	177.70

The financial statements on pages 71 to 105 were approved and authorised for issue by the Board of Directors on 5 December 2019 and signed on its behalf by Mr Twiston-Davies, Chairman.

BlackRock Frontiers Investment Trust plc

Registered in England, No. 7409667

The notes on pages 75 to 105 form part of these financial statements.

Cash flow statement

for the year ended 30 September 2019

	2019	2018
	US$'000	US$'000
Operating activities		
Net loss on ordinary activities before taxation	(4,432)	(34,095)
Add back finance costs	1,556	23
Net loss on investments and contracts for difference held at fair value through profit or loss (including transaction costs)	17,258	47,874
Net loss on foreign exchange	406	336
Sales of investments held at fair value through profit or loss	298,919	245,347
Purchases of investments held at fair value through profit or loss	(355,397)	(232,640)
Sales of Cash Funds*	307,793	195,025
Purchases of Cash Funds*	(278,045)	(229,748)
Amounts paid for losses on closure of contracts for difference	(67,119)	(77,413)
Amounts received on gains on closure of contracts for difference	70,065	55,539
Increase in other receivables	(16)	(203)
Increase/(decrease) in other payables	1,546	(2,139)
(Increase)/decrease in amounts due from brokers	(6,971)	3,567
(Decrease)/increase in amounts due to brokers	(4,182)	2,342
Net cash collateral received/(pledged)	13,850	(10,679)
Taxation paid	(2,266)	(1,186)
Net cash outflow from operating activities	(7,035)	(38,050)
Financing activities		
Interest paid	(43)	(23)
Cash proceeds from ordinary share issues	10,845	50,644
Ordinary share issue costs paid	(55)	(276)
Cash proceeds from C share issue	9,853	–
Cash received from BlackRock Emerging Europe Plc	7,353	–
C share issue costs paid	(610)	–
Dividends paid	(18,307)	(13,481)
Net cash inflow from financing activities	9,036	36,864
Increase/(decrease) in cash and cash equivalents	2,001	(1,186)
Effect of foreign exchange rate changes	(406)	(336)
Change in cash and cash equivalents	1,595	(1,522)
Cash and cash equivalents at the start of the year	4,425	5,947
Cash and cash equivalents at the end of the year	6,020	4,425
Comprised of:		
Cash at bank	6,020	4,425
	6,020	4,425

* Cash Funds represents funds held on deposit with BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund and BlackRock Institutional Cash Series plc - US Dollar Liquid Environmentally Aware Fund.

The notes on pages 75 to 105 form part of these 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 ninth 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 February 2018, 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.

IFRS standards that have yet to be adopted:

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

IFRS 16 – Leases (effective 1 January 2019) specifies accounting for leases and removes the distinction between operating and finance leases. This standard is not applicable to the Company as it has no leases.

IFRIC 23 – Uncertainty over Income Tax Treatments seeks to provide clarity on how to account for uncertainty over income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment or group of tax treatments, that it plans to use in its income tax filing. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. The interpretation would require the Company to recognise uncertain tax positions which are more than probable within its financial statements. The interprepation is unlikely to have any impact on the financial statements of the Company.

Adoption of new and amended standards and interpretations:

IFRS 9 Financial Instruments

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 October 2018, however, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 comparative figures are presented and measured under IAS 39. All financial assets previously held at fair value continue to be measured at fair value and accordingly there has been no impact as a result of the adoption of IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be so and there was no significant impact of expected credit losses on financial assets measured at amortised cost.

IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 as of the date of initial application of 1 October 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

(b) C share liability

On 27 November 2018 the Company issued 44,927,580 C shares with a nominal value of 10 cents each at a price of £1.00 per share. On 11 January 2019 the C shares were converted into Ordinary shares. The conversion ratio, which has been calculated by reference to the net assets of the Company attributable to the Ordinary shares and the net assets of the Company attributable to the C shares as at the close of business on 7 January 2019 was 0.7547 Ordinary shares for every C share held.

The C shares (when in issue) were listed on the London Stock Exchange. After the conversion of the C shares into Ordinary shares, the C shares were delisted on 22 January 2019.

Notes to the financial statements continued

2. Accounting policies continued

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

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

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

(c) 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.

(d) Segmental reporting

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

(e) 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.

(f) 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 86;
- 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;
- 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.

(g) 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.

(h) Investments held at fair value through profit or loss
In accordance with IFRS 9, the Company classifies its investments at initial recognition as held at fair value through profit or loss and are managed and evaluated on a fair value basis in accordance with its investment strategy and business model.

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.

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 where possible).

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

Notes to the financial statements continued

2. Accounting policies continued

The Company's investment in BlackRock's Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund (Cash Fund) of US$71,191,000 (2018: investment in BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund US$100,917,000) 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.

(n) 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

	2019	2018
	US$'000	US$'000
Investment income:		
UK dividends	139	24
Overseas dividends	14,573	12,415
Overseas special dividends	1,224	707
Overseas stock dividends	3,780	3,798
Income from P-Notes	–	547
Interest from Cash Funds	1,942	1,804
Fixed interest income	59	–
	21,717	19,295
Net income from contracts for difference	1,858	3,245
	23,575	22,540
Other income:		
Deposit interest	216	103
Total income	23,791	22,643

Dividends and interest received in cash during the year amounted to US$17,600,000 and US$2,007,000 respectively (2018: US$17,706,000 and US$1,771,000).

Special dividends of US$104,000 have been recognised in capital (2018: nil). See Note 10 on page 86.

Notes to the financial statements continued

4. Investment management and performance fees

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Investment management fee	886	3,543	4,429	856	3,424	4,280

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 Benchmark 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 Benchmark Index was the MSCI Frontier Markets Index. For the purposes of the calculation of the performance fee, the performance of the Net Asset Value total return was measured against the performance of the benchmark indices on a blended basis.

For the year to 30 September 2019, the Company's NAV performance of -1.5% generated a deficit of US$7.46 million (2018: NAV performance of -6.6% generated a deficit of US$39.88 million) resulting in no performance fee for the year (2018: US$nil). 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 Benchmark Index since the last date in relation to which a performance fee has been paid.

Under the terms of the C share issue in November 2018, BlackRock agreed to waive the management fees payable by the Company up to the value of issue expenses that exceeded the capped amount of 1.00% of the gross proceeds from the issue of C shares. As the issue expenses exceeded the capped amount, the excess issue expenses of US$34,000 have been offset against the investment management fee payable by the Company during the year ended 30 September 2019.

5. Operating expenses

	2019	2018
	US$'000	US$'000
Allocated to revenue:		
Custody fee	366	503
Auditor's remuneration:		
– audit services	36	38
– other assurance services[1]	8	9
Registrar's fee	42	52
Directors' emoluments	201	205
Broker fees	38	62
Depositary fees[2]	44	44
Marketing fees	79	93
AIC fees	26	24
FCA fees	16	16
Printing and Postage fees	40	44
Employer NI contributions	20	23
Stock exchange listings	11	10
Legal and professional fees	12	14
Other administrative costs	143	115
	1,082	1,252
Allocated to capital:		
Custody transaction charges	214	118
	1,296	1,370
The Company's ongoing charges[3], calculated as a percentage of average net assets and using expenses, excluding performance fees, VAT refunded, transaction costs and taxation, were:	1.39%	1.42%
The Company's ongoing charges,[3] calculated as a percentage of average net assets and using expenses and including performance fees but excluding VAT refunded, transaction costs and taxation, were:	1.39%	1.42%

[1] Fees for non-audit services relate to the following services provided by the Auditor:
– £6,500 (US$8,000) (2018: £6,500 (US$9,000)) relating to the review of the interim financial statements.
– £37,500 (US$49,000) (excluding VAT) was paid in respect of the work on the Company's C share issue and conversion. These fees were included within the C share issue costs and were debited to finance costs in the Company's Statement of Comprehensive Income.
[2] All expenses other than depositary fees are paid in Sterling and are therefore subject to exchange rate fluctuations.
[3] Alternative Performance Measures, see Glossary on pages 115 and 116.

For the year ended 30 September 2019, expenses of US$214,000 (2018: US$118,000) were charged to the capital column of the Statement of Comprehensive Income, these relate to transaction costs charged by the custodian on sale and purchase trades. No fees were payable in 2019 or 2018 in relation to investing in new markets.

Details of the Directors' emoluments are given in the Directors' Remuneration Report on page 54.

Notes to the financial statements continued

6. Finance costs

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Interest payable – bank overdraft	8	35	43	5	18	23
Amortisation of C share issue costs	122	488	610	–	–	–
Return on C Shares	181	722	903	–	–	–
Total	311	1,245	1,556	5	18	23

7. Taxation

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

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Corporation tax	1,029	(1,029)	–	562	(562)	–
Corporation tax – prior year adjustment	415	(415)	–	–	–	–
Overseas tax	1,144	–	1,144	640	–	640
Overseas tax on capital gains	–	1,105	1,105	–	546	546
Capital gains tax provision reversed (note 7(c))	–	–	–	–	(3,286)	(3,286)
Total current tax	2,588	(339)	2,249	1,202	(3,302)	(2,100)
Deferred tax – capital gains tax provision reversed (note 7(c))	–	–	–	–	(2,653)	(2,653)
Total tax (note7(b))	2,588	(339)	2,249	1,202	(5,955)	(4,753)

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

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Profit/(loss) on ordinary activities before taxation	21,512	(25,944)	(4,432)	20,530	(54,625)	(34,095)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax 19.0% (2018: 19.0%)	4,087	(4,929)	(842)	3,901	(10,379)	(6,478)
Effects of:						
Non taxable overseas dividends	(3,010)	–	(3,010)	(2,612)	–	(2,612)
Non taxable overseas stock dividends	(86)	–	(86)	(722)	–	(722)
UK dividends	(26)	–	(26)	(5)	–	(5)
Capital gain tax on realised gains	–	1,105	1,105	–	(2,740)	(2,740)
Capital gain tax on unrealised gains	–	–	–	–	(2,653)	(2,653)
Losses on investments held at fair value through profit or loss	–	4,172	4,172	–	5,301	5,301
Foreign exchange loss	–	77	77	–	64	64
Net (profit)/loss from contracts for difference	–	(270)	(270)	–	4,338	4,338
Overseas tax suffered	1,144	–	1,144	640	–	640
Movement of management expenses not utilised	–	(349)	(349)	–	92	92
Disallowable expenses	64	270	334	–	22	22
Prior year adjustment	415	(415)	–	–	–	–
Total taxation charge for the year (note 7(a))	2,588	(339)	2,249	1,202	(5,955)	(4,753)

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 2019 the Company had net surplus management expenses of US$4,130,000 (2018: US$8,151,000). 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 2019 is US$702,000 (30 September 2018: US$1,386,000).

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 was reversed in the prior year.

Notes to the financial statements continued

7. Taxation continued

Non current tax liability

	2019	2018
	US$'000	US$'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)
At 30 September	–	–

Deferred tax liability

	2019	2018
	US$'000	US$'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)
At 30 September	–	–

8. Dividends

			2019	2018
Dividends paid on equity shares:	Record date	Payment date	US$'000	US$'000
2018 final of 4.40 cents (2017: 4.20 cents) per ordinary share	4 January 2019	7 February 2019	9,034	7,631
2018 special dividend of 1.00 cents per ordinary share (2017: nil)	4 January 2019	7 February 2019	2,053	–
2019 interim of 3.00 cents (2018: 3.00 cents) per ordinary share	7 June 2019	28 June 2019	7,220	5,850
			18,307	13,481

The total dividends payable in respect of the year ended 30 September 2019 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.

	2019	2018
	US$'000	US$'000
Interim dividend of 3.00 cents per ordinary share (2018: 3.00 cents)	7,220	5,850
Final proposed dividend of 4.75 cents per ordinary share (2018: 4.40 cents)*	11,432	8,987
Special dividend of Nil cents per ordinary share (2018: 1.00 cent)*	–	2,042
	18,652	16,879

* Based on 240,672,801 ordinary shares in issue on 5 December 2019.

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 2019	Year ended 30 September 2018
Net revenue profit attributable to ordinary shareholders (US$'000)	18,924	19,328
Net capital loss attributable to ordinary shareholders (US$'000)	(25,605)	(48,670)
Total loss attributable to ordinary shareholders (US$'000)	(6,681)	(29,342)
Equity shareholders' funds (US$'000)	400,820	356,495
The weighted average number of ordinary shares in issue during the year, on which the return per ordinary share was calculated was:	229,597,290	190,842,459
The actual number of ordinary shares in issue at the year end, on which the net asset value per ordinary share was calculated was:	240,672,801	200,616,108
Return per ordinary share		
Revenue earnings per share (cents)	8.24	10.13
Capital loss per share (cents)	(11.15)	(25.50)
Total loss per share (cents)	(2.91)	(15.37)

	As at 30 September 2019	As at 30 September 2018
Net asset value per ordinary share (cents)	166.54	177.70
Ordinary share price (cents)*	162.66	182.25
Net asset value per ordinary share (pence)	135.15	136.26
Ordinary share price (pence)	132.00	139.75

* The Company's share price is quoted in sterling and the above represents the US dollar equivalent based on an exchange rate of $1.2323 to £1 as at 30 September 2019 (30 September 2018: $1.3041 to £1).

Notes to the financial statements continued

10. Investments held at fair value through profit or loss

	2019	2018
	US$'000	US$'000
Equity investments held at fair value through profit or loss	322,391	236,806
P-Notes	–	10,778
Cash Fund	71,191	100,917
Total value of financial asset investments at 30 September	393,582	348,501
Valuation brought forward at 1 October	348,501	354,384
Investment holding losses/(gains) at 1 October	43,041	(23,113)
Opening cost of equity investments	391,542	331,271
Acquisitions at cost	673,856	462,388
Disposal proceeds	(606,712)	(440,372)
Realised (loss)/gains on sales	(26,924)	38,255
Cost carried forward at 30 September	431,762	391,542
Investment holding losses at 30 September	(38,180)	(43,041)
Closing valuation of equity investments	393,582	348,501

Acquisitions at cost includes investments of US$40,414,000 received as consideration from the C share issue pursuant to a rollover option in connection with reconstruction of BlackRock Emerging Europe plc. During the year, transaction costs of US$528,000 (2018: US$561,000) were incurred on the acquisition of investments. Costs relating to the disposal of investments during the year amounted to US$530,000 (2018: US$519,000). All transaction costs have been included within the capital reserves.

(Losses)/gains on investments held at fair value through profit or loss

	2019	2018
	US$'000	US$'000
Realised (losses)/gains on sales	(26,924)	38,255
Changes in investment holding losses	4,861	(66,154)
Special dividends credited to capital	104	–
	(21,959)	(27,899)

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.

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Net unrealised gains relating to underlying price movements	–	1,858	1,858	–	1,899	1,899
Net realised gains/(losses) relating to underlying price movements	–	2,946	2,946	–	(21,874)	(21,874)
Notional dividend income on long positions	3,153	–	3,153	4,157	–	4,157
Notional dividend expense on short positions	(435)	–	(435)	(192)	–	(192)
Notional interest expense on long positions	(840)	(3,307)	(4,147)	(704)	(2,855)	(3,559)
Notional interest expense on short positions	(20)	(74)	(94)	(16)	–	(16)
Total return on derivative contracts for the year	1,858	1,423	3,281	3,245	(22,830)	(19,585)

	2019	2018
	US$'000	US$'000
Amounts due from brokers in respect of revaluation gains on CFDs	3,414	4,011
Derivative financial liabilities: Amounts due to brokers in respect of revaluation losses on CFDs	(1,056)	(3,511)
Total net derivative financial assets	2,358	500

Net realised gains on CFD positions of US$2,946,000 (2018: gains of US$21,874,000) comprised realised gains of US$70,065,000 (2018: US$55,539,000) and realised losses of US$67,119,000 (2018: US$77,413,000).

The Company invests in P-Notes and these are participatory 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 2019 the Company held no P-Notes (2018: 1).

Notes to the financial statements continued

11. Derivatives continued

A summary of the returns from investment in P-Notes is given below:

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Profits on investments held at fair value through profit or loss						
Net gains relating to underlying price movements	–	–	–	–	1,801	1,801
Net gains on sale of P-Notes	–	1,719	1,719	–	–	–
Income from investments held at fair value through profit or loss						
Dividend income from underlying securities	–	–	–	547	–	547
Total	–	1,719	1,719	547	1,801	2,348

At 30 September 2019, the fair value of the Company's holding in P-Notes amounted to US$nil (2018: US$10,778,000) representing 0.0% of net assets (2018: 3.0%).

As at 30 September 2019 the Company held cash and cash equivalent balances of US$6,020,000 (2018: US$4,425,000). The Company also pledged cash of US$40,000 (2018: US$10,180,000) on margin deposit accounts with counterparty brokers. This cash represents collateral posted to broker margin deposit accounts in relation to amounts due to brokers in respect of unrealised losses on open contracts for difference. The nature of the Company's portfolio means that the Company gains significant exposure to a number of markets through CFDs. The Company may be geared through the use of CFDs up to 140% 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 2019 and 2018 and the 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$100,058,000 (2018: US$108,814,000). Had the Company been able to acquire all of the underlying CFD positions through direct equity investment, its cash position (taking into account cash invested in the Cash Fund at 30 September 2019 of US$71,191,000 (2018: US$100,917,000) at the year end would therefore have been lower by US$100,058,000 (2018: US$108,814,000).

As at 30 September 2019 the Company also owed US$3,710,000 (2018: US$nil) 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$6,020,000 (2018: US$4,425,000), and an equivalent creditor of US$3,710,000 (2018: US$nil) 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. C shares: financial liability

	30 September 2019
	US$'000
Net proceeds from issue of C shares	57,010
Amortisation of C share issue costs	610
Return on C share liability	903
Extinguishment of C share liability upon conversion to Ordinary shares	(58,523)
	–

On 27 November 2018 the Company issued 44,927,580 C shares with a nominal value of 10 cents each at a price of £1.00 per share. On 11 January 2019 the C shares were converted into 33,906,693 ordinary shares. The conversion ratio, which has been calculated by reference to the net assets of the Company attributable to the ordinary shares and the net assets of the Company attributable to the C shares as at the close of business on 7 January 2019 was 0.7547 Ordinary shares for every C share held.

The C shares (when in issue) were listed on the London Stock Exchange. After the conversion of the C shares to ordinary shares, the C shares were delisted on 22 January 2019.

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

The table below gives a breakdown of the gross proceeds (excluding issue costs) from the issue of C shares during the year:

	US$'000
Consideration received from C share issue pursuant to rollover option in connection with reconstruction of BlackRock Emerging Europe plc:	
Investments	40,414
Cash	7,353
	47,767
Proceeds from C share issue pursuant to placing and offer for subscription:	
Cash	9,853
Gross proceeds from issue of C shares	57,620

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

For the period from issue to conversion on 11 January 2019	US$'000
Gross proceeds from issue of C shares	57,620
C share issue costs	(610)
Net revenue income	114
Fair value gains on investments and contracts for difference	789
Finance costs – amortisation of C share issue costs	610
Value of C shares on conversion	58,523

Notes to the financial statements continued

13. Other receivables

	2019	2018
	US$'000	US$'000
Amounts due from brokers	7,220	249
Prepayments and accrued income	540	506
	7,760	755

14. Other payables

	2019	2018
	US$'000	US$'000
Amounts due to brokers	(1,973)	(6,155)
Accruals for expenses and interest payable	(3,238)	(1,692)
	(5,211)	(7,847)

15. 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.

16. Called up share capital

	Number of ordinary shares in issue	Nominal value
		US$'000
Allotted, called up and fully paid share capital comprised: Ordinary shares of 1 cent each:		
At 30 September 2018	200,616,108	2,006
Share issues	6,150,000	62
Conversion of C shares into Ordinary shares	33,906,693	339
At 30 September 2019	240,672,801	2,407

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 15 to the Financial Statements.

During the year the Company issued 6,150,000 Ordinary shares (2018: 22,748,000) for a total gross consideration of US$10,845,000 (2018: US$49,347,000). A further 33,906,693 Ordinary shares were issued following the conversion of C shares. Please see note 12 for further details.

No further shares have been issued since the year end and up to and including the date of this report.

17. Reserves

	Share premium account	Capital redemption reserve	Distributable reserves			
			Special reserve	Capital reserve arising on investments sold	Capital reserve arising on revaluation of investments held	Revenue reserve
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 30 September 2018	95,095	5,798	230,799	49,775	(42,544)	15,566
Movement during the year:						
Total Comprehensive Income:						
Net profit for the year	–	–	–	(32,341)	6,736	–
Revenue return for the year	–	–	–	–	–	18,924
Transactions with owners:						
Share issues	10,783	–	–	–	–	–
Share issue costs	(55)	–	–	–	–	–
Share issues – conversion of C shares	58,184	–	–			
Dividends paid	–	–	–	–	–	(18,307)
At 30 September 2019	164,007	5,798	230,799	17,434	(35,808)	16,183

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.

18. Risk management policies and procedures

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

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 47 and in the Statement of Directors' Responsibilities on page 63, 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.

Notes to the financial statements continued

18. Risk management policies and procedures continued

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.

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 Markets 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 2019 and 30 September 2018 (based on a 99% confidence level) was 1.73% and 1.76% 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 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 2019 on its equity and P-Note investments, excluding its holding in the Cash Fund, was US$322,391,000 (2018: US$247,584,000). In addition, the Company's gross market exposure to these price changes through its CFD portfolio was US$118,670,000 (2018: US$136,775,000) through long positions and was US$16,254,000 (2018: US$27,461,000) through short positions.

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

Concentration of exposure to market risks
An analysis of the Company's investment portfolio is shown on pages 16 to 25. At 30 September 2019 this shows that the majority of the portfolio is invested in Indonesia, Thailand, Vietnam, Egypt and United Arab Emirates. 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 2019 and 30 September 2018 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.

	Indonesian Rupiah	Thai Baht	Emirati Dirham	Vietnamese Dong	Egyptian Pound
2019	US$'000	US$'000	US$'000	US$'000	US$'000
Receivables (due from brokers, dividends and other income receivable)	–	–	–	–	–
Contracts for difference – long (gross exposure)	11,357	–	7,786	39,545	–
Contracts for difference – short (gross exposure)	–	–	–	(4,212)	–
Cash and cash equivalents	–	–	–	–	–
Payables	–	–	–	–	–
Total foreign currency exposure on net monetary items	11,357	–	7,786	35,333	–
Investments at fair value through profit and loss that are equities	41,268	38,524	28,596	–	33,293
Total net foreign currency exposure	52,625	38,524	36,382	35,333	33,293

	Malaysian Ringgit	Philippine Peso	Turkish Lira	Euro	Other
2019	US$'000	US$'000	US$'000	US$'000	US$'000
Receivables (due from brokers, dividends and other income receivable)	173	107	517	–	255
Contracts for difference – long (gross exposure)	2,392	–	–	9,528	48,062
Contracts for difference – short (gross exposure)	–	–	–	–	(12,042)
Cash and cash equivalents	206	–	–	–	301
Payables	(109)	(707)	(517)	–	(727)
Total foreign currency exposure on net monetary items	2,662	(600)	–	9,528	35,849
Investments at fair value through profit and loss that are equities	20,792	22,347	20,697	10,078	62,929
Total net foreign currency exposure	23,454	21,747	20,697	19,606	98,778

Notes to the financial statements continued

18. Risk management policies and procedures continued

	Indonesian Rupiah	Vietnamese Dong	Thai Baht	Romanian Leu	Nigerian Naira
2018	US$'000	US$'000	US$'000	US$'000	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

	Kuwaiti Dinar	Emirati Dirham	Egyptian Pound	Sterling	Other
2018	US$'000	US$'000	US$'000	US$'000	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

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 2019 and 30 September 2018 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.

	2019 Within one year	2018 Within one year
	US$'000	US$'000
Exposure to floating interest rates:		
CFD derivative contracts		
– Notional long positions	(118,670)	(136,775)
– Notional short positions	16,254	27,461
Cash Fund	71,191	100,917
Cash and cash equivalents	6,020	4,425
Cash held in respect of contracts for differences	40	10,180
Collateral received in respect of contracts for differences	(3,710)	–

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 2.02% (2018: 1.90%). There were no money market deposits as at 30 September 2019 or 30 September 2018.

The Company does not have any fixed rate exposure at 30 September 2019 or 30 September 2018. Interest rates received on cash balances or paid on bank overdrafts, respectively, by major currency account are set out in the table below.

Notes to the financial statements continued

18. Risk management policies and procedures continued

2019	Interest received %	Interest paid %
US dollar	1.875	4.000
Sterling	0.400	3.750

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

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 net gearing will not exceed 130% 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 due or assets as of 30 September 2019 (30 September 2018: 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 is The Bank of New York Mellon (International) Limited (the Depositary) (S&P long term credit rating as at 30 September 2019: AA- (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 2019 is the total value of equity investments held with the Depositary and cash and cash equivalents in the Statement of Financial Position.

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

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

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

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

	Total number of counterparties	Maximum exposure to any one counterparty*	Collateral held*	Total exposure to all other counter parties*	Lowest credit rating of any one counterparty**
		US$'000	US$'000	US$'000	
2019	7	6,020	3,710	10,674	BBB+
2018	5	8,980	–	8,183	BBB+

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

The Company may also be exposed to counterparty risk should there be any rehypothecation of pledged collateral. 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 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
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 115. To the extent derivatives are used to gear the Company's portfolio, maximum gross exposure through long and short CFDs will not exceed 150% of net assets and maximum net exposure will not exceed 130% 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 41 positions as at 30 September 2019 (2018: 34).

The gross and net underlying notional exposures within the CFD portfolio at 30 September 2019 and 30 September 2018 were:

Notes to the financial statements continued

18. Risk management policies and procedures continued

	2019	% of net assets	2018	% of net assets
	US$'000		US$'000	
CFDs – gross exposure relating to long positions	118,670	29.6	136,775	38.4
CFDs – gross exposure relating to short positions	16,254	4.0	27,461	7.7
Gross economic exposure	134,924	33.6	164,236	46.1
Net market exposure	102,416	25.6	109,314	30.7

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 18(a)(i), 18(a)(ii), 18(a)(iii), 18(b) and 18(c) to the Financial Statements.

Collateral

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

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

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

	Pledged collateral		Inbound collateral	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	US$'000	US$'000	US$'000	US$'000
Cash collateral	40	10,180	3,710	–

Receivables

Amounts due from brokers 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.

In summary, the exposure to credit risk at 30 September 2019 and 30 September 2018 was as follows:

	2019 3 months or less	2018 3 months or less
	US$'000	US$'000
Cash at bank and on deposit and held as collateral with brokers	6,060	14,605
Cash Fund	71,191	100,917
P-Notes	–	10,778
CFD positions – amounts due from brokers	3,414	4,011
Other receivables (amounts due from brokers, dividends and interest receivable)	7,760	755

There were no past due or impaired assets as of 30 September 2019 (30 September 2018: nil).

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

	Counterparty Country of Incorporation	Receivable/ (payable) for CFDs	Cash Collateral (received)/ pledged
2019 Name of counterparty		US$'000	US$'000
HSBC	United Kingdom	1,257	(1,370)
Deutsche Bank AG	United Kingdom	(24)	40
Citibank N.A	United Kingdom	3	(1,540)
Bank of America Merrill Lynch	United Kingdom	113	(800)
Morgan Stanley	United Kingdom	(69)	–
Credit Suisse	Switzerland	1,078	–
		2,358	(3,670)

	Counterparty Country of Incorporation	Receivable/ (payable) for CFDs	Cash Collateral (received)/ pledged
2018 Name of counterparty		US$'000	US$'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

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 creditworthiness of financial institutions with whom cash is held is reviewed regularly by the Investment Manager;
- The RQA CCR team review the credit standard of the Company's brokers on a periodic basis, and set 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.

Notes to the financial statements continued

18. Risk management policies and procedures continued

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 2019 and 2018, the Company's derivative assets and liabilities (by type) are as follows:

	At 30 September 2019		At 30 September 2018	
	Assets	Liabilities	Assets	Liabilities
Derivatives	US$'000	US$'000	US$'000	US$'000
CFD position – long positions	3,128	(1,056)	3,974	(2,862)
CFD position – short positions	286	–	37	(649)
Total derivative assets and liabilities in the Statement of Financial Position	3,414	(1,056)	4,011	(3,511)

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 2019 and 2018:

	Derivative assets subject to a master netting agreement	Derivatives available for offset	Non-cash collateral	Inbound cash collateral	Net amount of derivative assets
Counterparty	US$'000	US$'000	US$'000	US$'000	US$'000
As at 30 September 2019					
HSBC	1,763	–	–	(1,370)	393
Credit Suisse	1,096	–	–	–	1,096
Bank of America Merrill Lynch	360	–	–	(360)	–
Citibank N.A	195	–	–	(195)	–
Total as at 30 September 2019	3,414	–	–	(1,925)	1,489
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

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 2019					
Credit Suisse	(18)	–	–	–	(18)
Deutsche Bank AG	(24)	–	–	24	–
Morgan Stanley	(69)	–	–	–	(69)
Citibank N.A	(192)	–	–	–	(192)
Bank of America Merrill Lynch	(247)	–	–	–	(247)
HSBC	(506)	–	–	–	(506)
Total as at 30 September 2019	(1,056)	–	–	24	(1,032)
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)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company is 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 2019 and 30 September 2018, based on the earliest date on which payment can be required, were as follows:

2019	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	5,211	–	–	5,211
Amounts due to CFD counterparty brokers in respect of collateral held on account	3,710	–	–	3,710
Derivative financial liabilities held at fair value through profit or loss	1,056	–	–	1,056
	9,977	–	–	9,977

Notes to the financial statements continued

18. Risk management policies and procedures continued

	3 months or less	Not more than one year	More than one year	Total
2018	US$'000	US$'000	US$'000	US$'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

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(h) to the Financial Statements on page 77.

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.

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.

In 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 was 1 P-Note held as at the year ended 30 September 2018.

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 observable market data and these inputs could have a significant impact on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. 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.

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.

Fair values of financial assets and financial liabilities
The table below sets out fair value measurements using IFRS 13 fair value hierarchy.

Financial assets at fair value through profit or loss at 30 September 2019	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Assets:				
Equity investments	322,391	–	–	322,391
P-Notes	–	–	–	–
Cash Fund	71,191	–	–	71,191
Contracts for difference (fair value)	–	3,411	3	3,414
Liabilities:				
Contracts for difference (fair value)	–	(1,056)	–	(1,056)
	393,582	2,355	3	395,940

Notes to the financial statements continued

18. Risk management policies and procedures continued

Financial assets at fair value through profit or loss at 30 September 2018	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Assets:				
Equity investments	236,806	–	–	236,806
P-Notes	–	10,778	–	10,778
Cash Fund	100,917	–	–	100,917
Contracts for difference (fair value)	–	4,008	3	4,011
Liabilities:				–
Contracts for difference (fair value)	–	(3,511)	–	(3,511)
	337,723	11,275	3	349,001

There were no transfers between levels of financial assets and financial liabilities during the year recorded at fair value as at 30 September 2019. The Company held 1 Level 3 long CFD security during the year ended 30 September 2019, which is also held at the year end. The Company held one Level 3 long CFD security throughout the year ended 30 September 2018.

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	2019	2018
	US$'000	US$'000
Opening fair value	3	213
Disposal	–	(211)
Change in fair value during the year	–	1
Closing fair value	3	3

(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 net assets 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 2019 was US$400,820,000 (2018: US$356,495,000).

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.

19. 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 53 to 55. At 30 September 2019, US$15,000 (£12,000) (2018: US$16,000 (£12,000)) was outstanding in respect of Directors' fees.

20. 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 page 43.

The investment management fee due for the year ended 30 September 2019 amounted to US$4,429,000 (2018: US$4,280,000). No performance fee is payable for the year (2018: US$nil). At the year end, US$2,385,000 was outstanding in respect of management fees (2018: US$1,024,000) and US$nil (2018: US$nil) 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 2019 amounted to US$79,000 excluding VAT (2018: US$93,000) of which marketing fees of US$147,000 excluding VAT (2018: US$68,000) were outstanding as at year end.

The Company has an investment in the BlackRock Institutional Cash Series plc – US Dollar Liquid Environmentally Aware Fund of US$71,191,000 (2018: US$100,917,000 held in BlackRock's Institutional Cash Series plc – US Dollar Liquidity Fund) at the year end, which is a fund managed by a company within the BlackRock Group.

21. Contingent liabilities

There were no contingent liabilities at 30 September 2019 (2018: nil).

Additional information

PTT Global Chemical is a global petrochemical company based in Thailand. Its activities span across the major components within the carbon value chain, allowing it to diversify into downstream products. Through its gas-based cracking, the company benefits from a competitive cost advantage in olefins production in Asia.

Analysis of shareholders

Analysis of categories as at 30 September 2019

	Holdings	%	Shares	%
Bank or Nominees	679	76.81	238,364,929	99.04
Individuals	180	20.36	1,410,795	0.59
Other Company	14	1.58	346,764	0.14
Other Corporate Body	3	0.34	332,753	0.14
Insurance Company	1	0.11	199,065	0.08
Investment Trust	5	0.57	18,492	0.01
Pension Trust	2	0.23	3	0.00
Total	884	100.00	240,672,801	100.00

Band analysis as at 30 September 2019

Range in shares held	No. of shareholders	%	No. of Shares	%
1 – 1,000	89	10.07	46,158	0.02
1,001 – 5,000	265	29.98	704,314	0.29
5,001 – 10,000	138	15.61	1,003,626	0.42
10,001 – 100,000	221	25.00	6,663,355	2.77
100,001 – 500,000	87	9.84	20,388,699	8.47
500,001 – 1,000,000	26	2.94	19,017,181	7.90
1,000,001 and above	58	6.56	192,849,468	80.13
	884	100.00	240,672,801	100.00

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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.

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.

January/February

Annual General Meeting.

February

Final dividend paid.

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 – 2019

The proposed final dividend in respect of the year ended 30 September 2019 is 4.75 cents per ordinary share. Together with the interim dividend of 3.00 cents per share which was paid on 28 June 2019 to shareholders on the register on 7 June 2019, this gives a total dividend for the year ended 30 September 2019 of 7.75 cents per ordinary share.

Dividend timetable

Ex-dividend date:	2 January 2020
Record date:	3 January 2020
Last day for receipt of currency elections:	20 January 2020
Dividend payment date:	7 February 2020

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

From April 2018, the annual tax free allowance on dividend income is £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.

Shareholder information continued

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.

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, 4 February 2020. 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 2019/2020 tax year investors have an annual ISA allowance of £20,000 (2018/2019; £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

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 115.

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 2019	1.19	1.17
Leverage ratio – as at 30 September 2018	1.18	1.18

Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 18 to the notes to the financial statements on pages 91 to 105.

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) LIMITED
Company Secretary
5 December 2019

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 6,150,000 new ordinary shares during the year with a total nominal value of US$61,500 which were issued at an average price of 136.12p per share for a total consideration of £8,371,000 before the deduction of issue costs. Details of the allotments are set out in the following table. The Company also allotted a total of 44,927,580 C shares at £1.00 per share which were subsequently converted into 33,906,693 ordinary shares at a conversion ratio of 0.7547 ordinary shares for each C share held.

Allottee	Number of issue transactions	Total shares issued	Price range (p)	Total consideration (£'000)	Average premium %
Winterflood Securities Limited	15	6,150,000	132.50 – 141.50	8,371	1.9

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
5 December 2019

Glossary

Alternative performance measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements. The Company's APMs are set out below and are cross-referenced where relevant to the Financial inputs used to derive them as contained in other sections of the Annual Financial report.

Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open ended funds and can therefore invest in less liquid investments.

Contract for difference (CFD)

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.

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.

Discount and premium*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price was 360p and the NAV 380p, the discount would be 5.3%.

A premium occurs when the share price (based on the mid-market 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 was 370p and the NAV 365p, the premium would be 1.4%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

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 140% of the Company's net assets. The Company may use borrowings and enter into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance.

The Company's gross and net gearing through the use of long and short CFD positions as at 30 September 2019 and 30 September 2018 is set out in the table below.

Gross and net gearing	30 September 2019	30 September 2018	
	US$'000	US$'000	
Equity investments and P-Notes	322,391	247,584	
Long CFD exposures	118,670	136,775	
Short CFD exposures	16,254	27,461	
Gross geared exposure	457,315	411,820	(a)
Net assets	400,820	356,495	(b)
Gross gearing % of net assets (c = (a - b)/b)	**14.1%**	**15.5%**	**(c)**
Equity investments and P-Notes	322,391	247,584	
Long CFD exposures	118,670	136,775	
Short CFD exposures	(16,254)	(27,461)	
Net geared exposure	424,807	356,898	(d)
Net assets	400,820	356,495	(e)
Net gearing % of net assets (f = (d -e)/e)	**6.0%**	**0.1%**	**(f)**

* Alternative performance measures.

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:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

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 2019, 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.

Net asset value per share (Cum income NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 30 September 2019, equity shareholders' funds were worth US$400,820,000 and there were 240,672,801 ordinary shares in issue (excluding treasury shares); the undiluted NAV was therefore 166.54 cents per ordinary share (please see note 9 of the financial statements for the audited inputs to the calculations).

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.

Net asset value per share (Capital only NAV)*

The capital only NAV is a popular point of reference when comparing a range of investment trusts. This NAV focuses on the value of the Company's assets disregarding the current period revenue income, on the basis that most trusts will distribute substantially all of their income in any financial period. It is also the measure adopted by the Association of Investment Companies for preparation of statistical data. It is calculated by dividing 'equity shareholders' funds' (excluding current period revenue) by the total number of ordinary shares in issue.

As at 30 September 2019, equity shareholders' funds less the current year net revenue return (after interim dividends) amounted to US$389,116,000 and there were 240,672,801 ordinary shares in issue (excluding treasury shares); therefore the capital only NAV was 161.68 cents.

Equity shareholders' funds (excluding current period revenue) of US$389,116,000 are calculated by deducting from the Company's net assets (US$400,820,000) its current period revenue, (US$18,924,000) and adding back the interim dividend (US$7,220,000).

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 statements on page 81). The inputs that have been used to calculate the ongoing charges percentage are set out in the following table.

* Alternative performance measures.

Glossary continued

Ongoing charges calculation	Page	30 September 2019	30 September 2018	
		US$'000	US$'000	
Management fee	80	4,429	4,280	
Other operating expenses	81	1,082	1,252	
Total management fee and other operating expenses		5,511	5,532	(a)
Performance fees		–	–	
Total management and performance fee and other operating expenses		5,511	5,532	(b)
Average net assets in the year		397,416	389,040	(c)
Ongoing charges excluding performance fees (d = a/c)	**81**	**1.39%**	**1.42%**	**(d)**
Ongoing charges including performance fees (e = b/c)		**1.39%**	**1.42%**	**(e)**

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

Participatory notes (P-Notes)

Participatory notes issued by certain counterparty banks 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.

Quoted securities

Securities that trade on an exchange for which there is a publicly quoted price.

Revenue profit and revenue reserves

Revenue profit is the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses. They may retain up to 15% of revenue generated which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

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.

Statement of financial position/balance sheet

The Statement of Financial Position is the primary statement previously known as the Balance Sheet.

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 (please see note 9 of the financial statements for the audited inputs to the calculations).

NAV total return – US Dollar	Page	30 September 2019	30 September 2018	
Closing NAV per share (cents)	85	166.54	177.70	
Add back interim and final dividends (cents)	84	8.40	7.20	
Effect of dividend reinvestment (cents)		0.07	(0.99)	
Adjusted closing NAV (cents)		175.01	183.91	(a)
Opening NAV per share (cents)	85	177.70	196.91	(b)
NAV total return (c = ((a - b)/b)) (%)		**(1.5)**	**(6.6)**	**(c)**

Share price total return – US Dollar	Page	30 September 2019	30 September 2018	
Closing share price (cents)[1]	85	162.66	182.25	
Add back interim and final dividends (cents)	84	8.40	7.20	
Effect of dividend reinvestment (cents)		(0.32)	(0.98)	
Adjusted closing share price (cents)		170.74	188.47	(a)
Opening share price (cents)	85	182.25	199.91	(b)
Share price total return (c = ((a - b)/b)) (%)		**(6.3)**	**(5.7)**	**(c)**

[1] Based on an exchange rate of $1.2323 at 30 September 2019 and $1.3041 to £1 at 30 September 2018.

NAV total return – Sterling	Page	30 September 2019	30 September 2018	
Closing NAV per share (pence)[1]	85	135.15	136.26	
Add back interim and final dividends (pence)	84	6.58	5.20	
Effect of dividend reinvestment (pence)		0.22	(0.56)	
Adjusted closing NAV (pence)		141.95	140.90	(a)
Opening NAV per share (pence)	85	136.26	146.76	(b)
NAV total return (c = ((a - b)/b)) (%)		**4.2**	**(4.0)**	**(c)**

[1] Based on an exchange rate of $1.2323 at 30 September 2019 and $1.3041 to £1 at 30 September 2018.

Share price return – Sterling	Page	30 September 2019	30 September 2018	
Closing share price (pence)	85	132.00	139.75	
Add back interim and final dividends (pence)	84	6.58	5.20	
Effect of dividend reinvestment (pence)		(0.09)	(0.56)	
Adjusted closing share price (pence)		138.49	144.39	(a)
Opening share price (pence)	85	139.75	149.00	(b)
Share price total return (c = ((a - b)/b)) (%)		**(0.9)**	**(3.1)**	**(c)**

Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury stock may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

Unquoted investments

Financial securities that do not trade on an exchange for which there is not a publicly quoted price.

Yield*

The yield is the amount of cash (in percentage terms) that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include the price variations, distinguishing it from the total return.

* Alternative performance measures.

Annual general meeting

Koza Altin's current reserves put the company in a prime spot to benefit from the soar in gold production in Turkey, helped by the strong local demand and general interest from central banks across the world.

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, 4 February 2020 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 12, as ordinary resolutions and, in the case of resolutions 13 to 15, 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 future policy table on page 57. Resolution 3 is a binding triennial vote on the Company's future remuneration policy. The remuneration policy will take effect immediately upon approval by shareholders and will continue to apply for the next three years, unless amended by the Company in general meeting at an earlier date.

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 2019, together with the report of the Auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 30 September 2019.

3. To approve the Directors' Remuneration Policy as set out on pages 56 and 57.

4. To approve the payment by the Company of a final dividend of 4.75 cents per ordinary share in respect of the year ended 30 September 2019.

5. To re-elect Mr Audley Twiston-Davies 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 elect Mrs Katrina Hart as a Director.

10. 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.

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

Special business

Ordinary resolution

12. 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$240,672.80 (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 2021 and the conclusion of the annual general meeting to be held in 2021 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:

13. That, in substitution for all existing authorities and subject to the passing of resolution 12, 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 12, 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 2021 and the conclusion of the annual general meeting of the Company to be held in 2021, 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$240,672.80 (representing approximately 10% of the aggregate nominal amount of the issued

Notice of annual general meeting continued

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.

14. 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 36,076,852 (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 2021 and the conclusion of the annual general meeting of the Company in 2021 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.

15. 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
5 December 2019

Registered Office:
12 Throgmorton Avenue
London EC2N 2DL

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, 31 January 2020 (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 31 January 2020 (excluding non-working days).

3. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 noon on Friday, 31 January 2020 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

4. 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.

5. 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.

6. 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.

7. Only shareholders registered in the register of members of the Company by not later than 6.00 p.m. on Friday, 31 January 2020 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.

8. 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.

9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar by 12.00 p.m. on Friday, 31 January 2020 (excluding non-working days). Instructions on how to vote through CREST can be found by accessing the following website: euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.

10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) by 12.00 p.m. on Friday, 31 January 2020 (excluding non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure 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.

Notice of annual general meeting continued

12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.

14. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are laid before the meeting; or

    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

15. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:

    (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or

    (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:

    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    (b) it is defamatory of any person; or

    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 23 December 2019, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16. Further information regarding the meeting which the Company is required by section 311A of the Act to publish on a website in advance of the meeting (including this Notice), can be accessed at blackrock.co.uk/brfi.

17. As at the date of this report, the Company's issued share capital comprised 240,672,801 ordinary shares of 1 cent each (none of which are held in treasury) with 1 voting right per share, and 50,000 management shares of £1.00 each (which do not carry voting rights). Each ordinary share carries the right to one vote at general meetings. Therefore the total number of voting rights in the Company on 5 December 2019 is 240,672,801.

18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles. Copies of the Directors' letters of appointment will be available for inspection at the Company's registered office from 5 December 2019 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.

Share fraud warning

Be ScamSmart

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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