

BLACKROCK®

**BlackRock Frontiers
Investment Trust plc**

For the period from 15 October 2010
(date of incorporation) to 30 September 2011

Company No 7409667

WEDNESDAY



A1389MCI

A12

22/02/2012

#293

COMPANIES HOUSE

Contents

Investment Objective and Policy	2
Performance Record	3
Chairman's Statement	4
Investment Manager's Report	6
Top Ten Investments	8
Portfolio Analysis	9
Investments	11
Directors	13
Directors' Report	14
Directors' Remuneration Report	22
Corporate Governance Statement	24
Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements	29
Report of the Independent Auditor	30
Statement of Comprehensive Income	31
Statement of Changes in Equity	32
Statement of Financial Position	33
Cash Flow Statement	34
Notes to the Financial Statements	35
Analysis of Ordinary Shareholders	52
Directors, Management & Administration	53
Shareholder Information	54
Notice of Annual General Meeting	57
Glossary	61

BlackRock Frontiers Investment Trust plc

Investment Objective

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

Summary Investment Policy

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

aic

The Association of
Investment Companies

A MEMBER OF THE ASSOCIATION OF
INVESTMENT COMPANIES

Details about the Company are available on the BlackRock Investment Management (UK) Limited website at www.blackrock.co.uk/bfi

Performance Record

Financial Highlights

	30 September 2011	Launch (17 December 2010)	Change %
Attributable to ordinary shareholders			
Assets			
US \$*			
Net assets (000's)	115,629	143,652	(19.5)
Net asset value per share	122.01c	151.59c	(19.5)
Ordinary share price	116.84c	154.68c	(24.5)
(Discount)/premium to net asset value	(4.2%)	2.0%	
MSCI Frontier Markets Index	-	-	(15.6)
MSCI Emerging Markets Index	-	-	(19.3)
MSCI World Developed Markets Index	-	-	(10.6)
Sterling £			
Net assets (000's)	74,226	92,871	(20.1)
Net asset value per share	78.32p	98.00p	(20.1)
Ordinary share price	75.00p	100.00p	(25.0)
(Discount)/premium to net asset value	(4.2%)	2.0%	
MSCI Frontier Markets Index	-	-	(16.2)
MSCI Emerging Markets Index	-	-	(19.9)
MSCI World Developed Markets Index	-	-	(11.2)

All performance calculations are given on a total return basis, with net income reinvested

	Period from launch (17 December 2010) to 30 September 2011
Revenue	
Net revenue after taxation (000's)	\$3,323
Revenue return per ordinary share	3.51c
Total return per ordinary share	(29.57c)
Dividend per ordinary share	3.00c
Total expense ratio including operating expenses and excluding taxation	1.3%
Total expense ratio including operating expenses and taxation	1.7%

* Based on an exchange rate of 1.5578 at 30 September 2011 and 1.5468 at 17 December 2010

Chairman's Statement

for the period from 15 October 2010 (date of incorporation) to 30 September 2011

I am pleased to present the first annual report to shareholders of the BlackRock Frontiers Investment Trust plc for the period ended 30 September 2011

Overview

This was a challenging time for investors. The Company's net asset value ("NAV") over the period from launch on 17 December 2010 to 30 September 2011 fell by 20.1%, compared with a fall of 16.2% in the MSCI Frontier Markets Index (all calculations on a sterling basis with net income reinvested). The Company's share price fell by 25%. Performance suffered from exposure to stocks which, despite having their operations based in Frontier Markets, were listed in Developed Markets and consequently were more affected by the crisis in global markets. In the meantime, the Manager is focused on careful stock selection in companies with attractive valuations and good growth prospects.

Positive contributions to performance came from overweight positions in Qatar, Saudi Arabia and Croatia where markets remained resilient to the global sell off. The Company also benefited from avoiding exposure to troubled markets such as Argentina, Bangladesh and Kenya. The Company's ability to take short positions also contributed positively to performance in the period. In particular, the Company benefited from a short position in a Syrian oil exploration company (on the back of the deteriorating security situation in Syria) and an African iron ore company (following the announcement of worse than anticipated results). In a global context, Frontier Markets have outperformed both Emerging Markets and Developed Markets over the last six months, and we are confident that over time, Frontier Markets will continue to demonstrate low correlations with global markets, whilst offering exposure to the fastest growing markets and the highest yielding stocks across the emerging markets universe.

Since the period end, the Company's NAV has increased by 1.0% and the share price has fallen by 3.0% (both on a sterling basis with net income reinvested).

Directors

The Board were pleased to welcome Mr Sarmad Zok to the Board in February 2011 and Mr John Murray in July 2011. Mr Zok is Chairman and Chief Executive Officer of Kingdom Hotel Investments (KHI) (a Dubai based company) and a Director of Kingdom Holding Company (KHC) with responsibility for KHC's global hotel portfolio. Mr Murray is chairman and one of the founders of Ecofin Limited, a London based investment firm which specialises in the global utilities, infrastructure, renewable energy and energy sectors and he is also a director of a number of other listed companies. Mr Murray was previously a Director of Blackrock New Energy Investment Trust plc and held senior corporate finance positions at Swiss Bank Corporation in London and at Morgan Stanley Group, Inc., in New York, London and Australia.

Both Mr Zok and Mr Murray will serve as members of the Company's Audit and Management Engagement Committee.

Revenue return and dividends

The Company's revenue return per share for the period amounted to 3.51 cents. The Directors are recommending a final dividend of 3.00 cents per share. The dividend is payable on 24 February 2012 to shareholders on the Company's register on 27 January 2012.

Share capital

At launch, on 17 December 2010, the Company issued 94,766,267 shares at £1 per share. There were no further share allotments or any share buybacks in the period.

Share rating and share buy backs

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 rating closely and will consider share repurchases in the market if the discount to NAV widens significantly. In addition, before the Company's fifth annual general meeting the Board will provide Shareholders with an opportunity to realise the value of their Ordinary Shares at Net Asset Value per Share less costs. For the period since launch to 30 September 2011, the Company's shares have traded at an average premium to NAV of 1.5%, and were trading at a discount of 8.1% on a cum-income basis at the date of this report.

The Directors have the authority to buy back up to 14.99% of the Company's issued share capital. This authority, which has not so far been utilised, expires on the conclusion of the 2012 AGM, when a resolution will be put to shareholders to renew it.

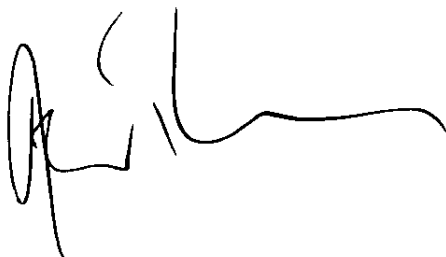
It is pleasing to note that the Company was promoted to the FTSE All-Share index with effect from 17 June 2011 which has helped to enhance liquidity and generate demand for the Company's shares and to maintain the share price at close to NAV.

Outlook

Economic data continues to weaken in continental Europe, and forecasts for corporate earnings growth have been reduced but still in many cases fail to reflect the extent of the global slowdown. The ability of governments in developed markets to stimulate their economies is severely constrained. However, Frontier Markets are generally in a much better position, with stronger growth and lower levels of debt, we expect therefore the impact of the worsening global economic crisis is likely to be less than in the developed world.

Frontier Markets also offer strong relative attractions. The companies in which we invest are less dependent on developed world growth, are generally faster growing and trade on lower valuations than their counterparts in the developed world. Frontier Markets also offer attractive diversification given their lower correlation to developed equity markets, which have in recent years become much more highly correlated with each other. We believe that the sector represents an attractive opportunity for investors within the broader emerging markets universe.

Audley Twiston-Davies
2 December 2011



Investment Manager's Report

Markets

The period since launch has been a turbulent period for global equity markets, with Frontier Markets falling 17% over the calendar year to date. The first three months of the year were characterised by uprisings across the Middle East. In Tunisia, initially small demonstrations against the government escalated to sufficient scale to topple the Ben-Ali regime. This encouraged others across the region to mobilise in an attempt to remove their un-elected leaders. The outcome of these movements varied hugely by country. In those countries which lacked social cohesion and where governments had done least to tackle the concerns of the local population, such as Egypt and Tunisia, regime change was seen. However, in Saudi Arabia and Qatar, the combination of increased government spending and the perception of greater political legitimacy ensured that the political status quo was maintained.

Over the last six months Frontier Markets have significantly outperformed both Emerging Markets and Developed Markets falling 12% versus Emerging Markets down 23% and Developed Markets down 16%. Globally, opportunities for diversification have declined and correlations have increased, as in 2008, with global equities, debt, oil, copper and inflation rising and falling together. Against this background Frontier Markets have continued to demonstrate a lower correlation with global markets, whilst offering exposure to the faster growing markets and the higher yielding stocks across the emerging markets universe.

Qatar was the best performing market over this period, returning 3.5%. Data released by the IMF in September showed that Qatar overtook Luxembourg as the world's richest nation with GDP per capital rising to US\$81k in 2010 and projected to rise to US\$112k by 2016. As the world's largest exporter of liquefied natural gas, Qatar is in the enviable position of generating both a budget and current account surplus. The government is investing these reserves in diversifying the economy away from the energy sector and investing in much needed local infrastructure upgrades.

Some of the weakest performers over the period were Argentina, Kenya and Bangladesh, falling 39%, 37% and 32% respectively. The Company's portfolio had no exposure to any of these markets. In Argentina, markets fell following the election success of Cristina Fernandez de Kirchner. The re-election of de Kirchner reduces the prospect of much needed economic reforms. Weakening soft commodity prices applied further pressure to the Argentinian economy. Kenya's central bank has remained behind the curve in tackling the country's high inflation level and as a result the Kenyan Shilling has depreciated 24% this year. Since the end of September, interest rates have been hiked 4%, indicating a change in policy although significant headwinds remain. Given the severe declines seen in these markets, some attractively priced stocks are beginning to appear. We anticipate that exposure to these markets will increase as we move into 2012.

Performance

Since inception to 30 September 2011, the Company's NAV has fallen by 20.1% on a sterling basis (19.5% on a US dollar basis), underperforming the MSCI Frontier Markets Index by 3.9% on both a sterling basis and on a US dollar basis. Year to date the NAV of the Company has fallen by 19.7% on a sterling basis (20.1% on a US dollar basis), underperforming the Frontier Markets Index by 3.0%.

The BlackRock Frontier Markets Team has extensive experience investing in derivative products and has used this expertise to good effect to gain exposure to a wide range of securities and markets that would otherwise be difficult or impossible for investors to access. We have also taken short positions in the period which has enabled the Company to profit from negative as well as positive views on individual stocks. The Company may only hold up to 20% of its gross assets in derivative instruments for the purposes of gearing (although it may hold up to 100% of the portfolio in these instruments for the purposes of gaining market exposure) and may short up to a limit of 10% of gross assets. As at 30 September 2011, 28.5% of the Company's market exposure was achieved through long CFD positions, 7.4% through short CFD positions, 10.6% through investment in promissory notes and 61.1% of the Company's gross assets were directly invested in equities, giving gross exposure of 107.6% and net exposure of approximately 93%.

The composition of the Company's portfolio reflects our convictions and may therefore bear little resemblance to the weighting or constituents of the MSCI Frontier Markets Index. In particular, the Index has a significant weighting towards Kuwaiti financial companies (in excess of 29% at 30 September 2011). These companies have limited long term attractiveness in our view, however they tend to be less sensitive to global market moves and consequently have been insulated from market volatility over the last few months. This contributed to the Company's underperformance of the benchmark in the last quarter of the financial year, but in our view this situation will reverse as markets recover. We will remain focused on identifying Frontier Market stocks with strong growth potential and compelling valuations regardless of the index composition.

Whilst the majority of asset allocation decisions taken across the period have benefited the Company, it suffered from too great an exposure to European markets going into the second half of the year. Particularly positions in Ukraine hurt performance as markets became increasingly concerned that the government would have to allow the Hryvna to depreciate from current levels.

The Company performance was hurt by positions in stocks which despite having their operations based in Frontier Markets are listed in developed markets. These stocks have a higher correlation to developments in global markets than a typical frontier stock as a result of their wider investor base. The largest stock detractor from performance was the US listed television company, Central European Media, which is the leading broadcaster across South East Europe. The stock sold off as investors reduced exposure on increasing risk aversion to Europe. We remain convinced that the stock has value at these levels as evidenced by Time Warner, the largest shareholder, having bought shares at significantly higher levels in the past. Since the end of September, the stock has bounced more than 30% from these oversold levels validating our decision to continue to hold the position.

Other disappointing stocks included two financials stocks. Nova Kreditna Bank in Slovenia and Halyk Bank in Kazakhstan. Nova Kreditna appeared a good value purchase when the fund was initially launched, trading on 0.8x book value with the Slovenian economy showing signs of recovery. We accept in hindsight that we had underestimated the extent of contagion from the problems in Europe and could have entered this position at a better price given that the stock is now trading on 0.3x book value. Halyk Bank has suffered from a slower than expected recovery in the Kazakhstan banking sector as the much talked about restructuring of problem loans across the sector has failed to come to fruition. We continue to believe that this company is the best positioned within the banking sector and will take market share as the economy continues to recover.

Vietnam saw a substantial negative return falling 21% as inflation rose to 23% in August and the Vietnamese Central Bank was forced to implement measures to cool the economy. Despite having taken some actions, we remain concerned that these have been insufficient and there is mounting pressure for currency depreciation. As a result we continue to run profitable short positions in this market.

Stocks that contributed positively to performance included Saudi retailer, Al Othaim, which has risen by approximately 30% since the initial purchase date as it continues to roll out stores into an underpenetrated market and take share from the informal retail market. Holdings in Panamanian airline, Copa, benefited the Company as it consistently reported strong traffic figures leading to results which were above analyst expectations.

The Company benefited from a number of short positions. These included a position in a Syrian oil exploration company which fell more than 50% as the security situation deteriorated in Syria driving the EU to increase sanctions. We also had a short position in an African iron ore company which announced results showing that its funding position was weaker than investors had expected.

The Company remains overweight in Nigeria where we find stocks that are seeing strong earnings growth and have compelling valuations, we hold banks that are trading on forward Price/Earnings ratios of 7-8x. The portfolio is also overweight Kazakhstan where energy and materials stocks trade on a significant discount to global peers while Ukrainian companies demonstrate strong growth but still trade on 7x earnings.

In Saudi Arabia, we are confident that the political status quo will be maintained and that this stability will allow the current trends of increased consumer spending and mobilisation of infrastructure projects to continue. In this context current valuations remain compelling.

Outlook

Recent economic data have been mixed in the US but continued to weaken in continental Europe. Meanwhile forecasts for corporate earnings growth have been reduced but still fail to reflect the extent of the global slowdown. As mentioned previously, the ability of governments in developed markets to stimulate their economies is severely constrained while those in Frontier Markets are in a much better position with stronger growth and lower levels of debt.

While Frontier Markets will not be immune to any slowdown, the extent is likely to be less than in developed markets. Sovereign debt levels are lower than in developed markets while the banking sector has strong capital ratios and little or no exposure to peripheral European debt. Frontier Markets offer strong relative attractions compared to other equity markets. The companies we invest in are generally faster growing, trade on lower valuations and have higher dividend yields. Frontier Markets also offer diversification benefits given their significantly lower correlations with developed equity markets which have become highly correlated with each other.

Sam Vecht
BlackRock Investment Management (UK) Limited
2 December 2011

Ten Largest Investments*

30 September 2011

Qatar Electricity & Water (Qatar, Utilities, 5.3%, www.qewc.com) manages power generation and water desalination plants across Qatar. It started production in 1999 from a single plant and has grown to operate 10 plants. The company continues to expand capacity which will reach 5,249MW this year, an increase of 18% from 2010 levels.

Kazmunaigas Exploration Production (Kazakhstan, Energy, 5.1%, www.kmgep.kz) is the second largest Kazakh oil producing company with a proved oil reserve of 1,707 million barrels which gives the company an estimated reserve life of 26 years.

Zenith Bank (Nigeria, Financials, 4.9%, www.zenithbank.com) is Nigeria's second largest bank with 350 branches in Nigeria accounting for over 10% of the country's banking assets. Zenith offers a full range of retail and corporate banking services and has subsidiaries in Ghana, The Gambia and Sierra Leone.

Hrvatski Telekomunikacije (Croatia, Telecommunications, 4.9%, www.ht.hr) is the leading telecommunication operator in Croatia providing voice and data services through a range of wireless, fixed and broadband technologies.

Abdullah Al Othaim Markets (Saudi Arabia, Consumer Staples, 4.3%, www.othaimmarkets.com/en) Al Othaim outlets range between hypermarkets, supermarkets, wholesale outlets and corners. These outlets are located across the Kingdom. In 2011, the total branches numbered 7 Hypermarkets, 63 Supermarkets, 8 Wholesale outlets and 26 smaller stores.

Commercial Bank of Qatar (Qatar, Financials, 4.2%, www.cbq.com.qa) offers a full range of corporate, retail, Islamic, and investment banking services as well as owning and operating exclusive Diners Club franchises in Qatar and Oman. The Bank's countrywide network includes 34 full service branches and 148 ATMs.

Qatar Navigation (Qatar, Industrials, 4.0%, www.qatarnav.com) operates in Qatar's transport, shipping and logistics sectors. The company's key businesses include offshore oil and gas support services, port services, marine transport and industrial equipment. Qatar Navigation also owns 25% of Qatar Gas Transport, the largest LNG vessel owner in the world.

MHP (Ukraine, Consumer Staples, 3.4%, www.mhp.com.ua) is Ukraine's largest poultry company accounting for more than 40% of chicken commercially reared in the country. MHP is vertically integrated, producing its own grain.

Copa Holdings (Panama, Industrials, 3.4%, www.copaair.com) is a leading Latin American provider of passenger and cargo services operating from its hub in Panama City, Panama. Copa currently offers 144 daily scheduled flights to 45 destinations in 24 countries in North, Central and South America and the Caribbean.

Saudi Arabian Amiantit (Saudi Arabia, Industrials, 3.3%, <http://www.amiantit.com/>) is the largest local manufacturer of water pipes in Saudi, servicing both municipal and industrial projects.

* As a % of total market exposure

Investments

as at 30 September 2011

Company	Principal country of operation	Sector	Fair value and market exposure* \$'000	Market exposure as a % of gross assets
Equity portfolio				
Bank Muscat	Oman	Financials	1,591	1.4
Central European Media	Romania	Consumer Discretionary	1,935	1.7
Commercial Bank of Qatar	Qatar	Financials	4,831	4.2
Copa Holdings	Panama	Industrials	3,965	3.4
DNO International	Iraq	Energy	2,308	2.0
Doha Bank	Qatar	Financials	1,221	1.1
Dragon-Ukrainian Properties	Ukraine	Financials	1,723	1.5
Eurasian Natural Resources	Kazakhstan	Materials	2,475	2.1
Firestone Diamonds	Botswana	Materials	1,302	1.1
Galfar Engineering & Contracts	Oman	Industrials	1,273	1.1
Gulf Keystone Petroleum	Iraq	Energy	2,256	2.0
Halyk Savings Bank	Kazakhstan	Financials	3,794	3.3
Hrvatski Telekomunikacije	Croatia	Telecommunications	5,693	4.9
Industries of Qatar	Qatar	Industrials	2,017	1.7
JKX Oil & Gas	Ukraine	Energy	1,884	1.6
Kazmuna:gas Exploration Production	Kazakhstan	Energy	5,868	5.1
Kernel Holdings	Ukraine	Consumer Staples	2,489	2.2
Kuwait Foods (Americana)	Kuwait	Consumer Discretionary	3,366	2.9
MHP	Ukraine	Consumer Staples	3,984	3.4
National Mobile Telecommunications	Qatar	Telecommunications	3,597	3.1
Qatar Electricity & Water	Qatar	Utilities	6,098	5.3
Qatar Navigation	Qatar	Industrials	4,588	4.0
Shikun & Binui	Pan Africa	Industrials	2,319	2.0
Equity investments			70,577	61.1
Investment in BlackRock Cash Fund			8,900	7.7
Total Equity Investments			79,477	68.8
P-Notes				
Al Mouwasat Medical Serv P-Note 09/10/12	Saudi Arabia	Industrials	3,471	3.0
Abdullah Al Othaim Mrkts P-Note 24/08/11	Saudi Arabia	Health Care	671	0.6
Abdullah Al Othaim Mrkts P-Note 13/08/14	Saudi Arabia	Health Care	4,322	3.7
Saudi Arabian Amiantit P-Note 03/09/12	Saudi Arabia	Consumer Staples	3,846	3.3
Total P-Notes			12,310	10.6
Total investments excluding CFDs			91,787	79.4

Investments continued

as at 30 September 2011

Company	Principal country of operation	Sector	Fair value* \$'000	Market exposure** \$'000	Market exposure as a % of gross assets***
CFD Portfolio					
Long positions					
Nova Kreditna Banka Maribor	Slovenia	Financials		1,920	1.7
Air Arabia	United Arab Emirates	Industrials		3,487	3.0
Arab Bank	Jordan	Financials		1,217	1.1
Arab Potash	Jordan	Materials		461	0.4
Arab Technical Con	United Arab Emirates	Industrials		2,204	1.9
Lucky Cement	Pakistan	Materials		1,856	1.6
MCB Bank	Pakistan	Financials		495	0.4
Ecobank Transnational	Nigeria	Financials		2,807	2.4
First Bank of Nigeria	Nigeria	Financials		3,769	3.3
First Gulf Bank	United Arab Emirates	Financials		2,407	2.1
Guinness Nigeria	Nigeria	Consumer Staples		2,253	1.9
Jordan Phosphate Mines	Jordan	Materials		2,373	2.1
SIF 2 Moldova	Romania	Financials		46	0.0
Unilever Nigeria	Nigeria	Consumer Staples		1,962	1.7
Zenith Bank	Nigeria	Financials		5,721	4.9
Total long CFD positions			(8,905)	32,978	28.5
Total short CFD positions			218	(8,563)	(7.4)
Total CFD portfolio			(8,687)	24,415	21.1
Credit Default Swap Bulgarian Government Debt 20/09/2016			650	650	0.6
Equity investments and P-Notes			91,787	91,787	79.4
Total investments including CFDs			83,750	116,852	101.1
Cash and cash equivalents representing the difference between the cost of direct investment and the cost of investing via a CFD contract			33,102		
Total including equity investments and P-Notes			116,852		
Net current liabilities			(1,223)	(1,223)	(1.1)
Total assets			115,629	115,629	100.0

* Fair value is determined as follows

- Listed and AIM quoted investments are valued at bid prices where available, otherwise at published price quotations
- The sum of the fair value column for the CFD contracts totalling negative US\$8,687,000 represents the fair valuation of all the CFD contracts, which is determined based on the difference between the purchase price and the 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\$41,883,000 at the time of purchase, and subsequent market falls in prices have resulted in unrealised losses on the CFD contracts of US\$8,905,000, resulting in the value of the total market exposure to the underlying securities falling to US\$32,978,000 as at 30 September 2011. The cost of acquiring the securities to which exposure was gained via the short CFD positions would have been US\$8,781,000 at the time of entering into the contract, and subsequent price falls have resulted in unrealised profits on the short CFD positions of US\$218,000 and the value of the market exposure of these investments decreasing to US\$8,563,000 at 30 September 2011. If the short positions had been closed on 30 September 2011 this would have resulted in a profit of US\$218,000 for the Company
- The Credit Default Swap is valued based on daily broker prices
- P-Notes are valued based on the quoted bid price of the underlying equity security to which they relate

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

*** % based on the total market exposure

Directors

Audley Twiston-Davies (Chairman) (date of appointment 23 November 2010) is currently non-executive chairman of TR European Growth Trust plc, Kasimir Russian Growth Fund and a non-executive director of Aberdeen New India Investment Trust plc. He was formerly Chairman of Taylor Young Investment Management Limited and also the Chief Executive Officer of Foreign & Colonial Emerging Markets Limited.

John Murray (date of appointment 12 July 2011) is chairman and one of the founders of Ecofin Limited, a London based investment firm which specialises in the global utilities, infrastructure, renewable energy and energy sectors. He is also a director of Ecofin Water & Power Opportunities plc, a quoted investment trust, Ecofin Global Utilities Hedge Fund Limited, Ecofin Special Situations Utilities Fund Limited, Ecofin China Power & Infrastructure Fund Limited and chairman of EFMI Funds plc. Mr Murray is a former non-executive director of BlackRock New Energy Investment Trust plc and has held senior corporate finance positions at Swiss Bank Corporation in London and at Morgan Stanley Group, Inc, in New York, London and Australia.

Nick Pitts-Tucker (date of appointment 23 November 2010) is currently acting in a number of non-executive roles, including container shipping company Seaspan Corporation, Health Impact Partners and Riders for Health. He is also a Council Member for the Royal Society for Asian Affairs and a Fellow of the Royal Asiatic Society. These follow a 36 year career in Emerging Markets with Japanese, British and American banks, arranging corporate and project finance loans for borrowers in those markets.

Lynn Ruddick (Chairman of the Audit & Management Engagement Committee) (date of appointment 23 November 2010) is a Fellow of the Chartered Association of Certified Accountants and a member of the Securities Institute. She is non-executive chairman of Fidelity Special Values plc and British Assets Trust plc, and a non-executive director and chairman of the audit committee of Standard Life UK Smaller Companies Trust plc, a member of the Investment Committee of the Pearson Group Pension Plan and a trustee of the Scottish & Newcastle Pension Plan. She is also a member of the Investment Committee of Western Provident Association and chairman of their Pension Fund Trustee Board. She worked for many years as an investment manager in both Edinburgh and London and is a former chairman of the Investment Committee of the National Association of Pension Funds. Before retiring from Merrill Lynch Investment Managers in 2004 she headed their investment trust business unit.

Sarmad Zok (date of appointment 8 February 2011) is chairman and chief executive officer of Kingdom Hotel Investments. He is a Board Director of Kingdom Holding Company ("KHC") and a member of the company's Investment Committee where he is responsible for KHC's global hotel portfolio. Mr Zok is also a Director of Four Seasons Hotels & Resorts, Fairmont Raffles Hotels and Movenpick Hotels and Resorts AG. Previously, Mr Zok headed Forte PLC's development effort in emerging markets and worked at HVS International, a leading hotel consulting and valuation firm, covering European markets. Prior to this he gained operational experience with Hilton International.

All the Directors are independent of the Investment Manager and are members of the Audit & Management Engagement Committee.

Directors' Report

The Directors present the first annual report and financial statements of the Company for the period from the date of incorporation on 15 October 2010 to 30 September 2011

Business Review

Incorporation and admission

The Company was incorporated on 15 October 2010 and its ordinary shares of US\$0.01 each ("Ordinary Shares") were admitted to trading on the London Stock Exchange and admitted to listing on the premium segment of the Official List of the UKLA on 17 December 2010 ("Admission")

Principal activity

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

Status of the Company

In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. It is the Company's intention to seek approval of investment trust status from HMRC under Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company is registered as an investment company as defined in section 833 of the Companies Act 2006 and operates as such. The Company is not a close company within the meaning of the provisions of the Corporation Tax Act 2010 and, as the Directors are non-executive, has no employees.

The Ordinary Shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

Continuation of the Company

Before the Company's fifth annual general meeting the Board will formulate and submit to Shareholders proposals (which may constitute a tender offer or other method of distribution) to provide Shareholders an opportunity to realise the value of their Ordinary Shares at the applicable Net Asset Value per Share less costs. If this initial return of capital is not undertaken in conjunction with the liquidation of the Company, the Directors intend to offer Shareholders further opportunities to realise the value of their Ordinary Shares, at the applicable Net Asset Value ("NAV") per Share less costs, at five yearly intervals.

Investment policy and objective

The Company's investment objective is to achieve long term capital growth from investment in companies operating in Frontier Markets or whose stocks are listed on the stock markets of such countries. To achieve this objective, the Company will invest globally in the securities of companies domiciled or listed in, or exercising the predominant part of their economic activity in, Frontier Markets. Investment may also be made in the securities of companies domiciled

or listed in, or exercising the predominant part of their economic activity in, more developed markets with significant business operations in Frontier Markets. A Frontier Market is a country which, at the time of any relevant investment, is not a constituent of the MSCI Emerging Markets Index or the MSCI Developed Markets Index. The Company will exit any investment relating to a Frontier Market as soon as reasonably practicable following that Frontier Market becoming a constituent of the Emerging Markets Index or the Developed Markets Index.

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

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

Due to regulatory requirements, excessive operational risk, prohibitive costs and the time period involved in establishing trading and custody accounts in certain of the Company's target Frontier Markets, the Company may be unable to invest in certain of its target Frontier Markets. In such circumstances, the Company intends to gain economic exposure to such target Frontier Markets by investing indirectly through derivatives (including contracts for difference) and structured financial instruments, for example Promissory Notes. Save as provided below, there is no restriction on the Company investing in these instruments in such circumstances.

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

The maximum exposure the Company may have to derivatives and structured financial instruments for investment purposes and efficient portfolio management purposes, in aggregate, shall be 100 per cent of the Company's portfolio. The Company may use borrowings and enter into derivative transactions that have the effect of gearing the Company's portfolio to enhance performance. The aggregate gearing of the Company is currently not anticipated to exceed 20 per cent of Gross Assets.

Portfolio analysis

A detailed analysis of the Company's portfolio has been provided on pages 11 and 12.

Performance

In the period from the launch of the Company on 17 December 2010 to 30 September 2011, the Company's NAV fell by 20.1% compared with a fall in the MSCI Frontier Markets Index of 16.2%. The Ordinary Share price fell by 25% (all on a total return sterling basis).

The Investment Manager's Report on pages 6 and 7 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 31. The total return for the period, after taxation, was a negative US\$28,023,000 of which the revenue return amounted to US\$3,323,000 and the capital return amounted to a negative US\$31,346,000.

The Directors recommend the payment of a final dividend of 3.00 cents per Ordinary Share in respect of the period ended 30 September 2011. The dividend will be paid on 24 February 2012 to Shareholders on the register of members at close of business on 27 January 2012. The cost of the dividend amounts to US\$2,843,000.

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.

	£	US\$
Net Asset Value ¹	-20.1%	-19.5%
Ordinary Share price ²	-25.0%	-24.5%
Benchmark Index	-16.2%	-15.6%
Discount to cum income NAV		4.2%
Total Expense Ratio (including operating expenses and excluding tax)		1.3%
Total Expense Ratio (including operating expenses and tax)		1.7%

¹ Calculated in accordance with AIC Guidelines
² Calculated on a mid to mid basis

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

Principal risks

The key risks faced by the Company are set out below. The Board regularly reviews and agrees policies for managing each risk, as summarised below.

Performance risk – The Board is responsible for deciding the investment policy to fulfil the Company's objectives and for monitoring the performance of the Company's investment manager ("Investment Manager") and the strategy adopted. An inappropriate policy or strategy may lead to poor performance, dissatisfied Shareholders and a widening discount. The Company's investment policy permits the use of both exchange-traded and over-the-counter derivatives (including contracts for difference). To manage these risks the Board regularly reviews the Company's investment mandate and long term strategy, and has put in place appropriate limits over levels of gearing and the use of derivatives. Levels of portfolio exposure through derivatives, including the extent to which the portfolio is geared in this manner and the value of any short positions, are reported regularly to the Board and monitored. The Board also reviews the controls put in place by the Investment Manager to monitor and to minimise counterparty exposure, which include intra-day monitoring of exposures to ensure these are within set limits. The Investment Manager provides an explanation of significant stock selection decisions, the rationale for the composition of the investment portfolio and movements in the level of gearing. The Board monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the Company's investment policy.

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

Directors' Report continued

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

Operational risk – In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager and the Company's other service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. These have been regularly tested and monitored and an internal controls report, which includes an assessment of risks together with procedures to mitigate such risks, is prepared by the Investment Manager and reviewed by the Audit Committee at least twice a year. The Investment Manager and the custodian Bank of New York Mellon (International) Limited ("BNYM") also produce a regular SAS 70 report which is reviewed by their reporting accountants and gives assurance regarding the effective operation of controls. The Board also considers succession arrangements for key employees of the Investment Manager and the business continuity arrangements for the Company's key service providers.

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

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

investors in such securities. Such information which is available is often less reliable.

The Company also gains exposure to Frontier Markets by investing indirectly through Promissory Notes ("P-Notes") which presents additional risk to the Company as the use of P-Notes is uncollateralised resulting in the Company being subject to full counterparty risk via the P-Note issuer. P-Notes also present liquidity issues as the Company, being a captive client of a P-Note issuer, may only be able to realise its investment through the P-Note issuer and this may have a negative impact on the liquidity of the P-Notes which does not correlate to the liquidity of the underlying security. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager.

Financial risks – The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk. Further details are disclosed in note 16, together with a summary of the policies for managing these risks.

Future prospects

The Board's main focus is the achievement of capital growth and the future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in both the Chairman's Statement on page 5 and in the Investment Manager's Report on page 7.

Social and community 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 when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on page 27.

Investment management and administration

BlackRock Investment Management (UK) Limited ("BlackRock") was appointed as investment manager, administrator and company secretary on 29 November 2010. BlackRock provides management and administration services to the Company under a contract which is terminable by either party on giving not less than six months' written notice. BlackRock receives an annual management fee of 1.1% of the Company's gross asset value plus a performance fee equal to 10% of any increase in the NAV at the end of a performance period over and above what would have been achieved had the cumulative NAV since Admission increased in line with the MSCI Frontier Markets Index (All calculations to include net income reinvested on a US\$ basis). 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. Any capped excess outperformance for a performance

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 payable is only payable to the extent that the cumulative relative outperformance of the NAV is greater than what would have been achieved had the NAV increased in line with the MSCI Frontier Markets Index (US\$ total return basis) since the last date in relation to which a performance fee had previously been paid.

BlackRock also acts as the secretary of the Company. BlackRock is a subsidiary of BlackRock, Inc. which is a publicly traded corporation on the New York Stock Exchange operating as an independent firm. The PNC Financial Services Group and Barclays PLC each has a significant economic interest in BlackRock, Inc. PNC Financial Services Group is a US public company. The Board has concluded that it is in Shareholders' interests as a whole that BlackRock should continue as investment manager of the Company on the existing terms which were agreed in November 2010. The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually.

As part of this 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 specialist nature of the Company's investment remit is, in the Board's view, best served by the Frontier Markets team at BlackRock, who have considerable expertise in investing in Frontier Markets.

The principal contents of the agreement with the Investment Manager have been set out in the previous section. Having considered the terms of this agreement, and those of other investment trust companies, the Board considers that the terms of the agreement represent an appropriate balance between cost and incentivisation of the Investment Manager.

BNYM is the custodian of the Company's assets. BNYM receives a fee payable at rates depending on the number of trades effected and the location of securities held. The custodian agreement is subject to 90 days' notice of termination by either party.

As highlighted in the Company's prospectus dated 29 November 2010, the Company uses derivatives (including contracts for difference) and/or structured financial instruments, for example P-Notes, to gain exposure to Frontier Markets in certain circumstances. Morgan Stanley, Deutsche Bank and Merrill Lynch act as contracts for difference ("CFD") counterparties to the Company under three separate International Swaps and Derivatives Association ("ISDA") master agreements dated 10 December, 14 December and 16 December 2010 respectively. 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, whose voting policy states

- ▶ we intend to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting such as share-blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits,
- ▶ we will vote in favour of proposals which we expect to enhance shareholder value, and on routine issues where we are supportive of a company's management,
- ▶ we will vote against proposals which we believe may damage shareholders' rights or economic interests, and
- ▶ we will abstain on proposals where we wish to indicate to the Company issues over which we have some concerns. In all situations the economic interests of our clients will be paramount.

In all situations the economic interests of our clients will be paramount.

Further details of the Investment Manager's Proxy Voting and Engagement Principles may be found at www.blackrock.co.uk/its, in the Investment Trust "Literature" and "Related Resources" section. During the period, the Investment Manager voted at twelve 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 two management resolutions and did not abstain from any. The votes against were in respect of resolutions where details of the proposals contained insufficient disclosure, and the Investment Manager voted against because there was not enough information available to make an informed decision.

Going concern

The financial statements of the Company have been prepared on a going concern basis. The Directors believe that this is the appropriate basis as forecast projections and actual performance are reviewed on a regular basis throughout the period and the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. The Company is able to meet all of its liabilities from its assets and the ongoing expenses (including taxation) are approximately 1.7% of the net assets.

Directors' Report continued

Directors

Biographies of the Directors are detailed on page 13. The Directors of the Company as at 30 September 2011 are set out in the table on page 18 together with their interests in the Ordinary Shares of the Company. Each of Audley Twiston-Davies, Nick Pitts-Tucker and Lynn Ruddick were appointed on 23 November 2010 and John Murray and Sarmad Zok were appointed on 12 July 2011 and 8 February 2011, respectively. Nick Heather and John Reed were Directors of the Company from incorporation to 23 November 2010.

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 Annual General Meeting and also that every Director submit himself or herself for re-election at least every three years. Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board. In accordance with the Articles, each of the Directors having been appointed since the Company's incorporation on 15 October 2010 holds office only until the Annual General Meeting. Each Director will offer himself for election by Shareholders at that meeting. Accordingly, Mr Twiston-Davies, Ms Ruddick, Mr Murray, Mr Pitts-Tucker and Mr Zok will offer themselves for re-election for a further three years.

The Directors all bring extensive knowledge and commercial experience to the Board.

There were no contracts subsisting during the period 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.

The powers of the Directors are described in the Corporate Governance Report on page 25.

Directors' share interests

As at 30 September 2011, the Directors' interests in the Company's Ordinary Shares were as follows:

	Ordinary Shares
Audley Twiston-Davies (Chairman)	85,000
John Murray	-
Nick Pitts-Tucker	75,000
Lynn Ruddick	26,000
Sarmad Zok	-

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

Conflicts of interest

The Articles reflect the codification of certain directors' duties arising from the Companies Act 2006 and in particular the duty for Directors to avoid 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 since incorporation. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis.

Directors' remuneration report

The Directors' Remuneration Report is set out on pages 22 and 23. An ordinary resolution to approve this report will be put to Shareholders at the Company's first Annual General Meeting.

Substantial share interests

As at 30 September 2011, the Company has received notification in accordance with the FSA's Disclosure and Transparency Rule 5.1.2.E of the following interests in 3% or more of the voting rights attaching to the Company's ordinary shares:

	Number of Ordinary Shares	% of issued ordinary share capital
BlackRock Inc *	23,310,907	24.6
Investec Wealth & Investment Ltd	8,920,475	9.4
JP Morgan Asset Management	6,178,669	6.5
Derbyshire County Council	4,950,000	5.2
Legal & General	2,909,163	3.1

As at the date of this report, the Company had received the following notifications of interests in 3% or more of the voting rights attaching to the Company's ordinary shares:

	Number of Ordinary Shares	% of issued ordinary share capital
BlackRock Inc *	23,310,907	24.6
Investec Wealth & Investment Ltd	8,549,675	9.0
JP Morgan Asset Management	6,178,669	6.5
Derbyshire County Council	4,950,000	5.2
Legal & General	2,909,163	3.1

* BlackRock Inc's holding represents shareholdings of investment vehicles managed by the BlackRock Group and discretionary managed money.

CFD and derivative transactions

Due to the nature of the markets in which the Company invests, it is not always possible or advisable for portfolio exposure to be achieved by direct investment. As set out in the Company's prospectus dated 29 November 2010, where this is the case, the Company has the ability to gain economic exposure to target Frontier Markets by investing indirectly through derivatives (including contracts for difference) and/or structured financial instruments such as Promissory Notes (P-Notes) and may invest up to 100% of its portfolio in this manner. However, if the Company invests in derivatives and structured financial instruments for investment purposes other than to gain access to a target Frontier Market as described above, it is only permitted to hold up to, in aggregate, 20% of its gross assets in such instruments, and may only short up to a limit of 10% of gross assets of the Company.

Following the Company's launch on 17 December 2010, the portfolio was 92% invested by January 2011 and fully invested by the end of March 2011. At 30 September 2011, the Company had 28.5% of its gross portfolio exposure through long CFD positions, 7.4% through short CFD positions and 10.6% through P-Notes. All CFD positions were backed by cash or cash equivalent holdings and the Company was not geared through these positions.

Details of the CFD and P-Notes positions are set out in the investment listing on pages 11 and 12. Further details about the CFD and derivative transactions entered into during the period since launch to 30 September 2011 are set out in note 10 on pages 41 and 42.

Donations

The Company made no political or charitable donations during the period.

Payment of suppliers

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. Suppliers of goods and services are generally paid within 30 days of the date of any invoice. The Company has no trade creditors.

Capital structure

On incorporation on 15 October 2010, two ordinary shares of £0.01 were issued, nil paid, for the purposes of incorporation to the subscribers to the Company's Memorandum of Association. On 23 November 2010, a further 18 ordinary shares of £0.01 were issued nil paid, for the purposes of reorganisation, to the subscribers to the Company's Memorandum of Association. Pursuant to ordinary resolutions of the Company passed on 23 November 2010: (i) the 20 ordinary shares of £0.01 were each redenominated from Pounds Sterling to US Dollars at a spot rate of £1.00 US\$1.60 (being the prevailing spot rate on 22 November 2010) resulting in 20 new ordinary shares of US\$0.016 each, (ii) the resulting 20 ordinary shares of US\$0.016 each were consolidated into, in aggregate, two new ordinary shares of US\$0.16 each, and (iii) the two ordinary shares of US\$0.16 each were sub-divided into, in aggregate, 32 Ordinary Shares of US\$0.01.

On 23 November 2010, 50,000 management shares of £1.00 each in the capital of the Company ("Management Shares") were allotted to the Investment Manager at par (one quarter paid) to enable the Company to obtain a certificate to commence business and to exercise its borrowing powers under section 761 of the Companies Act 2006.

Following the issue of Ordinary Shares at Admission on 17 December 2010, the issued capital of the Company is 94,766,267 Ordinary Shares and 50,000 Management Shares.

Full details of the Company's issued share capital are given in note 14 on page 43. Details of the voting rights in the Company's shares as at the date of this report are also given in note 16 to the Notice of Annual General Meeting on page 60. The Ordinary Shares carry the right to receive dividends and have one voting right per Ordinary Share. There are no restrictions on the voting rights of the Ordinary Shares. The management shares do not have any voting rights or the right to receive dividends. There are no shares which carry specific rights with regard to the control of the Company.

Cancellation of share premium

Pursuant to Board approval on 11 May 2011, the Company applied to the Court for cancellation of its share premium account so that the amount standing to the credit of that account immediately following the issue of ordinary shares pursuant to the offer, be cancelled.

Court approval was received on 17 June 2011 and US\$142,704,219 was transferred from the share premium account to distributable reserves.

Share repurchases

During the period, the Company did not purchase any shares for cancellation. The authority to purchase Ordinary Shares for cancellation was granted to Directors on 23 November 2010 and will expire on the conclusion of the first Annual General Meeting of the Company. The Directors considered that it was unnecessary to buy back any of the Ordinary Shares as there was demand for them in the market, and the Ordinary Shares had traded at an average premium of 1.5%. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming Annual General Meeting.

Treasury shares

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations came into force on 1 December 2003 and allow companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel them.

Both the repurchase for cancellation and the use of treasury shares should assist in providing a discount management mechanism and enhancing the NAV of the Ordinary Shares for continuing shareholders. This will provide the Directors with additional flexibility to manage the Company's investment portfolio.

Directors' Report continued

The Board intends only to authorise the sale of shares from treasury at prices at or above the prevailing NAV per share (plus costs of the relevant sale) This should result in a positive overall effect on existing shareholders

The Company does not currently hold any shares in treasury but will seek the necessary renewal of the authority to hold and reissue treasury shares at the forthcoming Annual General Meeting

Articles

Any amendments to the Articles must be made by special resolution

Annual General Meeting

The following information to be discussed at the forthcoming Annual General Meeting 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 including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting

Resolution 11 Authority to allot shares

The Directors may only allot shares for cash if authorised to do so by shareholders in general meeting This resolution seeks to renew the authority of the Directors to allot Ordinary Shares for cash up to an aggregate nominal amount of US\$47,383.13 which is equivalent to 4,738,313 Ordinary Shares and represents 5% of the Company's issued ordinary share capital as at the date of the Notice of the Annual General Meeting This authority will expire at the earlier of 31 March 2013 and the conclusion of the next Annual General Meeting of the Company in 2013, unless renewed prior to that date at an earlier general meeting The Directors have no present intention of exercising such authority, but it will give them flexibility should appropriate business opportunities arise

Resolution 12 Authority to disapply pre-emption rights

By law, Directors require specific authority from shareholders before allotting new shares for cash or selling shares out of treasury for cash, without first offering them to existing shareholders in proportion to their holdings Resolution 12 empowers the Directors to allot new shares for cash or to sell 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\$47,383.13 which is equivalent to 4,738,313 Ordinary Shares of 1 cent each and represents 5% of the Company's issued ordinary share capital as at the date of the Notice of Annual General Meeting This authority will expire at the earlier of 31 March 2013 and the conclusion of the Annual General Meeting of the Company in 2013, unless renewed prior to that date at an earlier general meeting The resolution will enable the Directors, at their discretion, to allot a limited number of equity securities for cash and will also provide the Directors with greater flexibility should appropriate business opportunities arise The Directors have no present intention to exercise this authority

Resolution 13 Authority to buy back shares

The special resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own Ordinary Shares Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing NAV per Ordinary Share

Under the Listing Rules of the Financial Services 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 14,205,463 Ordinary Shares (being approximately 14.99% of the issued share capital as at the date of the Notice of Annual General Meeting) This authority will expire at the earlier of 31 March 2013 and the conclusion of the next Annual General Meeting of the Company in 2013, unless renewed at an earlier general meeting The Directors do not currently have any intention of exercising the authority granted by this resolution The Directors will only exercise the authority to purchase shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per share

Recommendation

Your Board considers that the resolutions to be proposed at the Annual General Meeting are likely to promote the success of the Company for the benefit of its members as a whole and are in the best interests of the Company and its shareholders as a whole

The Directors unanimously recommend that shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings

Corporate Governance

Full details are given in the Corporate Governance Statement on pages 24 to 28. The Corporate Governance Statement forms part of this Directors' Report.

Audit information

As required by section 418 of the Companies Act 2006 each of the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be submitted at the Annual General Meeting.

By order of the Board

BlackRock Investment Management (UK) Limited

Secretary

2 December 2011



Directors' Remuneration Report

The Board presents the Directors' remuneration report for the period ended 30 September 2011 which has been prepared in accordance with section 420-422 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to members at the forthcoming AGM.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 30.

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 Investment Manager.

Remuneration Policy

The Company's policy is that fees payable to Directors should reflect the time spent by them on the Company's affairs, the responsibilities borne by the Directors and be sufficient to attract candidates or retain individuals of high calibre. Those chairing the Board and key committees should be paid higher fees than other Directors in recognition of their more demanding roles.

It is the Company's policy that no Director shall be entitled to any performance related remuneration, benefits in kind, long term incentive schemes, share options, pensions or other retirement benefits or, compensation for loss of office. Directors are entitled to claim expenses in respect of duties undertaken on behalf of the Company.

It is the intention of the Board that the above policy on remuneration shall continue to apply for the current financial year.

Performance

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

Remuneration/Service Contracts

The maximum remuneration of the Directors is determined within the limits of the Company's Articles of Association and currently amounts in aggregate to £200,000. No element of the Directors' remuneration is performance related. The Company has not awarded any share options or long term performance incentives to any of the Directors.

None of the Directors has a service contract with the Company or receive any non cash benefits or pension entitlements. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

Directors' remuneration (audited)

Director	Period from date of appointment to 30 September	
	£	\$
Audley Twiston-Davies (Chairman) ¹	22,093	34,418
John Murray ²	4,438	6,914
Nick Pitts-Tucker ¹	15,780	24,584
Lynn Ruddick ³	18,148	28,273
Sarmad Zok ⁴	8,000	12,463
Total	68,459	106,652

1 Appointed on 23 November 2010

2 Appointed as a Director on 12 July 2011

3 Appointed as Chairman of the Audit & Management Engagement Committee and as a Director on 23 November 2010

4 Appointed as a Director on 8 February 2011

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

The Chairman receives an annual fee of £28,000, the Chairman of the Audit Committee £23,000 and the other Directors £20,000. None of the Directors receives any non-cash benefits or pension entitlements.

Compensation for loss of office

None of the Directors are entitled to compensation for loss of office.

Retirement of Directors

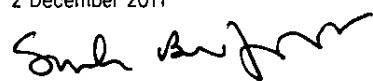
All of the Company's Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

By order of the Board

BlackRock Investment Management (UK) Limited

Secretary

2 December 2011



Corporate Governance Statement

Background

The Board is committed to maintaining high standards of corporate governance and is accountable to shareholders for the governance of the Company's affairs. The Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust and which will enable the Company to comply with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Additionally, as the Company is a member of the Association of Investment Companies (the "AIC"), the Board has taken account of the recommendations of the AIC's Code of Corporate Governance (the "AIC Code") which complements the UK Corporate Governance Code and provides a framework of best practice for investment trust companies.

Compliance

The Board has made the appropriate disclosures in this report to ensure the Company meets its continuing obligations. It should be noted that, as an investment trust, most 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 of the provisions of the UK Corporate Governance Code are directly applicable to the Company.

The Board considers that the Company has complied with the provisions contained within the UK Corporate Governance Code throughout this accounting period, except as explained below, and this statement describes how the relevant principles of governance are applied to the Company.

The Board

Board composition

The Board currently consists of five non-executive Directors, all of whom are independent of the Company's Investment Manager. The provision of the UK Corporate Governance Code (A 2.1) which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors. The structure of the Board is such that it is considered unnecessary to identify a senior independent Director. The Directors' biographies, on page 13, demonstrate a breadth of investment knowledge, business and financial skills which enables them to provide effective strategic leadership and proper governance of the Company. The Board has not established a separate Nomination Committee and the Board, led by the independent Directors, fulfils this function and is responsible for identifying and nominating candidates to fill Board vacancies taking into account the need to maintain a balanced Board. In view of the fact that the Company has only recently been launched it has not been necessary to consider any potential new directors. However, when the need does arise, care will be taken to ensure that appointees have enough time to devote to the job. External consultants may be used to identify potential candidates.

Board independence and tenure

The Board's individual independence, including that of the Chairman, has been considered, and this independence allows all the Directors to sit on the Company's Audit & Management Engagement Committee. None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

Directors' appointment, retirement and rotation

A Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting and also that every Director submit himself or herself for re-election at least every three years. In addition, any Director who is not considered by the Board to be independent of the Investment Manager or who will have served on the Board for more than nine years will be subject to annual re-election.

Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board. In accordance with the Company's Articles of Association, each of the Directors having been appointed on 23 November 2010, 8 February and 12 July 2011 holds office only until the Annual General Meeting. Each Director will offer himself/herself for election by shareholders at that meeting. The Board endorses each Director's candidature and commends his/her appointment to shareholders.

The Directors retiring in accordance with the Company's Articles of Association are Mr Twiston-Davies, Mr Murray, Mr Pitts-Tucker, Ms Ruddick and Mr Zok. The Directors support a planned and progressive renewing of the Board. The Board's tenure and succession policy seeks to ensure that the Board is well-balanced through the appointment of new Directors with the skills and experience necessary. Directors must be able to demonstrate commitment to the Company, including in terms of time.

Directors' training and induction

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

Directors' liability insurance

The Company has maintained appropriate Directors' Liability Insurance cover throughout the period

Board's responsibilities

The Board currently has five scheduled meetings each year and may have additional meetings to consider strategy and other issues. Between these meetings there is regular contact with the Investment Manager.

The Board is responsible to shareholders for the overall management of the Company. It reserves to itself decisions relating to the determination of investment policy, any change in investment strategy, strategic gearing policy, policy on buy back of shares, whether to hold shares in treasury, and entering into any material contracts. The Board also sets investment parameters, such as the acquisition or disposal of substantial interests and the maximum amount that can be invested in derivatives and/or unquoted securities. In addition, changes relating to the Company's capital structure, approval of circulars to shareholders and listing particulars, relevant press releases and any significant change in accounting policies or practices must also be referred to the Board. A formal schedule of matters specifically reserved for decision by the Board has been defined.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Strategic issues and all operational matters of a material nature are determined by the Board.

The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the Directors may seek independent professional advice at the expense of the Company.

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

The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Performance evaluation

The Board reviews its performance formally on a regular basis, together with that of the Audit & Management Engagement Committee. An appraisal system has been agreed by the Board for the evaluation of the Board, its Committees and individual Directors, including the Chairman. The evaluation for the period ended 30 September 2011 has been carried out. This took the form of self and peer group assessment by questionnaire followed by individual discussions between the Chairman and individual Directors. The performance of the Chairman was reviewed by the other Directors, led by Ms Ruddick who is pleased to recommend his reappointment. The results of the evaluation process were presented to and discussed by the Board and it was agreed that the current composition of the Board reflected a suitable mix of skills and experience, and that the Board, as a whole, was functioning 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 the investment Manager. 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. Custody and settlement services are provided by The Bank of New York Mellon (International) Ltd ("BNYM"), a subsidiary of The Bank of New York Mellon.

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 17.

Committees of the Board

Nomination Committee

As the Board is small and comprises only non-executive Directors it fulfils the function of the Nomination Committee. When looking for a new Director, the Board will assess the size, balance and profile of the Board as a whole, to identify any areas that need strengthening. The existing Directors will try to identify suitable individuals from their range of contacts, although other sources, including external search consultants, may also be used as required.

Corporate Governance Statement continued

Audit and Management Engagement Committee

A separately chaired Audit and Management Engagement Committee has been established and currently consists of all the Directors of the Company. The Board considers that at least one member of the Audit and Management Engagement Committee has sufficient recent and relevant financial experience for it to discharge its function effectively. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise. The Chairman of the Committee is Ms Ruddick. The terms of reference of this Committee are available on request and on the Investment Manager's website at www.blackrock.co.uk/brfi under the "Literature" section and will also be available at each Annual General Meeting.

The Committee meets at least twice a year and, amongst other things, examines the effectiveness of the control systems. The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from the investment Manager's corporate audit and compliance departments. The Committee does not consider that as an investment trust company it needs to hold an additional meeting, although this is kept under review.

During the period the principal activities of the Audit and Management Engagement Committee included:

- ▶ considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditors' report thereon,
- ▶ reviewing the scope, results, cost effectiveness, independence and objectivity of the external auditors,
- ▶ reviewing and recommending to the Board for approval the audit and non-audit fees payable to the external auditors and the terms of their engagement,
- ▶ reviewing and approving the external auditors' plan for the following financial year,
- ▶ reviewing the appropriateness of the Company's accounting policies,
- ▶ ensuring the adequacy of the internal control systems and standards, and
- ▶ considering the remuneration of the Investment Manager and reviewing the terms of the investment management agreement.

The Committee has also reviewed and accepted the 'whistleblowing' policy that has been put in place by the Investment Manager 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.

The Committee considers the risks associated with audit firms withdrawing from the market and the relationship with the Company's auditors. The appointment of the auditors is reviewed each year and the audit partner changes at least every five years. There are no contractual obligations that restrict the Company's choice of auditors.

Other audit service fees of £6,000 (excluding VAT) paid to Ernst & Young LLP, relate to their review of the half yearly financial statements. In addition, total fees of £95,000 were paid to Ernst & Young LLP for services provided in relation to the launch of the Company. The Committee considers whether the skills and experience of the auditors make them a suitable supplier of the non audit service 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 such services.

On an annual basis, Ernst & Young LLP review the independence of their relationship with the Company and report to the Board, providing details of any other relationship with the Investment Manager. The Board has concluded that Ernst & Young LLP is independent of the Company and the Investment Manager.

The external auditors are invited to attend the Audit and Management Engagement Committee meetings at which the semi annual and annual accounts are considered and at which they have the opportunity to meet with the Committee without representatives of the Investment Manager being present.

Membership of the Audit and Management Engagement Committee

Lynn Ruddick (Chairman)
John Murray
Nicholas Pitts-Tucker
Audley Twiston-Davies
Sarmad Zok

Remuneration Committee

Remuneration of the Chairman and the Directors is determined by the Board. It is not considered necessary to have a separate Remuneration Committee as the Directors are not currently employed by and were not employed by the Investment Manager within the last five years. The remuneration of the Chairman and Directors is reviewed against the fees paid to directors of other specialist investment trusts and investment trusts of a comparable size, as well as taking account of any data published by the Association of Investment Companies.

Attendance Record

The number of full scheduled Board meetings and Committee meetings attended by each Director during the period was as follows:

	Board	Audit and Management Engagement Committee
Number of Meetings held	5	2
Number of Meetings attended		
Lynn Ruddick (Chairman)	5	2
John Murray*	3	1
Nicholas Pitts-Tucker	5	2
Audley Twiston-Davies	5	2
Sarmad Zok**	4	2

* Mr Murray was appointed on 12 July 2011 and was only eligible to attend 3 Board meetings and 1 Audit & Management Engagement Committee meeting in the period.

** Mr Zok was appointed on 9 February 2011 and was only eligible to attend 4 Board meetings and 2 Audit & Management Engagement Committees in the period.

Internal controls

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

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Investment Manager and BNYM. There is a monitoring and reporting process to review these controls, which has been in place throughout the period under review and up to the date of this report. This accords with the guidance in the Turnbull Report.

The Investment Manager reports to the Company on its review of internal controls, formally on a semi-annual basis and verbally at each Board and Audit and Management Engagement Committee meeting, and provides an annual report from the Investment Manager's reporting accountants on the control policies and procedures in operation. The Audit and Management Engagement Committee also receives quarterly reports from BNYM on the internal controls of its custodial operations, together with the opinion of their reporting accountants. The Company does not have its own internal audit function, as all the administration is delegated to the Investment Manager and other third party service providers. This matter is kept under review.

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 Investment Manager and BNYM.

The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

Financial reporting

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 29, the Report of the Independent Auditor on page 30 and the Statement of Going Concern on page 17.

Socially responsible investment

Investment trusts do not employ staff and accordingly have no direct impact on social matters but can be significant investors in the economies of the regions in which they invest. The Company invests in a range of countries having varying degrees of political and corporate governance standards. BlackRock's evaluation procedures and financial analysis of the companies within the portfolio also take into account environmental policies and other business issues. The Company invests primarily on financial grounds to meet its stated objectives.

The Investment Manager's policies on Socially Responsible Investment and Corporate Governance are detailed on the website at www.blackrock.co.uk/its in the Investment Trust Literature section.

The Investment Manager is supportive of the UK Stewardship Code, which is voluntary and operates on a "comply or explain basis".

Corporate Governance Statement continued

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 Investment Manager on its behalf very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

Communication with shareholders

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

In addition, regular updates are available to shareholders and the Investment Manager will review the Company's portfolio and performance at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit and Management Engagement Committee and representatives of the Investment Manager will be available to answer shareholders' queries. Proxy voting figures will be announced to shareholders at the Annual General Meeting and will be made available on the Investment Manager's website shortly after the meeting.

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

There is a section within this report entitled "Shareholder Information", on pages 54 to 56, which provides an overview of useful information available to shareholders.

The Company's accounts are also published on www.blackrock.co.uk/brfi which is the website maintained by the Company's Investment Manager, BlackRock Investment Management (UK) Limited ("BlackRock"). The work undertaken by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Disclosure and Transparency Rules

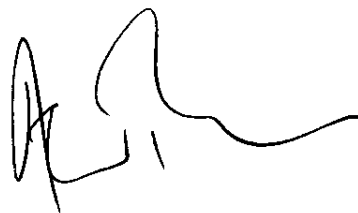
Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 14 to 21 because it is information which refers to events that have taken place during the course of the period.

The following is a list of that information:

- ▶ Directors' shareholdings,
- ▶ Substantial share interests,
- ▶ Share capital,
- ▶ Share issues, and
- ▶ Share repurchases.

By order of the Board

Audley Twiston-Davies
Chairman
2 December 2011



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 law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards. 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 net return or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- ▶ select suitable accounting policies and then apply them consistently,
- ▶ make judgements and accounting estimates that are reasonable and prudent,
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively, 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 and the Directors' Remuneration Report 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 have delegated responsibility to the Investment Manager for the maintenance and the integrity of the Company's corporate and financial information included on the Investment Manager'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 and functions are listed on page 13, confirms that, to the best of their knowledge

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

By order of the Board

Audley Twiston-Davies

Chairman

2 December 2011



Report of the Independent Auditor

to the members of BlackRock Frontiers Investment Trust plc

We have audited the financial statements of BlackRock Frontiers Investment Trust plc for the period from the date of incorporation on 15 October 2010 to 30 September 2011 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3, 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- ▶ give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its return for the period then ended,
- ▶ have been properly prepared in accordance with IFRS as adopted by the European Union, and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

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

Matters on which we are required to report by exception

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

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

Under the Listing Rules we are required to review

- ▶ the Directors' statement on page 17 in relation to going concern,
- ▶ the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code specified for our review, and
- ▶ certain elements of the report to shareholders by the Board on Directors' remuneration.

We have nothing to report in respect of these matters.

Ernst & Young LLP
Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
2 December 2011

Statement of Comprehensive Income

for the period from 15 October 2010 (date of incorporation) to 30 September 2011

	Notes	Revenue 2011 US\$'000	Capital 2011 US\$'000	Total 2011 US\$'000
Losses on investments held at fair value through profit or loss	9	-	(20,122)	(20,122)
Losses on foreign exchange		-	(267)	(267)
Net profits/(losses) from contracts for difference	3 & 10	2,791	(10,381)	(7,590)
Profit on credit default swap		-	128	128
Income from investments held at fair value through profit or loss	3	2,066	-	2,066
Other Income	3	9	-	9
Total revenue		4,866	(30,642)	(25,776)
Expenses				
Investment management and performance fees	4	(231)	(924)	(1,155)
Other expenses	5	(505)	(19)	(524)
Total operating expenses		(736)	(943)	(1,679)
Net profit/(loss) on ordinary activities before taxation		4,130	(31,585)	(27,455)
Taxation	6	(807)	239	(568)
Net profit/(loss) on ordinary activities after taxation		3,323	(31,346)	(28,023)
Earnings per ordinary share (cents)	8	3.51	(33.08)	(29.57)

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. All income is attributable to the equity holders of BlackRock Frontiers Investment Trust plc. There were no minority interests.

The net return of the Company for the period was a negative US\$28,023,000.

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

Statement of Changes in Equity

for the period from 15 October 2010 (date of incorporation) to 30 September 2011

	Note	Ordinary Share capital US\$'000	Share premium account US\$'000	Special reserve US\$'000	Capital reserve US\$'000	Revenue reserve US\$'000	Total US\$'000
Opening balance		-	-	-	-	-	-
Total Comprehensive Income							
Net (loss)/profit for the period		-	-	-	(31,346)	3,323	(28,023)
Transaction with owners, recorded directly to equity							
Shares issued	14	948	145,636	-	-	-	146,584
Share issue costs		-	(2,932)	-	-	-	(2,932)
Cancellation of share premium account		-	(142,704)	142,704	-	-	-
At 30 September 2011		948	-	142,704	(31,346)	3,323	115,629

The notes on pages 35 to 51 form part of these financial statements

Statement of Financial Position

as at 30 September 2011

	Notes	30 September 2011 US\$'000
Non current assets		
Investments designated as held at fair value through profit or loss	9	91,787
Current assets		
Other receivables	11	887
Derivative financial assets held at fair value through profit or loss	10	1,770
Cash held on margin deposit with brokers	10	11,846
Cash and cash equivalents	10	23,331
		37,834
Current liabilities		
Other payables	12	(4,166)
Derivative financial liabilities held at fair value through profit or loss	10	(9,807)
		(13,973)
Net current assets		23,861
Total assets less current liabilities		115,648
Creditors amounts falling due after more than one year		
Preference shares of £1 00 each (one quarter paid)	13	(19)
Net assets		115,629
Capital and reserves		
Ordinary share capital	14	948
Share premium account	15	-
Special reserve	15	142,704
Capital reserves	15	(31,346)
Revenue reserve	15	3,323
Total equity		115,629
Net asset value per share (cents)	8	122 01

The financial statements on pages 31 to 51 were approved and authorised for issue by the Board of Directors on 2 December 2011 and signed on its behalf by Mr Twiston-Davies, Chairman



BlackRock Frontiers Investment Trust plc

Registered in England, No 7409667

Cash Flow Statement

for the period from 15 October 2010 (date of incorporation) to 30 September 2011

	30 September 2011 US\$'000
Operating activities	
Loss before taxation	(27,455)
Losses on investments and CFDs held at fair value through profit or loss (including transaction costs)	29,974
Net movement on foreign exchange	267
Sale of investments held at fair value through profit or loss	69,433
Purchases of investments held at fair value through profit or loss	(181,342)
Realised losses on closure of CFD contracts	(4,570)
Gains on realisation of CFDs	3,277
Cost of Credit Default Swap	(522)
Increase in other receivables	(366)
Increase in other payables	1,701
Increase in amounts due from brokers	(521)
Increase in amounts due to brokers	355
Taxation on investment income	(85)
Net cash outflow from operating activities before financial activities	(109,854)
Financing activities	
Proceeds from the issue of preference shares	19
Proceeds from issue of ordinary shares	146,584
Share issue costs paid	(1,316)
Net cash inflow from financing activities	145,287
Increase in cash and cash equivalents	35,433
Effect of foreign exchange rate changes	(256)
Change in cash and cash equivalents	35,177
Cash and cash equivalents at start of period	-
Cash and cash equivalents at end of period	35,177
Comprised of	
Cash at bank and money market deposits	35,177
	35,177

The notes on pages 35 to 51 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 first annual report. The Company shares were listed on the London Stock Exchange on 17 December 2010.

2 Accounting policies

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

(a) Basis of preparation

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

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, 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. However, IFRS 9 "Financial Instruments" issued in November 2009 will change the classification of financial assets, but is not expected to have an impact on the measurement basis of the financial assets since the majority of the Company's financial assets are measured at fair value through profit or loss.

IFRS 9 (2009) deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of "held to maturity", "available for sale" and "loans" and "receivables".

The standard is effective for annual periods beginning on or after 1 January 2013 but is not yet approved by the EU. Earlier application is permitted. The company does not plan to early adopt this standard.

(b) Presentation of the Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and a capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006 and section 1158 of the Corporation Tax Act 2010, net capital returns may not be distributed by way of dividend.

(c) Segmental reporting

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

(d) Income

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

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

Notes to the Financial Statements continued

2 Accounting policies continued

(e) Expenses

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

- ▶ expenses which are incidental to the acquisition of an investment are included within the cost of the investment. Details of transaction costs on the purchases and sales of investments are disclosed within note 9 on page 40,
- ▶ expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated,
- ▶ the investment management fees and finance costs of borrowing borne by the Company have been allocated 80% to the capital column and 20% to the revenue column of the Statement of Comprehensive Income in line with the Board's expectations of the long term split of returns, in the form of capital gains and income, respectively, from the investment portfolio,
- ▶ performance fees, if any, are allocated 100% to the capital column of the Statement of Comprehensive Income as fees are generated in connection with enhancing the value of the investment portfolio.

(f) Taxation

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

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

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

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

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

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

Fair values for unquoted investments, or investments for which the market is inactive, are established by using various valuation techniques. These may include recent arm's length market transactions or the current fair value of another instrument which is substantially the same. Where no reliable fair value can be estimated for such instruments, they are carried at cost subject to any provision for impairment. The Company held no unquoted investments at 30 September 2011.

(h) Derivatives

Derivatives are held at fair value based on the bid prices of the underlying securities the Company is exposed to through the CFD contracts. Credit Default Swaps are valued based on broker price quotes received daily. Gains and losses on derivative transactions are recognised in the Statement of Comprehensive Income. They are recognised as capital and are shown in the capital column of the Statement of Comprehensive Income if they are of a capital nature and are recognised as revenue and shown in the revenue column of the Statement of Comprehensive Income if they are of a revenue nature. To the extent that any gains or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly.

(i) Other receivables and other payables

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

(j) Dividends payable

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

(k) Foreign currency translation

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

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

(l) Cash and cash equivalents

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

(m) Bank borrowings

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

3 Income

	2011 US\$'000
Investment Income	
UK listed dividends	106
Overseas listed dividends	1,960
Income from contracts for difference	2,791
	4,857
Interest receivable and other income	
Deposit interest	9
Total income	4,866

4 Investment management and performance fees

	2011		
	Revenue US\$'000	Capital US\$'000	Total US\$'000
Investment management fee	231	924	1,155
Performance fees	-	-	-
Total	231	924	1,155

An investment management fee equivalent to 1.10% per annum of the Company's gross assets 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 cumulative NAV since launch increased in line with the MSCI Frontiers Markets Index ("the Reference Index"). The performance fee payable in any year is capped at an amount equal to 2.5% or 1% of the gross assets if there is any increase or decrease in the NAV per share at the end of the relevant performance period respectively. Any capped excess outperformance for a period may be carried forward to the next two performance periods, subject to the then applicable annual cap.

For the period from launch to 30 September 2011, the Company's NAV had underperformed the MSCI Frontiers Markets Index by 3.9% and there is no performance fee payable.

Notes to the Financial Statements continued

5 Operating expenses

	2011 US\$'000
Custody fee	76
Auditors' remuneration	
- audit services	40
- other non-audit services	9
Registrar's fee	22
Directors' emoluments	107
Other administration costs	251
	505

The Company's total expense ratio, calculated as a percentage of average net assets and using expenses, excluding interest costs and taxation was 1.3%. After including taxation this amounted to 1.7%.

Non-audit services of £6,000 relate to the review of the interim financial statements. In addition, a fee of £95,000 (net of VAT) was paid to Ernst & Young LLP for services provided in relation to the launch of the Company. These have been included within share issue costs of US\$2,932,000 debited to the share premium account within the Statement of Changes in Equity. Further information is given in the Corporate Governance & Directors' Responsibilities Report on page 26. Expenses of US\$19,000 charged to the capital column of the Statement of Comprehensive Income relate to US\$6,000 of transaction costs and US\$13,000 of CDS interest charges.

6 Taxation

a) Analysis of charge in period

	2011		
	Revenue US\$'000	Capital US\$'000	Total US\$'000
Current tax			
Corporation tax	722	(239)	483
Double taxation relief	-	-	-
	722	(239)	483
Overseas tax	85	-	85
Deferred tax	-	-	-
Total current tax (note 6(b))	807	(239)	568

b) Factors affecting current tax charge for the period

The main rate of corporation tax in the UK was reduced from 28% to 26% on 1 April 2011. This change in the tax rate results in an average rate for the accounting period ended 30 September 2011 of 26.73% on a weighted average basis.

	Revenue US\$'000	Capital US\$'000	Total US\$'000
Profit/(loss) on ordinary activities before taxation	4,130	(31,585)	(27,455)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax (26.73%)	1,104	(8,443)	(7,339)
Effects of			
Non-taxable UK dividends	(29)	-	(29)
Non-taxable overseas dividends	(332)	-	(332)
Overseas tax suffered	85	-	85
Disallowed expenses	3	5	8
Settlement of tax liability in Sterling	(24)	8	(16)
Losses on investments held at fair value through profit or loss	-	8,084	8,084
CFD financing expense charged to capital	-	107	107
	807	(239)	568
Current taxation charge for the period (note 6(a))	807	(239)	568

Investment trusts are exempt from corporation tax on capital gains provided the Company obtains agreement from HM Revenue & Customs that section 1158 of the Corporation Tax Act 2010 tests have been met. Due to the Company's intention to meet the conditions required to obtain approval under section 1158 of the Corporation Tax Act 2010, it has not provided for deferred tax on any capital gains or losses.

7 Dividends

Under IFRS, final dividends are not recognised until they are approved by shareholders, and special and interim dividends are not recognised until they are paid. They are also debited directly to revenue reserves.

No dividends were paid during the period to 30 September 2011 so no amounts were recognised.

The total dividends payable in respect of the period ended 30 September 2011 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.

	2011 US\$'000
Dividends on equity shares	
Proposed final ordinary dividend of 3.00 cents	2,843

8 Earnings and net asset value per ordinary share

	2011 (audited)
Net revenue profit attributable to ordinary shareholders (US\$'000)	3,323
Net capital loss attributable to ordinary shareholders (US\$'000)	(31,346)
Total loss attributable to ordinary shareholders (US\$'000)	(28,023)
Total equity attributable to shareholders (US\$'000)	115,629
The weighted average number of ordinary shares in issue during the period, on which the earnings per ordinary share was calculated, was	94,766,267
The actual number of ordinary shares in issue at the end of the period, on which the net asset value was calculated, was	94,766,267
Revenue earnings per share – (cents)	3.51
Capital loss per share – (cents)	(33.08)
Total loss per share – (cents)	(29.57)
Net asset value per share basic and diluted – (cents)	122.01
Share price* – (cents)	116.84
Net asset value per share basic and diluted – (pence)	78.32
Share price (pence)	75.00

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

Basic and diluted earnings per share and net asset value per share are the same as the Company does not have any dilutive securities outstanding.

Notes to the Financial Statements continued

9 Investments

	2011 US\$'000
Equity investments held at fair value through profit or loss	70,577
P-Notes	12,310
Investment in BlackRock Cash Fund	8,900
	91,787
Valuation brought forward	-
Investment holdings (gains)/losses	-
Opening cost of equity investments	-
Acquisitions at cost	181,342
Disposal proceeds	(69,433)
Realised gains on sales	61
Cost carried forward	111,970
Investment holdings losses	(20,183)
Closing valuation of equity investments	91,787

During the period, transaction costs of US\$287,000 were incurred on the acquisition of investments. Costs relating to the disposal of investments during the period amounted to US\$49,000. All transaction costs have been included within the capital reserves.

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

	2011 US\$'000
Realised gains on sales	61
Changes in investment holding losses	(20,183)
	(20,122)

10 Derivatives

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

The sources of the return under the derivative contract (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 the revenue account and 80% to capital reserves). Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated to capital reserves. A summary of the various sources of return on the derivative contract is given in the table below

	2011		
	Revenue US\$'000	Capital US\$'000	Total US\$'000
Net unrealised losses relating to underlying price movements	-	(8,687)	(8,687)
Net realised losses relating to underlying price movements	-	(1,293)	(1,293)
Notional dividend income on long positions	2,929	-	2,929
Notional dividend expense on short positions	(43)	-	(43)
Notional interest income on short positions	5	-	5
Notional interest expense on long positions	(100)	(401)	(501)
Total return on derivative contracts for the period	2,791	(10,381)	(7,590)

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

	US\$'000
Amounts due from brokers in respect of revaluation gains on CFDs	1,120
Amounts receivable in relation to Credit Default Swap (Government of Bulgaria 20/9/2016)	650
	1,770
Derivative financial liabilities: Amounts due to brokers in respect of revaluation losses on CFDs	(9,807)
Total net derivative financial assets	(8,037)

Net realised losses on CFD positions of US\$1,293,000 comprised realised gains of US\$3,277,000 and realised losses of US\$4,570,000

The Company also invested in P-Notes in the period. These are promissory notes issued by certain counterparty banks that are designed to offer the holder a return linked to the performance of a particular underlying equity security or market, and used where direct investment in the relevant underlying equity security or market is not possible for regulatory or other reasons. To the extent dividends are received on the securities to which the P-Notes are linked, these are taken to investment income in the revenue column of the Statement of Comprehensive Income. Changes in value of the P-Notes relating to movements in the underlying prices of the linked securities are taken to gains or losses on investments held at fair value in the capital column of the Comprehensive Statement of Income. At 30 September 2011 the Company held four P-Notes, to obtain exposure to Saudi Arabia where direct investment in equities is not possible for foreign investors. A summary of the returns from investment in P-Notes is given below

	Revenue US\$'000	Capital US\$'000	Total US\$'000
Net losses relating to underlying price movements	-	(405)	(405)
Dividend income from underlying securities	704	-	704
Total	704	(405)	299

At 30 September 2011, the fair value of the Company's holding in P-Notes amounted to US\$12,310,000

Notes to the Financial Statements continued

10 Derivatives continued

The Company also used credit derivatives in the period, buying protection on credit default swaps for Bulgarian government debt. In total, as at 30 September 2011, the Company had bought protection on US\$5 million of debt at a total cost of US\$522,000. The CDS contract obliges the counterparty, Citigroup, to compensate the Company in the event of a Bulgarian government debt default up to the value of US\$5 million. In the event of a counterparty default, the Company's maximum exposure is the sum of the coupons paid since purchase by the Company and any capital loss associated with the CDS being revalued to zero (US\$522,000 at 30 September 2011). The coupon rate on the contract is 1% per annum, payable quarterly. This expense has been accrued within other expenses in the capital column of the income statement. At 30 September 2011, the fair value of the CDS was US\$650,000, and this has been accounted for as a current asset and included within the heading "Derivative financial assets held at fair value through profit and loss" as the contract can be freely traded on the secondary market and is readily realisable. A summary of the returns and expenses associated with the CDS are summarised below:

	Capital US\$'000	Total US\$'000
Net gains relating to underlying price movements	128	128
Operating expenses (coupon interest – 1% pa)	(2)	(2)
Total	126	126

As at 30 September 2011 the Company held cash and cash equivalent balances of US\$35,177,000. Of this amount, US\$11,846,000 was held in margin deposit accounts with the Company's three CFD counterparty brokers. These margin deposits are paid by the Company into ring-fenced accounts with the respective brokers to cover unrealised losses on CFD contracts. To the extent there are unrealised gains on CFD contracts, the Company's broker will transfer deposit monies back to the Company. The 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 the monies held in the margin deposit accounts resides with the counterparty broker.

In addition to these cash balances, the Company also held US\$23,100,000 in Money Market Deposits at 30 September 2011 and a further US\$231,000 in cash at bank. The nature of the Company's portfolio and the fact the Company gains significant exposure to a number of markets through CFDs means that to the extent the Manager has elected not to be geared, the Company will always hold a level of cash on its balance sheet representative of the difference between the cost of purchasing investments directly and the lower initial cost of making a margin payment on a CFD contract. The Company was not geared through its use of CFDs as at 30 September 2011 and the difference between the cost of direct investment and the purchase costs associated with holding the same exposures via a CFD contract amounted to US\$33,102,000. Had the Company been able to acquire all of the underlying CFD positions through direct equity investment, its cash position at the period end would therefore have been lower by US\$33,102,000.

11 Other receivables

	2011 US\$'000
Sales for future settlement	521
Prepayments and accrued income	366
Total	887

12 Other payables

	2011 US\$'000
Purchases for future settlement	355
Accruals for expenses and interest payable	1,701
Other payables	1,627
Taxation payable	483
Total	4,166

13 Creditors Amounts falling due after one year

The preference 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 redeemable share carried 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 preference 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 preference shares are not redeemable.

14 Share capital

	Total number of shares in issue	Total number of shares in issue	Nominal value US\$'000
Allotted, called up and fully paid share capital comprised Ordinary shares of 1 cent each			
Allotted, issued and fully paid			
Opening balance	-	-	-
Shares issued	94,766,267	94,766,267	948
At 17 December 2010 and 30 September 2011	94,766,267	94,766,267	948

On 17 December 2010 the Company issued 94,766,267 ordinary shares at 100p. The total consideration after deduction of issue costs was £92,871,000 (US\$143,652,000) based on a conversion rate of 1.5468 at 17 December 2010.

15 Reserves

	Share premium account US\$'000	Special reserve US\$'000	Capital reserve arising on investments sold US\$'000	Capital reserve arising on revaluation of investments held US\$'000	Revenue reserve US\$'000
Opening balance	-	-	-	-	-
Movement during the period					
Total Comprehensive Income					
Gain on realisation of investments	-	-	61	-	-
Changes in investment holdings losses	-	-	-	(20,183)	-
Losses on foreign currency transactions	-	-	(267)	-	-
Losses on contracts for differences	-	-	(1,694)	(8,687)	-
Unrealised gain on credit default swaps	-	-	-	128	-
Finance costs and investment management fee charged to capital after taxation	-	-	(704)	-	-
Revenue return for the period	-	-	-	-	3,323
Transactions with owners, recorded directly to equity					
Shares issued	145,636	-	-	-	-
Share issue costs	(2,932)	-	-	-	-
Cancellation of share premium account	(142,704)	142,704	-	-	-
At 30 September 2011	-	142,704	(2,604)	(28,742)	3,323

The Company cancelled its share premium account on 17 June 2011.

Notes to the Financial Statements continued

16 Risk Management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to achieve its investment objective as stated on page 14. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the revenue available for distribution by way of dividends.

These financial risks, market risk (comprising currency risk, interest rate risk and market price risk), liquidity and credit risk, and the Directors' approach to the management of them, are set out below. The Investment Manager, in close cooperation with the Board of Directors, coordinates the Company's risk management. The objectives, policies and processes for managing these risks are set out below.

(i) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see note 16(ii)), interest rate risk (see note 16(iii)) and market price risk (see note 16(iv)). The Board of Directors reviews and agrees policies for managing these risks. The Investment Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(ii) Currency risk

A proportion of the Company's assets, liabilities and income are denominated in currencies other than US Dollars (the Company's functional currency, in which it reports its results). As a result, movements in exchange rates will affect the US dollar value of those items. At 30 September 2011, the value of non-US Dollar denominated investments amounted to US\$86,056,000.

Management of the 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.

Foreign currency borrowing and forward currency contracts are used to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Income denominated in foreign currency is converted into US dollars on receipt. 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.

Foreign currency exposure

The fair values of the Company's monetary items which have foreign currency exposure at 30 September 2011 are shown below. Where the Company's equity investments which are not monetary items are denominated in a foreign currency, the amounts have been included separately in the analysis so as to show the overall exposure.

	Nigerian Naira US\$'000	Qatar Riyal US\$'000	Saudi Arabian Riyal US\$'000	UAE Dirham US\$'000	Kuwaiti Dinar US\$'000	Other US\$'000
2011						
Receivables (due from brokers, dividends and other income receivable)	135	459	-	-	-	292
Contracts for differences (gross exposure)	16,512	(1,342)	-	6,791	-	2,454
Cash	-	-	-	-	129	250
Payable	-	-	-	-	-	(2,965)
Total foreign currency exposure on net monetary items	16,647	(883)	-	6,791	129	31
Investments at fair value through profit and loss that are equities	-	18,754	12,310	-	6,963	25,314
Total net foreign currency exposure	16,647	17,871	12,310	6,791	7,092	25,345

The above amounts are not representative of the net exposure to risk during the period as levels of monetary foreign currency exposure change significantly during the period.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the period and the equity in regard to the Company's monetary financial assets and financial liabilities and the exchange rates for US dollar/Nigerian Naira, US dollar/Qatar Riyal, US dollar/Saudi Arabian Riyal, US Dollars/UAE Dirham and US dollar/Kuwait Dinar

It assumes the following changes in exchange rates

US dollar/Nigerian Naira +/-10%

US dollar/Qatar Riyal +/- 10%

US dollar/Saudi Arabian Riyal +/-10%

US dollar/UAE Dirham +/-10%

US dollar/Kuwaiti Dinar +/-10%

The sensitivity analysis is based on the Company's monetary foreign currency financial instruments held at the balance sheet date

If the US dollar had weakened against the currencies shown below, this would have had the following effect

	2011				
	Nigerian Naira US\$'000	Qatar Riyal US\$'000	Saudi Arabian Riyal US\$'000	UAE Dirham US\$'000	Kuwaiti Dinar US\$'000
Projected change	10%	10%	10%	10%	10%
Impact on revenue return	(3)	(3)	(2)	(1)	(1)
Impact on capital return	1,831	1,966	1,354	747	766
Total return after taxation for the year/effect on shareholders' funds	1,828	1,963	1,352	746	765

If the US dollar had strengthened against the currencies shown below, this would have had the following effect

	2011				
	Nigerian Naira US\$'000	Qatar Riyal US\$'000	Saudi Arabian Riyal US\$'000	UAE Dirham US\$'000	Kuwaiti Dinar US\$'000
Projected change	10%	10%	10%	10%	10%
Impact on revenue return	2	3	2	1	1
Impact on capital return	(1,498)	(1,608)	(1,108)	(611)	(626)
Total return after taxation for the year/effect on shareholders' funds	(1,496)	(1,605)	(1,106)	(610)	(625)

Notes to the Financial Statements continued

16 Risk Management policies and procedures continued

(iii) Interest rate risk

Interest rate risk movements may affect the interest payable on the Company's variable rate borrowings and the level of income receivable from any fixed interest securities and 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 equity. Movements in interest rates will also have an impact on the valuation of CFD derivative contracts, further details of which are explained below

Management of the 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

Derivative contracts are not used to hedge against the exposure to interest rate risk

Interest rate exposure

The exposure at 30 September 2011 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

	2011 Within one year US\$'000
Exposure to floating interest rates	
CFD derivative contract	
- Notional long positions	(32,978)
- Notional short positions	8,563
BlackRock's Institutional Cash Fund	8,900
Cash at bank and Money Market Deposits	35,177

The Company is exposed to interest rate risk on positions within the CFD portfolio

The Company incurs charges on long and short positions held. These are based on

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

Notional interest is determined on a gross basis, i.e. for this purpose long and short positions or exposures within the master agreements are not netted. Further details of notional interest arising in the period in relation to the CFD portfolio are given in note 16(vi)

The Company has additional exposure to interest rate risk on its holding in BlackRock's Institutional Cash Fund, in relation to the portfolio's holding in this fund. Interest received on this holding in the period was on average 0.06%. Money Market deposits attract between 0.08% and 0.12% interest on balances held.

Interest rates received on cash balances or paid on bank overdrafts, respectively, by major currency account are set out in the table below

	Interest received %	Interest paid %
US Dollar	-	2.125
Sterling	0.150	3.500
EURO	0.334	3.250

The Company has exposure to interest rate risk in respect of cash holdings attributable to the portfolio

The above period end amounts are not representative of the exposure to interest rates during the period, as the level of exposure changes as investments are made in fixed interest securities, borrowings are drawn down and repaid, and the mix of borrowings between floating and fixed interest rate change

Interest rate sensitivity

Should a 0.5% interest rate variance occur the impact of this on the Company would be approximately US\$165,000. Therefore, on this basis the Company is not materially exposed to changes in interest rates

(iv) Market price risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the investments. The Company's investments are susceptible to market price risk arising from uncertainties about future prices of investments. In addition, the Company has exposure to market price risk relating to the positions within the CFD portfolio

Management of the risk

The Board of Directors manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Investment Manager's compliance with the Company's objective, and is directly responsible for investment strategy and asset allocation

The Company's exposure to other changes in market prices at 30 September 2011 on its equity investments, excluding its holding in the Cash Fund, was US\$82,887,000. The Company's net exposure to these price changes through its CFD portfolio was US\$24,415,000

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on pages 11 and 12. At 30 September 2011, this shows that the majority of the portfolio is invested in Nigeria, Qatar, Saudi Arabia, UAE and Kuwait. Accordingly, there is a concentration of exposure to those countries, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country

Market price risk sensitivity

The sensitivity of the profit/(loss) after taxation for the period and the equity to an increase or decrease of 10% in the fair values of the Company's equities (including equity exposure through contracts for difference) is shown in the table below. This level of change is considered to be reasonably possible based on observation of current market conditions in 2011. The sensitivity analysis is based on the Company's equities and equity exposure through options at the balance sheet date, with all other variables held constant

The impact of a 10% movement in the value of investments on the Company's accounts is given in the table below

	10% increase in value of investments			10% decrease in value of investments		
	Revenue US\$'000	Capital US\$'000	Total US\$'000	Revenue US\$'000	Capital US\$'000	Total US\$'000
Price sensitivity analysis						
Equity portfolio	(15)	9,119	9,104	15	(9,119)	(9,104)
CFD portfolio	(4)	2,425	2,421	4	(2,425)	(2,421)
Total	(19)	11,544	11,525	19	(11,544)	(11,525)

Notes to the Financial Statements continued

16 Risk Management policies and procedures continued

(v) Liquidity and credit risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities

Management of the risk

The Company is exposed to credit risk from the parties with which it trades and will bear a risk of settlement default. Credit risk to the Company arises from its investments in CFDs, CDSs and P-Notes

Counterparty credit risk is monitored and managed by the Risk and Quantitative Analysis (ROA) Counterparty and Concentration Risk team of the Investment Manager. Regular risk reporting from ROA is held with the Board. The board considers asset allocation, stock selection and level of gearing on a regular basis. They have set investment restrictions and guidelines which are monitored and reported by the Investment Manager.

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

Liquidity and counterparty risks are therefore not deemed to be significant, the Company's assets are invested in quoted securities and other securities that are readily realisable. The Company's working capital liabilities are very small in comparison to the Company's portfolio.

The Board gives guidance to the Investment Manager as to the maximum amounts of the Company's resources that should be invested in any one company.

Liquidity risk

The remaining contractual maturities of the financial liabilities at 30 September, based on the earliest date on which payment can be required was as follows:

2011	3 months or less US\$'000	Between 3 months and one year US\$'000	Total US\$'000
Amounts due to brokers, accruals and provisions	(3,683)	(483)	(4,166)
	(3,683)	(483)	(4,166)

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

None of the Company's financial liabilities is past due or impaired.

Management of the risk

The risk is managed as follows:

- where the Investment Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to determine the risk to the Company of default,
- transactions involving derivatives are either exchange traded where the relevant exchange guarantees settlement or on an over-the-counter basis. Transactions are entered into only with those counterparties approved by the credit department of the Investment Manager. Counterparties are selected on the basis of a number of risk migration criteria designed to reduce the risk to the Company of default,
- investment transactions are carried out with a large number of brokers, whose credit-standard is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker,
- the credit worthiness of financial institutions with whom cash is held is reviewed regularly by the Investment Manager.

In summary the maximum exposure to credit risk at 30 September 2011 was

	2011 US\$'000
Cash at bank and on deposit	35,177
BlackRock's Institutional Cash Fund	8,900
CFD portfolio	1,120
Other receivables (amounts due from brokers, dividends and interest receivable)	887
Credit Default Swap	650

(vi) Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Statement of Financial Position at their fair values (investments and derivatives) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts)

Fair values of financial assets and financial liabilities

Investments are held at fair value through profit or loss. All current liabilities are held in the Statement of Financial Position at a reasonable approximation of fair value.

Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy.

Financial assets/(liabilities) at fair value through profit or loss

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
At 30 September 2011				
Assets				
Equity investments	70,577	-	-	70,577
P-Notes	-	12,310	-	12,310
Investment in Cash Fund	8,900	-	-	8,900
Contracts for difference (gross exposure)	-	32,978	-	32,978
Credit default swaps	-	650	-	650
Liabilities				
Contracts for difference (gross exposure)	-	(8,563)	-	(8,563)
	79,477	37,375	-	116,852

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

Level 1 – valued using quoted prices in an active market for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices within Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation techniques used by the Company are explained in the accounting policies note on page 36.

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

Notes to the Financial Statements continued

16 Risk Management policies and procedures continued

(vi) Fair values of financial assets and financial liabilities continued

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 an annual dividend target and, over the longer term, capital growth investing primarily in companies operating in or have exposure to Frontier Markets

This is to be achieved through an appropriate balance of equity capital and gearing. The Company operates a flexible gearing policy which depends on prevailing conditions. The policy is that debt should not be more than 20% of the Company's gross assets.

The Company's total capital as 30 September 2011 was US\$115,629,000

Risks associated with derivatives

The Company may utilise both exchange traded and over-the-counter derivatives, including, but not limited to, CFDs and CDSs, as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying CFD positions. In addition daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

The Company's current investment strategy specifically utilises CFDs. The Company limits the gross market exposure, and therefore the leverage, of this strategy to approximately 20% of the Company's gross assets. The CFDs utilised have a linear performance to referenced stocks quoted on exchanges and therefore have a volatility profile similar to the underlying stocks.

Management of the risk

- Economic exposure through derivatives is restricted to approximately 100% of the gross asset value of the Company. The gross value represents the aggregate of the long and short exposures 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 to the underlying securities on which the Company has taken short positions. Further definitions are provided in the glossary on page 61. To the extent derivatives are used to gear the Company's portfolio, aggregate gearing will not exceed 20% of gross assets. Short positions may not exceed 10% of gross assets.
- Exposures are monitored daily by the Investment Manager, BlackRock, and its independent risk management team. The Company's Board also reviews exposures regularly.
- The CFD positions are diversified across sectors and geographies comprising 22 positions as at 30 September 2011.

The gross underlying notional exposures within the CFD portfolio at 30 September 2011 were

	2011 US\$'000	% of gross assets
CFDs - gross exposure relating to short positions	8,563	7.4
CFDs - gross exposure relating to long positions	32,978	28.5
Gross economic exposure subject to a 100% restriction (see above)	41,541	35.9
Net market exposure	24,415	21.1

The economic exposures within the CFD portfolio can be closed out at any time by the Company with immediate effect.

Details of securities and exposures to market risk, interest rate risk and credit risk implicit within the CFD portfolio are given in note 16(i), (iii) and (vi).

17 Related party disclosure

The related party transaction with BlackRock Investment Management (UK) Limited is set out in the Director's Report on pages 16 and 17. The investment management fee for the period was US\$1,155,000, as discussed in note 4 on page 37.

At the period end, the following amount was outstanding in respect of investment management fees: US\$1,155,000.

The Board consists of five non-executive Directors, all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company. With effect from 1 October 2011, the Chairman receives an annual fee of £28,000, the Chairman of the Audit Committee receives an annual fee of £23,000 and each of the other Directors receives an annual fee of £20,000.

At 30 September 2011, the Directors' interests in the company's Ordinary Shares were as follows:

	Ordinary Shares
Audley Twiston-Davies (Chairman)	85,000
John Murray	-
Nick Pitts-Tucker	75,000
Lynn Ruddick	26,000
Sarmad Zok	-

The Company has an investment in BlackRock's Institutional Cash Fund of US\$ 8,900,000 at the period end.

18 Contingent liabilities

There were no contingent liabilities at 30 September 2011.

Analysis of Ordinary Shareholders

Analysis of Categories

As at 30 September 2011

	No of Shareholders	%	No of Shares	%
Individuals	31	6.88	212,327	0.22
Bank or Nominees	408	90.67	93,957,128	99.15
Insurance Company	3	0.67	22,850	0.02
Other Company	5	1.11	66,310	0.07
Other Corporate Body	3	0.67	507,652	0.54
Total	450	100.00	94,766,267	100.00

Band Analysis

As at 30 September 2011

Range	No of Shareholders	%	No of Shares	%
1-1,000	15	3.33	7,813	0.01
1,001-5,000	166	36.89	586,843	0.62
5,001-10,000	78	17.33	635,688	0.67
10,001-100,000	111	24.67	3,045,139	3.21
100,001-500,000	43	9.56	10,600,669	11.19
500,001-1,000,000	8	1.78	6,203,328	6.54
1,000,001 and above	29	6.44	73,686,787	77.76
Total	450	100.00	94,766,267	100.00

Directors, Management and Administration

Directors

Audley Twiston-Davies (Chairman)
John Murray
Nicholas Pitts-Tucker
Lynn Ruddick
Sarmad Zok

Registered Office

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

Investment Manager

BlackRock Investment Management (UK) Limited*
12 Throgmorton Avenue
London EC2N 2DL

Secretary and Administrator

BlackRock Investment Management (UK) Limited*
12 Throgmorton Avenue
London EC2N 2DL
Telephone 020 7743 3000

Registrar

Computershare Investor Services PLC*
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone 0870 707 4027

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Custodian and Banker

The Bank of New York Mellon (International) Limited*
One Canada Square
London E14 5AL

Stockbrokers

Winterflood Securities Limited*
The Atrium Building
25 Dowgate Hill
London EC4R 2GA

Solicitors

Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

* Authorised and regulated by the Financial Services 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

February

Annual General Meeting

May

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

Ordinary share price

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

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. The Board has arranged for all shareholders to receive their dividends in Sterling unless they elect otherwise. Shareholders who wish to receive their dividends in US Dollars should complete and return the enclosed Currency Election Form. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service - Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services on 0870 707 4027 or by completing the Mandate Instructions section on the reverse of your dividend counterfoil and sending this to the Company's registrar, Computershare. Tax vouchers will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

Dividend timetable

Ex-div date	25 January 2012
Record date	27 January 2012
Last day for receipt of currency elections	30 January 2012
Pay date	24 February 2012

ISIN/SEDOL numbers

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

ISIN	GB00B3SXM832
SEDOL	B3SXM83
Bloomberg code	BRFI LN Equity
Ticker	BRFI

Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. For existing shareholders the Company's registrar, Computershare Investor Services PLC, has introduced internet and telephone share dealing services. The telephone share dealing service is available on 0870 703 0084. To access the internet share dealing service log on to www.computershare.com/dealing/UK. To use these services, you will need your shareholder reference number, which is detailed on your certificate.

Internet dealing - The fee for this service is 0.5% of the value of each sale or purchase of shares (subject to a minimum of £15). 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 (subject to a minimum of £25).

CREST

The Company's shares have joined 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

Computershare provides a service to enable shareholders to receive correspondence electronically (including annual and half yearly financial reports) if they wish. If a shareholder opts to receive documents in this way, paper documents will only be available on request (unless electronic submission fails, in which case a hard copy will be mailed to the investor's last known address). Shareholders who opt for this service would receive a Notice of Availability via e-mail from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and printed.

For more information, to view the terms and conditions and to register for this service, please visit Computershare's internet site at www.investorcentre.co.uk/ecomms (you will need your shareholder reference number, which is given on your share certificate or tax voucher).

Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at www.e-proxyappointment.com using 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.

Risk factors

- ▶ As the Company invests in Frontier Markets, the value of its shares is also affected by changes in rates of exchange
- ▶ The price at which the Company's ordinary shares trade on the London Stock Exchange is not the same as their NAV (although they are related) and therefore you may realise returns which are lower or higher than NAV performance
- ▶ There may be exposure to significant economic, political and currency risks due to the location of the operation of the businesses in which the Company may invest
- ▶ Shares in businesses in which the Company invests can prove volatile and this may be reflected in the Company's share price
- ▶ Ordinary shares are only suitable for investors who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company, for whom an investment in ordinary shares constitutes part of a diversified investment portfolio, and who fully understand and are willing to assume the risks involved in investing in the Company
- ▶ Past performance is not necessarily a guide to future performance. The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuates

Nominee code

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

- ▶ to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance,
- ▶ to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available,

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

Publication of NAV/portfolio analysis

The NAV per ordinary share of the Company is calculated and published daily, with details of the Company's investments and performance being published monthly

The daily NAV and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the BlackRock website at www.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)

Internet access

Other details about the Company are also available on the BlackRock website at www.blackrock.co.uk/brfi and shareholders can check details of their holdings on Computershare's website at www-uk.computershare.com/investor

The financial statements and other literature are published on the BlackRock 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 www.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

Shareholder Information continued

Stocks and Shares Individual Savings Accounts (“ISA”)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments within a stocks and shares Individual Savings Account. Investors currently have an annual ISA allowance of £10,680.

Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. In the event of queries regarding your holding of shares, please contact the registrar on 0870 707 4027. Changes of name or address must be notified in writing to the registrar at:

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

Certain details relating to your holding can also 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 either your share certificate or tax voucher. The address of the Computershare website is www-uk.computershare.com/investor.

General enquiries

Enquiries about the Company should be directed to:

The Secretary
BlackRock Frontiers Investment Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone 0800 44 55 22

Notice of Annual General Meeting

Notice is hereby given that the first 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, 21 February 2012 at 12 00 noon for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 11, as ordinary resolutions and, in the case of resolutions 12 and 13, as special resolutions)

Ordinary Business

Ordinary Resolutions

- 1 To receive the report of the directors of the Company ("the Directors") and the Financial Statements for the financial period ended 30 September 2011 together with the report of the auditors thereon
- 2 To approve the Directors' remuneration report for the period ended 30 September 2011
- 3 To approve the payment by the Company of a final dividend of 3 00 cents per ordinary share in respect of the period ended 30 September 2011
- 4 To re-elect Mr John Murray as a Director
- 5 To re-elect Mr Nicholas Pitts-Tucker as a Director
- 6 To re-elect Ms Lynn Ruddick as a Director
- 7 To re-elect Mr Audley Twiston-Davies as a Director
- 8 To re-elect Mr Sarmad Zok as a Director
- 9 To reappoint Ernst & Young LLP as auditors to the Company to hold office from the conclusion of the first annual general meeting of the Company until the conclusion of the next general meeting at which financial statements and reports are laid before the Company
- 10 To authorise the Directors to determine the auditors' remuneration

Special Business

Ordinary resolution

- 11 That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities"), up to an aggregate nominal amount of US\$47,383 13 (being 5% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice) provided this authority shall expire at earlier of 31 March 2013 and the conclusion of the annual general meeting to be held in 2013 but so that the Company may, before such expiry, make any offer or agreement which would or might require Securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired

Special Resolutions

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

- 12 That, in substitution for all existing authorities and subject to the passing of resolution numbered 11 above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot and make offers or agreements to allot equity securities (as defined in section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash pursuant to the authority granted by the resolution numbered 11 above, as if section 561(i) 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 2013 and the conclusion of the annual general meeting of the Company to be held in 2013, 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\$47,383 13 (representing approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this notice), and
 - (c) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury at a price of not less than the net asset value per share

Notice of Annual General Meeting continued

- 13 That, in substitution for all 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 ordinary shares of US\$0.01 each in the capital of the Company ("Shares") provided that
- (a) the maximum number of Shares hereby authorised to be purchased is 14,205,463 (being the equivalent of 14.99% of the Company's issued share capital at the date of this notice),
 - (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1 cent (or the sterling currency equivalent), being the nominal value per share,
 - (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of (i) 5% above the average of the market value of a Share for the five business days immediately preceding the date of the purchase as derived from the Daily Official List of the London Stock Exchange and (ii) the higher of the price quoted for (a) the last independent trade of and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out, and
 - (d) the authority hereby conferred shall expire at the earlier of 31 March 2013 and the conclusion of the annual general meeting of the Company in 2013 save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry

All Shares purchased pursuant to the above authority shall be either

- (a) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act, or
- (b) cancelled immediately upon completion of the purchase

By order of the Board

BlackRock Investment Management (UK) Limited

Company Secretary

2 December 2011



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 not later than 12 00 noon on 17 February 2012. 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 www.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 noon on 17 February 2012.
- 3 Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
- 4 Any person (a "Nominated Person") receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 ("the Act") should note that the provisions in Notes 1 to 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.
- 5 Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.
- 6 Only shareholders registered in the register of members of the Company by not later than 6 00 p.m. two days prior to the date fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6 00 p.m. two days prior to the date of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 7 In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- 8 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 not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.
- 9 If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 10 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
- 11 Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer had already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 12 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares.

Notice of Annual General Meeting continued

- 13 Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to
- (i) the audit of the Company's accounts (including the auditors' 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 auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
- 14 Under sections 338 and 338A of the Companies Act 2006, 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 10 January 2012, being the date six weeks clear before the meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
- 15 Further information regarding the meeting which the Company is required by section 311A of the Act to publish on a website in advance of the meeting (including this Notice), can be accessed at www.blackrock.co.uk/its
- 16 As at the date of this report, the Company's issued share capital comprised 94,766,267 ordinary shares of 1 cent each (none of which are held in treasury) and 50,000 management shares of £1.00 each. Each ordinary share carries the right to one vote at general meetings. Therefore the total number of voting rights in the Company on 2 December 2011 is 94,766,267.
- 17 No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association. Copies of the Directors' letters of appointment will be available for inspection at the Company's registered office from 2 December 2011 until the time of the meeting and at the meeting venue itself for at least 15 minutes prior to the meeting until the end of the meeting.

Glossary

Net asset value per share ("NAV")

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing "equity shareholders' funds" by the total number of ordinary shares in issue. For example, as at 30 September 2011 equity shareholders' funds were worth US\$115,629,000 and there were 94,766,267 ordinary shares in issue (excluding treasury shares), the undiluted NAV was therefore 122.01 cents per ordinary share. Equity shareholders' funds are calculated by deducting from the Company's total assets, its current and long term liabilities and any provision for liabilities and charges.

Discount

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

Premium

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

Credit default swap ('CDS')

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

Promissory notes (P-Notes)

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

Contract for Difference

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

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

Short and long exposures

CFDs enable an investor to benefit from the price of a stock falling as well as rising. This enables the investor to benefit from negative as well as positive views on individual stocks. Entering into a CFD that results in a profit where the share price movement falls is referred to as taking a short position. The counterparty pays the investor margin interest on 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 the counterparty margin interest on long positions and receives payments from the counterparty in respect of dividends payable in relation to these long positions.

Net and gross 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.