Annual Report & Accounts

for the Period from Incorporation on 31 October 2013 to 31 December 2014

Fundsmith Emerging Equities Trust plc

Fundsmith Emerging Equities Trust plc Annual Report for the period 31 October 2013 to 31 December 2014

Fundsmith

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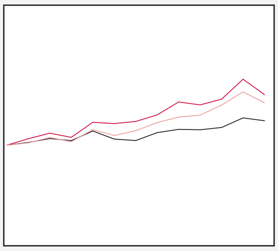

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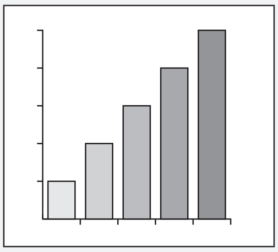

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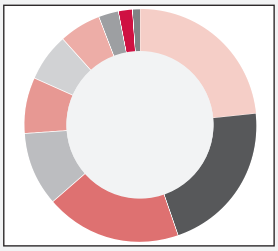

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Company Summary

Company Summary

Fundsmith Emerging Equities Trust plc aims to provide shareholders with an attractive return by investing in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, developing economies* and which provide direct exposure to the rise of the consumer classes in those countries.

Company Summary

The Company

The Company is an investment trust and its shares are listed on the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies.

Total assets less current liabilities as at 31 December 2014 were £192.8 million and the market capitalisation was £207.3 million.

Management

The Company employs Fundsmith LLP (‘Fundsmith’) as Investment Manager and Alternative Investment Fund Manager (‘AIFM’). Further details of the terms of these appointments are provided on page 21.

Performance is measured against the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis.

Capital Structure

The Company’s capital structure is composed of Ordinary Shares. Further details are given in note 11 to the accounts on page 52.

ISA Status

The Company’s shares are eligible for Individual Savings Accounts (‘ISAs’) and for Junior ISAs.

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (‘IFAs’) in the UK to ordinary retail investors in accordance with the Financial Conduct Authority (‘FCA’) rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA’s restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

*See Fundsmith’s Investment Philosophy on page 16 for further information.

Further details of the Company’s investment policy are set out in the Strategic Report on page 6.

Financial Highlights

Financial Highlights

Net asset value per share

997.00p -0.3%

Ordinary share price

1,072.00p +7.2%

Benchmark over the period 25 June 2014 to 31 December 2014

MSCI Emerging and Frontier Markets Index
(measured on a net sterling adjusted basis) +0.5%

Chairman's Statement

Introduction

Here is our first Annual Report since the launch of the Company and the listing of its shares on the London Stock Exchange on 25 June 2014. It covers the period from incorporation on 31 October 2013 to 31 December 2014.

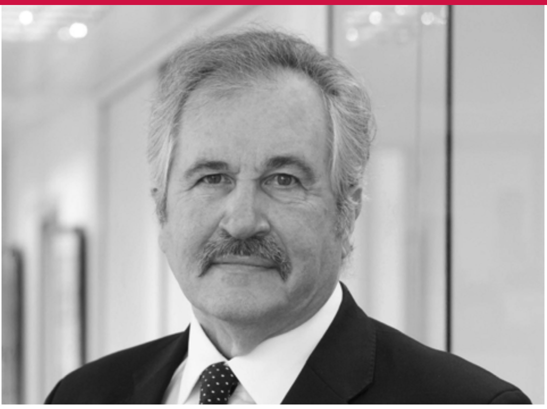
The Company's share price rose by 7.2% in the period

Performance

In their report (beginning on page 13), our Investment Manager describes how they have invested part of the funds raised and also the development of the portfolio to-date. The stock markets of territories in which we invest have performed poorly from when the Investment Manager began investing (25 June 2014) to 31 December 2014. The Company's net asset value per share fell slightly (by 0.3%) in this period, after Investment Manager fees and other expenses. This compares to a rise of 0.5% in the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis, the Company's benchmark. The Company's performance relative to the benchmark was affected by the rate of investment and consequent higher level of cash maintained over the period.

The Company's share price performed much better, rising by 7.2%, to 1,072.0 pence per share. The premium to the Company's net asset value per share ended the period at 7.5%. The Board continues to keep this under review.

Since the end of the period under review, net asset value per share performance has been below the benchmark, reflecting the fact that we are not yet fully invested. In addition, the Company's share price has also fallen slightly; the shares are currently trading on a 3.4% premium to the Company's net asset value per share.



Share Capital

Your Company raised £192.9 million at its launch and there are now a total of 19,337,921 ordinary shares in issue. It is the Board's view that the ability to issue new shares at a premium to net asset value plays an important part in ensuring that the level of premium does not reach excessive levels as growing the total funds under management will reduce on-going costs per share; it will also increase the liquidity of the Company's shares. However, your Board believes that it would not be appropriate to issue further shares until the funds raised at launch have been invested. We are, however, seeking shareholder authority to issue further new shares (up to an additional 10% of the Company's issued share capital) at the Annual General Meeting.

Dividends

The Board does not anticipate recommending any dividends in the near future. Its investment objective is for the shares mainly to provide capital growth. The Company will comply with the United Kingdom's investment trust rules regarding distributable income but does not expect significant income from the shares in which it invests. Any dividends and distributions will be at the discretion of the Board from time to time.

Outlook

Our Investment Manager remains cautious with regard to the short-term economic prospects of emerging market countries where investment is targeted. Whilst there has been much negative stock market sentiment surrounding emerging markets export growth, there continues to be significant underlying domestic demand-led growth. Stock selection continues to be key and your Board believes that our Investment Manager's strategy of focusing on well-managed companies that own long lived, cash generative consumer brands will provide attractive returns for our shareholders.

Annual General Meeting ("AGM")

The Company's AGM, which will be held on Tuesday, 26 May 2015 at 1.00pm at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL, provides shareholders with an opportunity to meet the Board and to hear a presentation from our Investment Manager. I look forward to meeting as many shareholders as possible at the AGM.

Martin Bralsford
Chairman
19 March 2015

Investment objective

Aim

To provide shareholders with an attractive return by investing in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, developing economies* and which provide direct exposure to the rise of the consumer classes in those countries.

*See Fundsmith's Investment Philosophy on page 16 for further information

Investment Approach and Policy

The Company will maintain a portfolio diversified by issuer concentration and it is anticipated that the Company's initial portfolio will comprise 35 to 55 investments once the net proceeds, raised at the Company's launch, are substantially invested.

The Company will comply with the following restrictions at the time each investment is made:

(i) not more than 5% of the Company's gross assets can be invested in shares issued by any single company. This limit rises to 10% in respect of up to 40% of gross assets;

(ii) not more than 40% of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction;

(iii) not more than 20% of the Company's gross assets can be in deposits held with a single bank or financial institution. In applying this limit all uninvested cash (except cash representing distributable income or credited to a distribution account that the Depositary holds) should be included;

(iv) not more than 20% of the Company's gross assets can consist of shares and approved money market instruments issued by the same group. When applying the limits set out in (i) this provision would allow the Company to invest not more than five per cent. in the shares of each of four group member companies, or 10% in two of them (if applying the 40% limit);

(v) the Company's holdings in any combination of shares or deposits issued by a single company or fund must not exceed 20% of the Company's gross assets overall;

(vi) the Company must not acquire shares issued by a company and carrying rights to vote at a general meeting of that company if the Company has the power to influence significantly the conduct of business of that company (or would be able to do so after the acquisition of the shares). The Company is to be taken to have power to influence significantly if it exercises or controls the exercise of 20% or more of the voting rights in that company; and

(vii) the Company must not acquire shares which do not carry a right to vote on any matter at a general meeting of the company that issued them and represent more than 10% of these securities issued by that company.

Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

- cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
- any "government and public securities" as defined for the purposes of the FCA rules.

In general, the Company will not use portfolio management techniques such as interest rate hedging and credit default swaps. However, the Company may use currency hedging, through derivatives if necessary, as a portfolio management technique. Whilst the Company, generally, will not hedge its currency exposure, it does reserve the right to do so in the circumstances where, in the opinion of the Investment Manager, a significant depreciation of a currency has become likely but the Investment Manager wishes to continue owning the companies in the portfolio denominated in that currency and where the cost of hedging that currency is unlikely, in the opinion of the Investment Manager, to extinguish any gains from hedging.

Investment Strategy and Business Model

Key Performance Indicators

The Company's Board of Directors meets regularly and at each meeting reviews performance against a number of key measures, as follows:

- Net asset value return against the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis;
- Share price return;
- Discount/premium of share price to net asset value per share; and
- Ongoing charges ratio.

Net asset value return against the benchmark

The Directors regard the Company's net asset value return as being the overall measure of value delivered to shareholders over the long term. Fundsmith's investment style is such that performance is likely to deviate from that of the benchmark index. The Board considers the most important comparator to be the MSCI Emerging and Frontier Markets Index measured on a net sterling adjusted basis.

During the period under review the Company's net asset value per share return was -0.3%, underperforming the benchmark by 0.8%.

A full description of performance during the year under review and the investment portfolio is contained in the Investment Manager's Review commencing on page 13 of this annual report.

Share price return

The Directors also regard the Company's share price return to be a key indicator of performance. This is monitored closely by the Board.

During the period under review the Company's share price return was +7.2%, outperforming the benchmark by 6.7%.

Premium/discount of share price to net asset value per share

The Board undertakes a regular review of the level of premium/discount and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share issuance and buy-backs, where appropriate. The making and timing of any share issuance and buy-backs is at the absolute discretion of the Board.

It is the Board's view that the ability to issue new shares at a premium to net asset value plays an important part in ensuring that the level of premium does not reach excessive levels. However, your Board believes that it is not appropriate to issue further shares until the funds raised at launch have been invested.

Ongoing charges ratio

The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and costs. As at 31 December 2014 the ongoing charges ratio was 1.7%.

Ongoing charges ratio
1.7%

Premium of the Company's share price to net asset value per share on 31 December 2014
7.5%

Number of Ordinary Shares in issue
19,337,921

Risk Management

The Board is responsible for the management of the principal risks faced by the Company and the Board regularly reviews these risks and how each risk is mitigated. The Board has categorised the risks faced by the Company under five headings as follows:

- Investment activity and strategy
- Financial
- Shareholder relations and corporate governance
- Operational
- Accounting, legal and regulatory

A summary of these risks and their mitigation is described below:

Principal Risks and Uncertainties	Mitigation
Investment Activity and Strategy An unsuccessful investment strategy, including asset allocation, may lead to underperformance against the Company's benchmark index and peer companies, and may result in a widening of the Company's share price discount to net asset value per share.	The Board regularly reviews the Company's investment mandate and its long-term investment strategy in relation to market and economic conditions, and the operation of the Company's peers, thereby monitoring whether the Company should continue in its present form. Fundsmith provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio. Fundsmith discusses current and potential investment holdings with the Board on a regular basis in addition to new initiatives, which may enhance shareholder returns. The Board sets appropriate investment restrictions and guidelines. Additional reports and presentations are made regularly to investors by Fundsmith and also by Investec Bank plc, the Company's Corporate Stockbroker. In consultation with its advisers the Board also undertakes a regular review of the level of premium/discount and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and share buy-backs, where appropriate.

Principal Risks and Uncertainties	Mitigation
Financial The financial risks associated with the Company include market risk (including counter-party risk), liquidity risk, foreign exchange risk and credit risk.	The Company's assets comprise mainly of readily realisable liquid securities, which can be sold to meet funding requirements, if necessary. Further information on financial instruments and risk can be found in note 14 to the financial statements beginning on page 53. The Company is also exposed to the risk that the custodian and/or counterparties may fail and that title to stocks does not survive an ensuing liquidation. The Company's Investment Manager is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses. The Board regularly reviews the Investment Manager's approved list of counterparties. As the Company's shares are denominated and traded in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. Whilst the Company, generally, will not hedge its currency exposure, it does reserve the right to do so in the circumstance where, in the opinion of the Investment Manager, a significant depreciation of a currency has become likely but the Investment Manager wishes to continue owning the companies in the portfolio denominated in that currency and where the cost of hedging that currency is unlikely in the opinion of the Investment Manager, to extinguish any gains from hedging.
Shareholder Relations and Corporate Governance Shareholder unrest could arise if there is poor adherence to best practice in corporate governance and which could result in reputational damage to the Company.	The Board receives regular reports on shareholder activity and is kept informed of shareholder sentiment. Regular contact is maintained with major shareholders. Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement beginning on page 25.
Operational Disruption to, or failure of, accounting, dealing or payments systems in place at the Company's service providers, including custodian and appointed sub-custodians and the depositary could prevent accurate reporting and monitoring of the Company's financial position.	The Board reviews both the internal controls and the disaster recovery procedures put in place by its principal service providers on a regular basis.
Accounting, Legal and Regulatory Failure to comply with appropriate law and regulations could expose the Company to serious financial loss and reputational damage.	The Board relies on the services of its external advisers to ensure compliance with applicable law and regulations including the Companies Act, the Corporation Tax Act and the UKLA Listing Rules. The Board is aware of changes to the regulatory environment in the year ahead.

Director, Social, Economic and Environmental Matters and Looking to the Future

Directors

The Directors of the Company, who served during the period, are shown below. Further information on the Directors can be found on page 19.

Martin Bralsford (*Chairman*) (appointed 23 May 2014)
David Potter (appointed 23 May 2014)
John Spencer (appointed 23 May 2014)
Simon Godwin (appointed 31 October 2013, resigned 27 May 2014)
Mark Laurence (appointed 31 October 2013, resigned 27 May 2014)

All Directors seek election or re-election by shareholders at each Annual General Meeting.

Board Diversity

The Company is supportive of the recommendations of Lord Davies' Report that the performance of corporate boards can be improved by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Company recognises the benefits of diversity on the Board, including gender, and takes this into account in its Board appointments. The Company is committed to ensuring that any Director search process actively seeks persons with the right qualifications so that appointments can be made on the basis of merit against objective criteria from a diverse selection of candidates. To this end the Board will consider diversity during any Director search process.

Social, Economic and Environmental Matters

The Directors, through the Company's Investment Manager, do their best to encourage companies in which investments are made to adhere to best practice with regard to Corporate Governance. In light of the nature of the Company's business there are no relevant human rights issues and the Company does not have a human rights policy.

The Company recognises that social and environmental issues can have an effect on some of its investee companies.

The Company is an investment trust and so its own direct environmental impact is minimal. The Board of Directors consists of three Directors, one of whom is resident in the UK, one is resident in the US and one in the Channel Islands. The Board holds all of its regular meetings in the UK each year.

The Company does not have any employees. Therefore there is no employee information to disclose.

Looking to the Future

The Board concentrates its attention on the Company's investment performance, and the Investment Manager's investment approach, and on factors that may have an effect on this approach. The Board is regularly updated on wider investment trust industry issues and discussions are held at each Board meeting concerning the Company's future development and strategy.

The Company's overall strategy remains unchanged.

Investment Portfolio

Investments held as at 31 December 2014

Security	Country of incorporation	Fair value £'000	% of investments
Eastern Tobacco	Egypt	4,632	4.4%
East African Breweries Ltd	Kenya	4,535	4.3%
Nigerian Breweries PLC	Nigeria	4,480	4.2%
Godrej Consumer Products Ltd	India	4,399	4.2%
Shoprite Holdings Ltd	South Africa	4,279	4.0%
Universal Robina Corp	Philippines	4,024	3.8%
Big C Supercenter PCL	Thailand	3,986	3.8%
Sun Art Retail Group Ltd	Hong Kong	3,982	3.8%
Want Want China Holdings Ltd	Cayman Islands	3,708	3.5%
Kroton Educacional SA	Brazil	3,379	3.2%
Top 10 Investments		**41,404**	**39.2%**
Bim Birlesik Magazalar AS	Turkey	3,377	3.2%
Grupo Nutresa SA	Colombia	3,242	3.1%
Sa Sa International Holdings Ltd	Cayman Islands	2,973	2.8%
Ambev SA	Brazil	2,924	2.8%
Magnit PJSC	Russian Federation	2,811	2.7%
Colgate-Palmolive India Ltd	India	2,690	2.5%
Hengan International Group Co Ltd	Cayman Islands	2,621	2.5%
Marico Ltd	India	2,607	2.5%
Hypermarcas SA	Brazil	2,490	2.3%
Indofood CBP Sukses Makmur Tbk PT	Indonesia	2,468	2.3%
Top 20 Investments		**69,607**	**65.9%**
Jollibee Foods Corp	Philippines	2,451	2.3%
ITC Ltd	India	2,433	2.3%
Wynn Macau Ltd	Cayman Islands	2,412	2.3%
Forus SA	Chile	2,322	2.2%
Souza Cruz SA	Brazil	2,118	2.0%
Vitasoy International Holdings Ltd	Hong Kong	2,051	1.9%
Emami Ltd	India	1,798	1.7%
Mr Price Group Ltd	South Africa	1,723	1.6%
Ceylon Tobacco Co PLC	Sri Lanka	1,675	1.6%
Unilever Nigeria PLC	Nigeria	1,554	1.5%
Top 30 Investments		**90,144**	**85.3%**
Grupo Lala SAB de CV	Mexico	1,545	1.5%
Natura Cosmeticos SA	Brazil	1,491	1.4%
Guinness Nigeria PLC	Nigeria	1,470	1.4%
Famous Brands Ltd	South Africa	1,329	1.3%
Hindustan Unilever Ltd	India	1,249	1.2%
Philippine Seven Corp	Philippines	1,106	1.0%
Britannia Industries Ltd	India	1,090	1.0%
Unilever Indonesia Tbk PT	Indonesia	1,048	1.0%
Nestlé India Ltd	India	813	0.8%
Spur Corp Ltd	South Africa	782	0.7%
Top 40 Investments		**102,067**	**96.6%**

With the exception of liquidity funds, all portfolio holdings are in equities.

Investments held as at 31 December 2014 – continued

Security	Country of incorporation	Fair value £'000	% of investments
Dabur India Ltd	India	773	0.7%
Nestlé Nigeria PLC	Nigeria	752	0.7%
Alicorp SAA	Peru	731	0.7%
Tiger Brands Ltd	South Africa	617	0.6%
Nestlé Lanka PLC	Sri Lanka	250	0.2%
FAN Milk Ltd	Ghana	197	0.2%
British American Tobacco Bangladesh Co Ltd	Bangladesh	91	0.1%
GlaxoSmithKline Consumer Healthcare Ltd	India	87	0.1%
Procter & Gamble Hygiene Healthcare Ltd	India	78	0.1%
Nestlé Pakistan Ltd	Pakistan	47	0.0%
Top 50 Investments		**105,690**	**100.0%**

With the exception of liquidity funds, all portfolio holdings are in equities.

Portfolio Breakdown

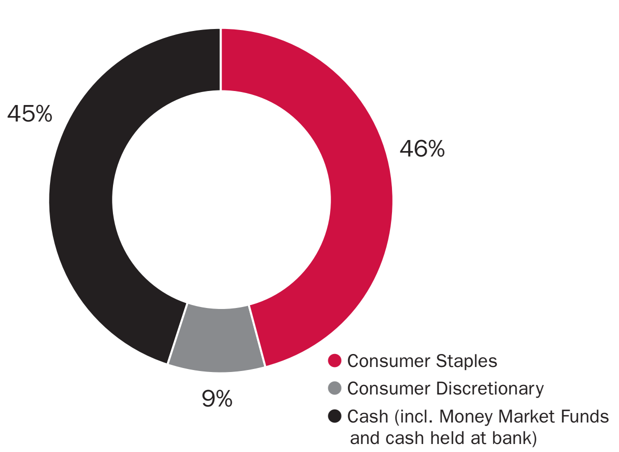
Equities	105,690	55.9%
Liquidity Funds	83,218	44.1%
	188,908	**100.0%**

Liquidity funds consist of investments in money market funds, with the aim of protecting capital while earning income, until the Company is fully invested.

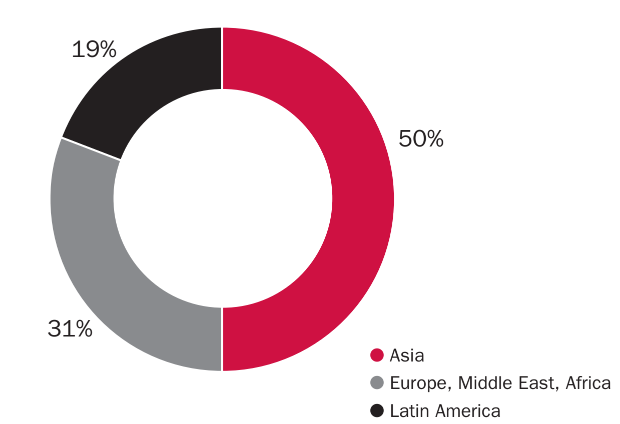
Portfolio Distribution

as at 31 December 2014

By Sector (based on net asset value)



By Geography (by Country of Incorporation)



Investment Manager's Review

At the time of the Company's launch, we believed that a favourable entry point for our strategy of investing in consumer stocks in Developing Economies (a term as defined in the Investment Philosophy report) lay ahead as a result of two major developments:

- The mooted end of Quantitative Easing ("QE") in the United States which might lessen the flow of funds into Emerging Markets ("EM") and even lead funds to return to the United States; and
- The economic slowdown in China and its knock-on effect in countries which are dominated by commodity exports, most of which are also Developing Countries.

So far this thesis seems to have played out mostly as we expected. QE in the United States has ended and we now await the end to the other unconventional policy measure the Zero Interest Rate Policy ("ZIRP"). China's economy has definitely been slowing and the knock-on effect on commodity prices has been profound since China represented more than 100% of the increase in demand for some commodities since 2009 when it undertook a massive stimulus in response to the financial crisis. The oil price has been the most obvious casualty but other commodities, such as iron ore, have experienced price falls of similar magnitude.

We are firmly in the camp which expects a fall in oil and other commodity prices to be a benefit to the world economy. Almost every economic activity requires energy input which is heavily dependent upon the price of oil. Other input costs are affected as the prices for products which are by-products of oil such as artificial fertilisers, packaging, and plastics as well as other commodities fall. Most of the companies in the Company's portfolio have energy and oil in particular as a major input cost and a fall in its price should benefit their margins as well as leaving consumers with a larger portion of their income to spend on their products.

If you are in any doubt about the impact of the oil price on economic activity consider the following. Every global recession since 1970 has been preceded by a doubling of the oil price (January to March 1974, March to October 1979, July to October 1990, June 1999 to March 2000, January 2007 to July 2008). When oil prices have fallen by more than 50%, this been followed by rapidly accelerating global growth (1987-88, 1993-94, 1998-99, 2003-04 and 2010-11).

There were of course other factors involved in causing these periods of boom and bust, but it is hard to doubt that a fall in the oil price will boost economic activity <u>above what it would otherwise have been</u>. The last part of the preceding sentence is underlined because it is important: the fall in the price of oil and other commodities may boost growth but it may also be telling us that the world economy was in far worse shape than many commentators had realised which has affected demand for oil and helped to cause the price fall.

The fall in the price of oil also has differential effects on companies and countries.

Fairly obviously it is not good news for oil producers and we have seen the adverse effects of the fall in the oil price on the currencies of major oil exporters such as Colombia, Nigeria and Russia, and to a lesser extent Brazil and Mexico, during this period. We await the likely positive economic effect on major oil importers in which we invest such as China, India, Pakistan and the Philippines. Nor is oil the only commodity which will be producing less revenue for exporters in the developing world, so will coal, iron ore, and copper which will affect Brazil, Chile, Indonesia, Peru and South Africa.

Other events which affected the areas where we seek to invest during this period include:

- The overthrow of the presidential regime in the Ukraine, the consequent Russian annexation of the Crimea, and the dispute over the territory in Eastern Ukraine which has led to sanctions against Russia by the USA and the EU. We only have one Russian company in the Company's portfolio, the leading retailer Magnit which in our view is a very good business. It's just a pity at present that it is in Russia;
- Elections in Brazil, India, Indonesia, and Sri Lanka. If there was a theme to these elections it is the overthrow of incumbent parties and the emergence of reformers, although Brazil does not fit this pattern with the re-election of Dilma Roussef; and
- In India Narendra Modi's election in May swept aside the Congress Party and placed a man with a real reform agenda and a track record of achievement as Governor of Gujarat in power. Our only problem with this is that Mr Modi had the poor timing to get himself elected in the month before the Company began investing and the exuberant response of the Indian stock market to his election has made it difficult for us to achieve the level of investment we would like in Indian consumer companies at valuations which are reasonable. However, at the moment actual consumer spending which underpins the results of the portfolio companies

has yet to match the improvement in sentiment from this reform agenda so we hope to get the full weighting we desire in Indian companies at a more reasonable valuation.

Overall the markets we seek to invest in performed relatively poorly in 2014. From the date we started investing (24 June 2014) to the 31 December 2014 the MSCI Emerging and Frontier Markets Index was up 0.5% with the MSCI Emerging Markets Index up 0.7% (all in sterling terms). The Company's Net Asset Value ("NAV") was down by 0.3% over the same period. This was heavily influenced by the fact that we began with 100% of the assets in cash and ended the year with c.45% still in cash. In contrast, the share price was up 7.2% and traded at a premium of 7.5% to the net asset value per share as at 31 December 2014.

The top five contributors to that performance and the five biggest detractors with the amount contributed by local currency movements are as follows:

Top Five Contributors	Country of Incorporation	Contribution %	Of which Currency %
Eastern Tobacco	Egypt	0.46	0.05
Emami Ltd	India	0.18	0.01
Universal Robina Corp	Philippines	0.16	0.03
Shoprite Holdings	South Africa	0.14	(0.01)
Indofood CBP Sukses	Indonesia	0.12	0.00

Top Five Detractors	Country of Incorporation	Contribution %	Of which Currency %
Magnit	Russian Federation	(0.17)	0.07
Wynn Macau	Macau	(0.16)	0.04
Sun Art Retail Group	China	(0.11)	0.06
Natura Cosmeticos	Brazil	(0.11)	(0.03)
Unilever Nigeria	Nigeria	(0.11)	(0.02)

The portfolio list on pages 11 and 12 and the portfolio distribution pie charts on page 12 show a breakdown of our portfolio at the end of 2014 on the basis of geography and sector. India is the largest country exposure.

At the end of the year we held stakes in 50 companies. Our average company was founded in 1958 and had a median market capitalisation of just over £3 billion. All of them operate in sectors which directly serve the consumer although none are in consumer durables. However, at present, cash remains our largest asset.

As part of our analysis of the portfolio, we consider a number of measures: Return on Capital Employed; Gross Margin; Cash Conversion; and Growth. The average of our portfolio, listed on pages 11 and 12, weighted by the size of our holdings against the measures is disclosed below.

The companies in our portfolio had an average Return on Capital Employed ("ROCE") of 37% in the past year, 43% if goodwill is excluded from capital employed, which gives an indication of the return on their operating capital. To say this is high would be an understatement.

The average Gross Margin (the profit after the cost of goods sold) was 43%. Our companies sell goods for £10 which they purchase or make for under £6 which is good considering that we own some retailers which are low margin businesses. Average Operating Profit margins are 17%.

On average our companies convert 105% of their profits into cash. This measure deserves two additional notes of explanation. Firstly, you might wonder how a company can convert more than 100% of its profits into cash. There is more than one way this can occur, but the commonest is that it has negative working capital because it gets paid before it has to pay its suppliers. Retailers are commonly in this situation: shoppers pay for their goods on the spot, the retailers do not pay their suppliers as promptly. Secondly, the cash flow number we are quoting is the "neutral" cash flow (as in Neutral Free Cash Flow or "NFCF") which takes the capital expenditure as being in line with the depreciation charge. We make this assumption because the companies we seek to invest in are high growth companies which often have such high capital expenditure that they have no cash flow left after this item. If we measured their cash flow after subtracting the actual capital expenditure we would never buy their shares as they would have negative cash flows, and given the returns they are making we should want them to reinvest as much in growing their businesses as possible. So we make the assumption that all their capital expenditures over and above the depreciation charge are voluntary spending undertaken in order to grow the business and we assess their free cash flows on that basis.

In the last year these companies have grown their revenues at 12% and earnings per share at 20%, both numbers which companies operating in the developed world can only dream of, although of course that may not persist.

All of these performance statistics seem to confirm that we are invested in good businesses.

What about valuation? Our companies have a price earnings ratio (or "PE") of 30 which does not sound cheap, although when placed in context with earnings growth of 20% it compares favourably with the valuation and growth prospects of comparable companies in developed markets.

We prefer not to use PE's for valuation purposes as earnings are not the same as cash and take no account of the capital employed to generate the earnings. The free cash flow yield on our portfolio (the free cash flows which the companies generate, divided by their market value and weighted for their respective size in the portfolio again using the assumption that capital expenditure equals depreciation) is 4.1%. Again, this compares favourably with the free cash flow yield available on comparable developed world companies.

Once the Company becomes fully invested these fundamental characteristics of the portfolio companies should begin to take on additional significance as they shape our expectations of long term returns on our investment.

We remain cautious about the immediate prospects for Developing Economies in the light of the same factors which we foresaw at the time of launch and we will continue to seek what we believe are at least reasonable valuations as we seek to invest the balance of the cash raised in our portfolio companies.

Terry Smith
Fundsmith LLP
Investment Manager
19 March 2015

Investment Philosophy

Fundsmith Emerging Equities Trust plc ('FEET') invests in companies which have the majority of their operations in, or revenue derived from, Developing Economies* and which provide direct exposure to the rise of the consumer classes in those countries.

We apply a three step investment process to implement that strategy:

1. We aim to invest in high quality businesses

In our view, a high quality business is one which can sustain a high return on operating capital employed in cash.

We are seeking a sustainable high rate of return. An important contributor to this is repeat business, usually from consumers. A company that sells many small items each day is better able to earn consistent returns over the years than a company whose business is cyclical, like a steel manufacturer, or "lumpy", like a property developer, a movie studio or even a drugs company. This approach rules out most businesses that do not sell directly to consumers or which make goods which are not consumed at short and regular intervals.

Capital goods companies and industrial suppliers make components, ingredients and packaging to sell to businesses. Business buyers are able to defer purchases of such products when the business cycle turns down. Moreover, business buyers employ staff whose sole *raison d'être* is to drive down the cost of purchase and lengthen their payment terms. In contrast we as consumers have no direct bargaining power.

An important contributor to resilience is a resistance to product obsolescence. This means that we try not to invest in industries which are subject to rapid technological innovation. Innovation is often sought by investors but does not always produce lasting value for them. Developments such as canals, railroads, aviation, microchips and the internet have transformed industries and people's lives. They have created value for some investors, but a lot of capital gets destroyed for others, just as the internet has destroyed the value of many traditional media industries, most notably newspapers, as well as quite a lot of capital invested in the internet companies that didn't make it and at the peak of bubbles such as the Dotcom boom.

Even when a company sells to consumers, it is unlikely to fit our criteria if its products have a life which can be extended. When consumers hit hard times, they can defer replacing their cars, houses and appliances, but not food, toiletries, cosmetics and cleaning products. Hence we do not intend to invest in manufacturers of consumer durables.

We seek to invest in businesses whose assets are intangible and difficult to replicate. It may seem counter-intuitive to seek businesses which do not rely upon tangible assets. The businesses we seek to invest in do something very unusual: they break the rule of mean reversion that states returns must revert to the average as new capital is attracted to business activities earning above-average returns.

They can do this because their most important assets are not physical assets, which can be replicated by anyone with access to capital, but intangible assets which can be very difficult to replicate, no matter how much capital a competitor is willing to spend. Moreover, it's hard for companies to replicate these intangible assets using borrowed funds, as banks tend to favour the (often illusory) comfort of tangible collateral. This means that the business does not suffer from economically irrational (or at least innumerate) competitors when credit is freely available. To be fair, during equity market "bubbles", some irrational competition can be funded by equity which seems to require no foreseeable return, but such Dotcom style phenomena mostly seem to attract capital to technology, biotech, social networking, e-tailing and online businesses and not the less glamorous world of consumer non-durables.

The kinds of intangible assets we seek are brand names, trademarks, dominant market shares, patents, licenses, franchises, intellectual property or know how, distribution networks, supply chains, client relationships and installed bases of equipment or software that lock in clients for service, spares, repairs, renewals, consumables and transactions. Some combination of such intangibles defines a company's franchise. Since stock markets typically value companies on the not unreasonable assumption that their returns will regress to the mean, businesses whose returns do not do this can become undervalued. Therein lies our opportunity as investors.

We avoid companies that have to use leverage to make an adequate return on equity. We only invest in companies that earn a high return on their capital on an unleveraged basis. The companies we invest in may well have leverage, but they don't require borrowed money to function. For example,

**Where we refer to our investments in Developing Economies or Emerging Markets we mean countries other than those included in the MSCI World Index, i.e. in the widest possible sense. Clearly when referring to others' references to emerging markets, developing economies or the developing world their own definition applies.*

financial companies (such as banks, investment banks, credit card lenders or leasing companies) typically earn a low unleveraged return on their assets. They then have to lever up that capital several times over with money from lenders and depositors in order to earn what they deem to be an acceptable return on their shareholders' equity. This means that not only are their unlevered equity returns inadequate, but periodically the supply of credit is withdrawn, often with disastrous consequences given the illiquidity of their asset base. In assessing leverage, we include off-balance sheet finance in the form of operating leases, which are common in some sectors, such as retailing.

The businesses we seek must have growth potential. It is not enough for companies to earn a high unlevered rate of return. Our definition of growth is that they must also be able to reinvest at least a portion of their excess cash flow back into the business to grow, while generating a high return on the cash thus reinvested. Over time, this should compound shareholders' wealth by generating more than a pound of stock-market value for each pound reinvested. In our view, growth cannot be thought about sensibly in isolation from returns. Rapid growth may be good news or it may be bad news. It depends on how much capital you have to invest to generate that growth.

The source of growth is also a factor to consider. Growth in profits from increasing prices can simply build an umbrella beneath which competitors can flourish. We are more interested in companies which have physical growth in the merchandise or service sold than simply pricing power, although having both is nice.

2. We try not to overpay for shares when investing

We only invest when we believe the valuation is attractive. We estimate the free cash flow of every company after tax and interest, but before dividends and other distributions, and after adding back any discretionary capital expenditure which is not needed to maintain the business. Otherwise we would penalise companies which can invest in order to grow. Our aim is to invest only when free cash flow per share as a percentage of a company's share price (the free cash flow yield) is high relative to long-term interest rates and when compared with the free cash flow yields of other investment candidates both within and outside the portfolio. Our goal is to buy securities that we believe will grow and compound in value, which bonds cannot, at yields that are similar to or better than what we would get from a bond.

3. We aim to buy and hold

We aim to be long-term, buy-and-hold investors. We seek to own only stocks that will compound in value over the years. Accordingly, we try to be very careful about the stocks we pick. We do not have a good new investment idea every day, or indeed, not even every year. Even when we are able to find a new company we would like to invest in, we have to wait, sometimes forever, for a price and valuation at which we can justify investing. The resulting low level of dealing activity also minimises the frictional costs of trading, a cost which is often overlooked by investors as it is not normally disclosed as part of the costs of running funds

Our investment philosophy is also defined by a number of things we don't do:

(A) We try never to engage in so-called "Greater Fool Theory"

We really want to own all of the companies that we invest in. We do not buy them knowing that they are not good businesses or are over-valued in the hope that someone more gullible will come along and pay an even higher price for them. We assume that there is no greater fool than us.

(B) Indices are not used for portfolio construction

We are interested in indices in order to benchmark our performance but not as a tool to aid our portfolio construction.

The simplest reason for this is that we wish to perform better than the relevant indices and the majority of fund managers who hug the index composition with their portfolio selections. As the legendary investor Sir John Templeton said "If you want to have a better performance than the crowd, you must do things differently from the crowd."

There is also the problem that the MSCI Emerging Markets Index is dominated by companies of a sort that we would never own.

The top ten companies in the MSCI Emerging Markets Index are all in the banking, energy, technology and telecoms sectors. They all fall into sectors which we would never invest in because they are cyclical, rely on leverage to deliver an adequate return, are subject to rapid and unpredictable change and/or have returns controlled by governments.

In contrast, under 10% of the Index is in Consumer Staples, which is the bedrock of the Fundsmith strategy and a consistent producer of shareholder value with high unlevered returns on capital in cash.

(C) We do not attempt market timing

Once we are fully invested we will not attempt to manage the percentage invested in equities in our portfolio to reflect any view of market levels, timing or developments. Getting market timing right is a skill we do not possess. We assume that if you own shares in FEET you have already taken the decision to invest that portion of your portfolio in Emerging Market equities, managed in the manner we describe.

Our inability and unwillingness to try to make market timing calls is one factor which prevents us from investing in sectors which are highly cyclical. It is possible to deliver performance from such investments, but it requires a good sense of timing for the economic cycle and how the market cycle relates to it. It also requires strong nerves, because such investments are often counter-intuitive, as exemplified in the investment adage “Only buy cyclicals when they look expensive”. This is because when they have little or no earnings, and so look expensive on the basis of their price/earnings ratio, they are at, or close, to the bottom of the cycle. The converse applies: you should sell them when they look cheap, as they are then at, or close, to peak earnings.

We are not sure we have either the skill set or the constitution for such investing. In any event, investing in cyclical businesses has one big disadvantage. They are mostly poor quality businesses which struggle to make adequate returns on their capital. Whilst you wait to see whether you have got your timing right, the underlying value of your investment is more likely to erode than compound whilst you await the upturn, and of course occasionally they do not survive a cycle at all.

(D) Corporate Governance

Investment in emerging markets has dangers which might loosely be labelled as problems of corporate governance. There are examples of companies which have had assets confiscated by governments, which have had their know-how taken by a local joint venture partner who has set up in competition with them, of minority investment in business controlled by local families which have gone awry.

We do not intend to bring enlightenment to Emerging Markets in the form of improved corporate governance via our investments. We are minority investors and we will assume that the corporate governance landscape we see is the one we have to deal with rather than assuming we can change it. Then we will select investments in that environment the same way that porcupines make love – carefully.

We are helped in this regard by the fact that about a fifth of the companies in our Investable Universe and about a quarter of the portfolio for FEET are quoted subsidiaries, associates or franchisees of the multinational companies. This certainly helps from a due diligence/corporate governance standpoint.

(E) Currencies

Our policy is generally not to hedge FEET’s currency exposure. The exception in FEET would be in the circumstances where we believe significant depreciation of a currency has become likely but we wish to continue owning the companies in FEET denominated in that currency and we are comfortable that we can put in place a hedge the cost of which will not extinguish any gains from hedging. Such a combination of circumstances is unusual.

Terry Smith
Fundsmith LLP
Investment Manager
19 March 2015

Board of Directors

The Board of Directors, all of whom are non-executive, supervise the management of the Company and look after the interests of shareholders. The Board considers that all the Directors are independent and there are no relationships or circumstances which are likely to affect or could appear to affect their judgment.

Martin Bralsford

Chairman

Martin was articled with Pannell Kerr Forster & Co, London, qualifying as a Chartered Accountant in 1970 and obtained a masters degree at the London Business School in 1974. Until July 2007 he was Chief Executive of C.I. Traders, taking up this role in August 2002 when it acquired Le Riche Group. He joined Le Riche Group as its Chief Executive in November 1992 after having previously been Group Managing Director and Chairman of Premier Brands Ltd, (now Premier Foods Ltd), part of Hillsdown Holdings. Prior to this he held a number of financial and general management appointments in Calor Gas, Rank Group, SmithKline Beecham and Cadbury Schweppes. He has served as an independent member of the boards of a number of commercial, banking and investment companies including Gartmore Capital Strategy Fund Limited and Acorn Income Fund Limited. He is a Trustee of a number of charitable trusts; a former President of the Jersey Chamber of Commerce; and a former Chairman of both the Training and Employment Partnership in Jersey and the Durrell Wildlife Conservation Trust of which he is a Life Trustee.

David Potter

After 35 years in the City (CSFB, Montagu, Midland, Guinness Mahon, Investec) David has spent the last 15 years as a Chairman, Non-Executive and Trustee in a wide range of companies and institutions. He is currently Chairman of Spark Ventures PLC, a Director of Maven Income and Growth VCT, a member of the Council of The Centre for the Study of Financial Innovation, Chairman of the Bryanston and National Film & TV School Foundations and a member of The King's College London Investment Board. David is Chairman of the Management Engagement Committee.

John Spencer

John Spencer qualified as a chartered accountant in 1966 and worked with KPMG from 1966 to 1969. He joined Barclays Bank in 1969 and held a variety of posts, including President of Barclays Bank of New York and chief executive of the USA Banking division. He returned to the UK in 1990 as deputy chief executive of BZW and chief executive of the Global Markets division and was appointed a member of the Group Executive Committee. He was Non-Executive chairman of Regent Inns plc from 1995 to 1998 and served as non-executive chairman of Softtechnet.com plc, a director of Numerica Group plc and Chief Executive of Snell & Wilcox Limited, a private company. He was appointed Director of Tullett Prebon (originally Collins Stewart) in 2000 until 2007 where he was the Senior Independent Non-executive Director and a member of the Audit, Remuneration and Nominations Committees. He is a Non-Executive Director of tpSEF Inc. John is Chairman of the Audit Committee.

All Directors are members of the Audit and Management Engagement Committees.

Board of Directors

Meeting Attendance

The number of Board and Committee meetings held in the period 31 October 2013 to 31 December 2014, and each Director's attendance level, is shown below:

Type and number of meetings held in the period 31 October 2013 to 31 December 2014	Board (6)	Audit Committee (1)	Management Engagement Committee (1)
Martin Bralsford (appointed 23 May 2014)	4	1	1
David Potter (appointed 23 May 2014)	4	1	1
John Spencer (appointed 23 May 2014)	4	1	1
Simon Godwin (appointed 31 October 2013, resigned 27 May 2014)	2	–	–
Mark Laurence (appointed 31 October 2013, resigned 27 May 2014)	2	–	–

Directors' Interests

The beneficial interests of the Directors and their families in the Company were as set out below:

	Shares of 1p each 31 December 2014
Martin Bralsford	100,000
David Potter	5,000
John Spencer	5,000

There have been no changes in the above Directors' interests as at 19 March 2015.

Report of the Directors

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the period from incorporation on 31 October 2013 to 31 December 2014.

Business and Status of the Company

The Company is registered as a public limited company in England (Registered Number 08756681) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the 'Act'). Its shares are listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

The Company has applied for and been accepted as an approved investment trust under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 25 June 2014. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

Investment Policy

In order to achieve its investment objective, the Company invests in a portfolio of shares issued by listed or traded companies which have the majority of their operations in, or revenue derived from, developing economies and which provide direct exposure to the rise of the consumer classes in those countries.

Further details concerning the Company's investment policy can be found in the Strategic Report on page 6 and the Investment Philosophy on page 16.

Results

The results attributable to shareholders for the period are shown on page 41.

Gearing

The Company has the power to borrow using short-term banking facilities to raise funds for short-term liquidity purposes or for discount management purposes including the purchase of its own shares, provided that the maximum gearing represented by such borrowings shall be limited to 15% of the Company's net assets at the time of draw down of such borrowings. The Company is not currently geared.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method. The current maximum permitted limit under the Gross and Commitment methods is 115%. Up to date information is available in the Investor Disclosure Document on the Company's website www.feetplc.co.uk. Further information can also be found in the Alternative Investment Fund Managers Directive Disclosure on page 58.

Investment Management and Alternative Investment Fund Manager ("AIFM")

Investment Management Agreement:

Fundsmith receives a periodic fee equal to 1.25% p.a. of the Company's net asset value. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months. Fundsmith under the terms of the agreement provides, inter alia, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which monies should be invested, disinvested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made;
- advising the Company in relation to trends, market movements and other matters which may affect the investment policy of the Company; and
- acting as AIFM to the Company.

Continuing Appointment of the Investment Manager and AIFM

The Board has concluded that it is in shareholders' interests that Fundsmith acting as both the Investment Manager and AIFM continues in its roles. The review undertaken by the Board considered the Company's investment performance together with the quality and adequacy of other services provided.

The Board also reviewed the appropriateness of the terms of the Investment Management Agreement in particular the length of notice period and the fee structures.

Report of the Directors

Directors' & Officers' Liability Insurance Cover

Directors' & officers' liability insurance cover was maintained by the Company during the period ended 31 December 2014. It is intended that this policy will continue for the year ending 31 December 2015 and subsequent years.

Directors' Indemnities

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Beneficial Owners of Shares – Information Rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Asset Services, or to the Company directly.

Individual Savings Accounts

The Company's shares are eligible to be held in the stocks and shares component of an ISA or Junior ISA, subject to applicable annual subscription limits (£15,000 for an ISA and £4,000 for a Junior ISA for the 2014/2015 tax year) (£15,240 and £4,080 respectively for 2015/2016 tax year). Investments held in ISAs or Junior ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Junior ISAs are available for UK resident children aged under 18 and born before 1 September 2002 or after 2 January 2011. Sums received by a shareholder on a disposal of Ordinary Shares held within an ISA or Junior ISA will not count towards the shareholder's annual limit.

S.I. 2007/1093 C.49 Commencement No.2 Order 2007

The following disclosures are made in accordance with S.I. 2007/1093 C.49 Commencement No.2 Order 2007.

Capital Structure

The Company's capital structure is summarised in note 11 on page 52.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares at the date of this Annual Report are given in note 9 to the Notice of Annual General Meeting on page 66.

Political Donations

The Company does not intend to make any political donations.

Substantial Shares Interest

The Company was aware of the following substantial interests in the voting rights of the Company:

	19 March 2015*		31 December 2014	
Shareholder	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Mr Simon Justin Nixon	2,000,000	10.3	2,000,000	10.3
Mr Duncan Russell Cameron	1,000,000	5.2	1,000,000	5.2

As at 31 December 2014 the Company had 19,337,921 shares in issue. As at 19 March 2015 the Company had 19,337,921 shares in issue.

* 19 March 2015 being the latest practicable date before publication of the Annual Report.

Global Greenhouse Gas Emissions

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

By order of the Board

Frostrow Capital LLP
Company Secretary
19 March 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. In reviewing the position as at the date of this report, the Board has considered the 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', published by the Financial Reporting Council 2009.

Disclosure of Information to the Auditor

So far as the Directors are aware, there is no relevant information of which the Auditor is unaware. The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of such information.

Responsibility Statement of the Directors in respect of the annual financial report

The Directors, whose details can be found on page 19, confirm to the best of their knowledge that:

- the Financial Statements, within this Annual Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the period ended 31 December 2014;
- the Strategic Report and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules; and
- the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

On behalf of the Board

Martin Bralsford
Chairman
19 March 2015

Corporate Governance

Corporate Governance

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in February 2013 ('the AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('the AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The FRC has confirmed that, by following the AIC Guide, boards of investment companies meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations websites: www.theaic.co.uk and www.frc.org.uk.

Throughout the period ended 31 December 2014 the Company complied with the provisions of the AIC Code and AIC Guide.

The Principles of the AIC Code

The AIC Code is made up of twenty-one principles split into three sections covering:

– The Board
– Board Meetings and relations with Fundsmith
– Shareholder Communications

The Board

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	The Chairman, Martin Bralsford, is independent of Fundsmith. There is a clear division of responsibility between the Chairman, the Directors, Fundsmith and the Company's other third party service providers. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role.
2. A majority of the Board should be independent of the manager.	The Board consists of three non-executive Directors, each of whom is independent of Fundsmith. No member of the Board is a Director of another investment company managed by Fundsmith, nor has any Board member been an employee of the Company, Fundsmith or any of its service providers.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	All Directors will submit themselves for annual re-election by shareholders. The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the Annual General Meeting.

The Board continued

AIC Code Principle	Compliance Statement
4. The Board should have a policy on tenure, which is disclosed in the annual report.	The Board considers its structure and recognises the need for progressive refreshments. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgment and that there are no relationships or circumstances which are likely to affect their judgment. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors are appointed with the expectation that they will serve for a minimum period of three years subject to shareholder approval. The terms and conditions of the Directors' appointments are set out in letters of engagement which are available for inspection on request at the office of Frostrow Capital LLP, the Company Secretary, and at the Annual General Meeting.
5. There should be full disclosure of information about the Board.	The Directors' biographical details, set out on page 19 demonstrate the wide range of skills and experience that they bring to the Board. Details of the Board's Committees and their composition are set out below and on page 31. The Audit Committee membership comprises the whole Board under the Chairmanship of John Spencer. The Chairman of the Company is a member of the Audit Committee, but does not chair it. His membership of the Audit Committee is considered appropriate given the Chairman's extensive business experience. The Management Engagement Committee is comprised of the whole Board under the Chairmanship of David Potter.
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Board will consider annually the skills possessed by the Directors and identifies any skill shortages to be filled by new Directors. When considering new appointments, the Board will review the skills of the Directors and seeks to add persons with complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. The experience of the current Directors is detailed in their biographies set out on page 19. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	During the course of 2015 the performance of the Board, its committees and individual Directors (including each Director's independence) will be evaluated through a formal assessment process led by the Chairman. The Board is satisfied that the structure, mix of skills and operation of the Board continues to be effective and relevant for the Company.

The Board continued

AIC Code Principle	Compliance Statement
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Board will periodically review the fees paid to the Directors and compare these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Policy Report and Directors' Remuneration Report on pages 35 to 37 and in note 5 on page 49. As all of the Directors are non-executive, the Board considers that it is acceptable for the Chairman of the Company to chair meetings when discussing Directors' fees. The Chairman takes no part in discussions regarding his own remuneration. The Board periodically takes advice from external independent advisers on Directors' remuneration.
9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	Subject to there being no conflict of interest, all Directors are entitled to vote on candidates for the appointment of new Directors and on the recommendation for shareholders' approval the Directors seeking re-election at the Annual General Meeting.
10. Directors should be offered relevant training and induction.	New appointees to the Board will be provided with a full induction programme. The programme will cover the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.

Board Meetings and relations with Fundsmith

12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets regularly throughout the year and a representative of Fundsmith is in attendance at each Board meeting. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.
13. The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's share issuance and share buy back policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues. The Audit Committee reviews the Company's risk matrix and the Management Engagement Committee reviews the performance and cost of the Company's third party service providers.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for strategy and has established an annual programme of agenda items under which it reviews the objectives and strategy for the Company at each meeting.
15. The Board should regularly review both the performance of, and contractual arrangements with, the investment manager and the manager (or executives of a self-managed company).	The Management Engagement Committee meets at least once a year. It reviews annually the performance of Fundsmith (the Company's Investment Manager and AIFM) and the Company's other principal service providers. The Committee considers the quality, cost and remuneration method of the service provided by Fundsmith against their contractual obligations and the Board receives regular reports on compliance with the Investment Restrictions which it has set. The Audit Committee reviews the compliance and control systems of Fundsmith in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with and the services provided by the Custodian, and the depositary to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.
16. The Board should agree policies with the investment manager and the manager covering key operational issues.	The Investment Management Agreement between the Company and Fundsmith sets out the limits of Fundsmith's authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with Fundsmith, which are considered at each Board meeting. A representative from Fundsmith attends each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which Fundsmith is required to refer to the Board. The Board has delegated discretion to Fundsmith to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for consideration. The Board has reviewed Fundsmith's Stewardship Policy, which includes its Corporate Governance and Voting Guidelines. Reports on commissions paid by Fundsmith are submitted to the Board regularly.

Board Meetings and relations with Fundsmith continued

AIC Code Principle	Compliance Statement
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary. The Board considers the discount or premium to net asset value of the Company's share price at each Board meeting. At each meeting the Board reviews reports from Fundsmith on marketing and shareholder communication strategies. It also considers their effectiveness as well as measures of investor sentiment and any recommendations on share buy-backs and issuance.
18. The Board should monitor and evaluate other service providers.	The Management Engagement Committee reviews, at least annually, the performance of all the Company's third party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders. The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010.

Shareholder Communications

19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	A detailed analysis of the substantial shareholders of the Company is provided to the Directors at each Board meeting. Representatives of Fundsmith regularly meet with institutional shareholders and private client asset managers to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the Offices of Frostrow. All shareholders are encouraged to attend the Annual General Meeting, where they are given the opportunity to question the Chairman, the Board and representatives of Fundsmith. Fundsmith will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming Annual General Meeting. The Directors welcome the views of all shareholders and place considerable importance on communications with them.
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from Fundsmith, the Auditor, legal advisers and the Corporate Stockbroker.

Shareholder Communications continued

AIC Code Principle	Compliance Statement
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year reports. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares. The Annual Report provides information on Fundsmith's investment performance, investment portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in the Strategic Report under Risk Management on pages 8 and 9 and in note 14 beginning on page 53. The investment portfolio is listed on pages 11 and 12. The Company's website, www.feetplc.co.uk, is regularly updated with monthly factsheets and provides useful information about the Company including the Company's financial reports and announcements.

Committees of the Board

During the period from incorporation on 31 October 2013 to 31 December 2014 the Board delegated certain responsibilities and functions to committees. Copies of the full terms of reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting, and can be found at the Company's website at www.feetplc.co.uk. The membership of the Company's committees comprises all of the Company's Directors. The Audit Committee is chaired by John Spencer, the Management Engagement Committee by David Potter.

The table on page 20 details the number of Board and Committee meetings attended by each Director. During the period there were six Board meetings, one Audit Committee meeting and one meeting of the Management Engagement Committee.

Management Engagement Committee

This committee meets at least once a year and reviews the terms of engagement of the AIFM and Investment Manager and the Company's other service providers.

Audit Committee

The Audit Committee meets at least twice a year and is responsible for the review of the half-year and annual financial statements, the nature and scope of the external audit and the findings there from and the terms of appointment of the Auditor, including their remuneration and the provision of any non-audit services by them.

The Audit Committee meets representatives of the AIFM and Investment Manager and their Compliance Officer who report as to the proper conduct of business in accordance with the regulatory environment in which the Company and Investment Manager operate. The Company's external Auditor also attend meetings of this Committee at its request and report on their work procedures and their findings in relation to the Company's statutory audit. They also have the opportunity to meet with the Committee without representatives of the Investment Manager being present. The Audit Committee reviews the need for non-audit services to be provided by the Auditor and authorises such on a case by case basis, having consideration to the cost effectiveness of the services and the independence and objectivity of the Auditor. Details of the fees (both auditable and non-audit related) paid to Deloitte LLP can be found on page 49. The Board has concluded, on the recommendation of the Audit Committee, that the Auditor continues to be independent.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private in the UK or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at www.feetplc.co.uk. The policy is reviewed regularly by the Audit Committee.

Relations with Shareholders

The Board considers the shareholder register at each Board meeting. Fundsmith has regular contact with the Company's institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. It is the intention that the full Board will attend the Annual General Meeting under the Chairmanship of the Chairman of the Board. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will also be published on the Company's website at www.feetplc.co.uk. Representatives from the Investment Manager will attend the Annual General Meeting and give a presentation on investment matters to those present. The Company has adopted a nominee share code which is set out overleaf.

The Board receives marketing and public relations reports from Fundsmith. The Board reviews and considers the marketing plans on a regular basis.

The annual and half-year financial reports and a monthly fact sheet are available to all shareholders. The Board considers the format of the annual and half-year financial reports so as to ensure they are useful to all shareholders and others taking an interest in the Company. In accordance with best practice, the annual report, including the Notice of the Annual General Meeting, is sent to shareholders at least 20 working days before the meeting. Separate resolutions are proposed for substantive issues.

Corporate Governance

Exercise of Voting Powers

The Board has delegated authority to Fundsmith (as AIFM and Investment Manager) to vote the shares owned by the Company that are held on its behalf by its custodian, State Street Bank and Trust Company. The Board has instructed that Fundsmith submit votes for such shares wherever possible. This accords with current best practice whilst maintaining a primary focus on financial returns. Fundsmith may refer to the Board on any matters of a contentious nature.

Nominee Share Code

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

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

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

By order of the Board

Frostrow Capital LLP
Company Secretary
19 March 2015

Audit Committee Report

for the period from incorporation on 31 October 2013 to 31 December 2014

The Committee, which comprises all of the Directors, met once during the period. Attendance by each Director is shown in the table on page 20. The Committee also met on 26 February 2015.

Responsibilities

The Committee's main responsibilities during the year were:

1. **To review the Company's half-year and annual financial statements**. In particular, the Committee considered whether the annual financial statements are fair, balanced and understandable, allowing shareholders to more easily assess the Company's strategy, investment policy, business model and financial performance.

2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's anti-bribery and corruption policy.

3. **To recommend the appointment of an external auditor** and agreeing the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process.

4. **To consider any non-audit work to be carried out by the auditor.** The Audit Committee has considered the extent and nature of non-audit work performed by the auditor and is satisfied that this did not impinge on their independence and is a cost effective way for the Company to operate.

5. **To consider the need for an internal audit function.** Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

The Committee's terms of reference are available for review on the Company's website at www.feetplc.co.uk.

Meetings and Business

The following matters were dealt with at its meetings:

August 2014

– Review of the Committee's terms of reference

– Review of the Auditor's plan for the 2014 audit

– Review of risks, internal control and compliance

– Review of the Company's anti bribery and corruption policy and the measures put in place by the Company's service providers

– Review of the Company's half-year results

– Approval of the half-year report

February 2015

– Review the Committee's terms of reference

– Review the Company's results

– Approval of the annual report and financial statements

– Review of risk management, internal controls and compliance

– Review the outcome of the Audit and discuss matters arising

Financial Statements

The Board has requested the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the planning for its preparation and review of the processes to assure the accuracy of factual content.

Risk

The Directors have identified (Strategic Report pages 8 and 9) five main areas of risk: Investment Activity and Strategy, Financial, Shareholder Relations and Corporate Governance, Operational and Accounting, Legal and Regulatory and has set out the actions taken to evaluate and manage these risks. The Auditor has also detailed two specific areas of risk in their report: investment valuation and liquidity and ownership of investments and has set out the work they have performed to satisfy themselves that these have been properly reflected in the financial statements. The Committee reviews the various actions taken and satisfies itself that they are sufficient: in particular the Committee reviews the Company's schedule of key risks at each meeting and requires amendments to both risks and mitigation actions if appropriate.

Audit Committee Report

External auditor

Meetings:
This year the nature and scope of the audit together with Deloitte LLP's audit plan were considered by the Committee on 27 August 2014.

As Chairman of the Committee, I met with Deloitte LLP (by telephone) on 24 February 2015 to discuss the outcome of the audit and the draft 2014 annual report and accounts. The Committee then met Deloitte LLP on 26 February 2015 to review the outcome of the audit and to discuss matters that arose.

Independence and Effectiveness:
In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed:

– the senior audit personnel in the audit plan for the year;

– the Auditor's arrangements concerning any conflicts of interest;

– the extent of any non-audit services;

– the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards; and

– Auditor independence.

In order to consider the effectiveness of the audit process, the Committee reviewed:

– the Auditor's fulfilment of the agreed audit plan;

– the report arising from the audit itself; and

– feedback from Frostrow Capital LLP (as Company Secretary) on the conduct of the audit.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Audit Tendering
As a Public Company listed on the London Stock Exchange, the Company will in future be subject to the mandatory Auditor rotation requirements of the European Union. Subject to the detailed implementation of the European requirements in the UK, this is likely to mean that the Company will put the external audit out to tender at least every ten years, and change auditor at least every twenty years. The Committee will, however, continue to consider annually the need to go to tender for audit quality or independence reasons.

Auditor Reappointment

Deloitte LLP have indicated their willingness to continue to act as auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Committee reviews the scope and effectiveness of the audit process, including agreeing the Auditor's assessment of materiality and monitors the Auditor's independence and objectivity. It conducted a review of the performance of the Auditor during the year and concluded that performance was satisfactory and there were no grounds for change.

John Spencer
Chairman of the Audit Committee
19 March 2015

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's audit opinion is included in its report to shareholders on pages 38 and 40. The Remuneration Policy Report on page 37 forms part of this report.

The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

As the Directors were appointed on 23 May 2014 a review of their fees has not yet been undertaken. A review will be held in 2015.

Directors' Fees and Expenses

The Directors, as at the date of this report, were all appointed on 23 May 2014 and received the fees listed in the table below. These exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

Directors' Emoluments for the Period (audited information)

	Date of Appointment to the Board	Fees 2014 (£)
Martin Bralsford (*Chairman*)	23 May 2014	13,250
David Potter	23 May 2014	12,051
John Spencer	23 May 2014	12,051
		37,352

Sums paid to Third Parties (audited information)

Fees due to Mr Bralsford were paid to Marbral Limited (a company of which he is a director), otherwise none of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

Taxable Benefits – Article 149 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Pensions related benefits – Article 158 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Loss of office

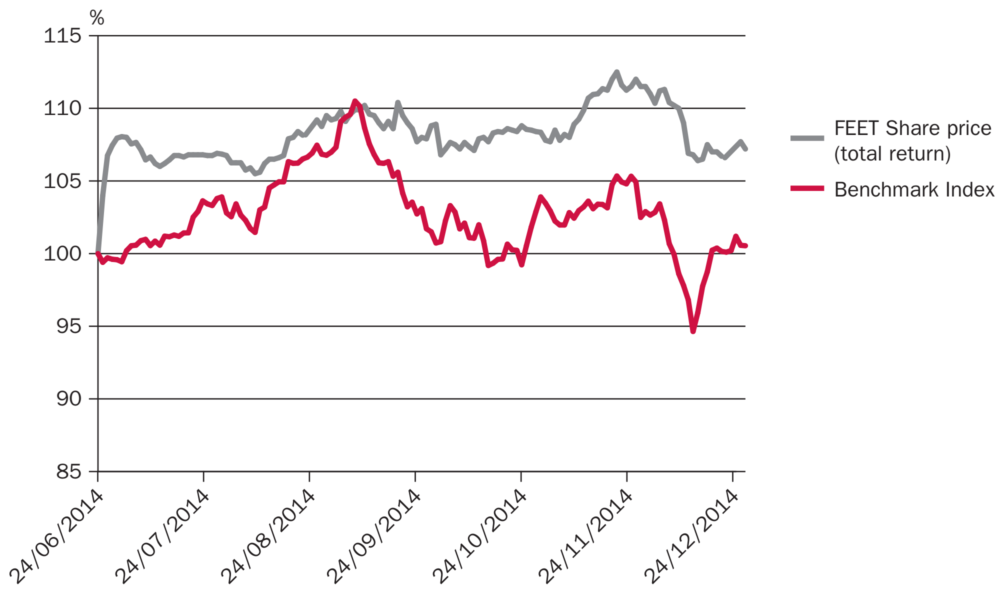
Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Share Price Total Return

A five year performance comparison is required to be presented in this report. However, as the Company was incorporated on 31 October 2013 and commenced trading on 25 June 2014, the performance comparison is therefore shown overleaf for the period from 24 June 2014 to 31 December 2014 using the MSCI Emerging and Frontier Markets Index on a net sterling adjusted basis, which the Board has adopted as the measure for both the Company's performance and that of the Investment Manager for the period.

Directors' Remuneration Report

Total Shareholder Return for the period 24 June 2014 to 31 December 2014



Directors' Interests in the Company's Shares (audited information)

	Ordinary shares of 1p each 31 December 2014
Martin Bralsford (Chairman)	100,000
David Potter	5,000
John Spencer	5,000
Total	110,000

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the Remuneration Policy, set out on page 35 of this annual report, and Remuneration Report summarise, as applicable, for the period to 31 December 2014:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the period; and

(c) the context in which the changes occurred and decisions have been taken.

Martin Bralsford
Chairman
19 March 2015

Directors’ Remuneration Policy Report

The Company’s Remuneration Policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company’s affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally or to a specified third party. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors’ performance, either individually or collectively. Directors’ remuneration comprises solely Directors’ fees. The current and projected Directors’ fees for 2014 and 2015 are shown in the table below. The Company does not have any employees.

Directors’ Fees Current and Projected

	Fees 2015 (£)	Fees 2014 (£)
Martin Bralsford	25,000	13,250
David Potter	20,000	12,051
John Spencer	20,000	12,051
	65,000	37,352

None of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment and to re-election annually thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

No communications have been received from shareholders regarding Directors’ remuneration.

The remuneration for the non-executive Directors is determined within the limits set out in the Company’s Articles of Association. The present limit is £250,000 in aggregate per annum.

It is the Board’s intention that the Remuneration Policy will be considered by shareholders at the Annual General Meeting at least once every three years.

An Ordinary Resolution for the approval of this policy will be considered by shareholders at the forthcoming Annual General Meeting.

Independent Auditor's Report to the Members of Fundsmith Emerging Equities Trust plc

Opinion on financial statements of Fundsmith Emerging Equities Trust plc	**In our opinion the financial statements:** • **give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the period from incorporation on 31 October 2013 to 31 December 2014;** • **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and** • **have been prepared in accordance with the requirements of the Companies Act 2006.** The financial statements comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.
Going concern	As required by the Listing Rules we have reviewed the Directors' statement that the Company is a going concern. We confirm that: • we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and • we have not identified any material uncertainties that may cast significant doubt on the company's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:
Risk	**How the scope of our audit responded to the risk**
Valuation and liquidity of investments of the Company The investment balance is the most quantitatively significant balance on the balance sheet and is the main driver of the company's performance, standing at £189 million as at 31 December 2014. As this Company invests primarily in developing economies there is a risk that if the investments are not actively traded, the prices are not reflective of their fair value	To test the valuation of investments as at 31 December 2014, we performed the following: • For all quoted investments, valued at £189 million, we agreed the bid prices to an independent pricing source; and To test the liquidity of investments as at 31 December 2014, we performed the following: • verified the trading activity and volume around the period end, by reviewing all investments held at the period end; and • identified investments which were not frequently traded and considered indicators of impairment by monitoring the price of any post period-end sales. No such investments were identified.
Ownership of investments The investment balance is the most quantitatively significant balance on the statement of financial position, standing at £189 million as at 31 December 2014. Therefore, the risk that the Company does not hold the rights and obligations to these investments could materially impact the financial statements.	To test the ownership of investment balances as at 31 December 2014 we performed the following: • Confirmed the ownership of all investments at period end by obtaining independent third party confirmations directly from the custodian and agreeing them to the schedule of investments held at period-end. We also reviewed the latest International Standards for Assurance Engagements ("ISAE") 3402 report on the custodian's controls related to its custody of the company's investments and assessed whether it was adequate; and • Performed purchase and sales testing on a sample of trades made during the period and performed testing on trades made around the period-end to determine whether transactions have been recorded in the correct period. The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 33 and 34.

Risk	How the scope of our audit responded to the risk
	Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.
Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the company to be £1,928,000 which is approximately 1% of Shareholders' funds. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £38,650, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic Report and the Report of the Directors 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

Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • 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 are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent Auditor's Report to the Members of Fundsmith Emerging Equities Trust plc

Our duty to read other information in the Annual Report

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

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

Stuart McLaren (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 March 2015

Income Statement

for the period from incorporation on 31 October 2013 to 31 December 2014

	Notes	Revenue £'000	Capital £'000	Total £'000
		31 December 2014		
Dividend Income	2	1,051	0	1,051
Other Operating Income		7	0	7
		1,058	0	1,058
Gain on investments				
Gains on investments held through profit and loss	8	0	1,464	1,464
Losses on foreign exchange transactions		0	(138)	(138)
Management fees	4	(1,239)	0	(1,239)
Other expenses including dealing costs	5	(428)	(356)	(784)
(Loss)/profit before finance costs and tax		(609)	970	361
Finance costs		0	0	0
(Loss)/profit before tax		(609)	970	361
Tax	6	(61)	0	(61)
(Loss)/profit for the period		(670)	970	300
Earnings per share (basic and diluted) (p)	7	(3.46)	5.01	1.55

The Company does not have any income or expenses which are not included in the profit for the year. Accordingly the "profit for the year" is also the "total comprehensive income for the period", as defined in IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

All of the profit and total comprehensive income for the period is attributable to the owners of the Company.

The "Total" column of this statement represents the Company's Income Statement, prepared in accordance with International Financial Reporting Standards (IFRS). The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

Statement of Financial Position

as at 31 December 2014

	Notes	31 December 2014 £'000	31 December 2014 £'000
Non Current Assets			
Investments held at Fair Value through Profit and Loss	8	188,908	
			188,908
Gain on investments			
Receivables	9	194	
Cash and Cash Equivalents		5,693	
			5,887
			194,795
Current Liabilities			
Trade and other payables	10	(1,995)	
			(1,995)
			192,800
Equity Attributable to Equity Shareholders			
Ordinary Share Capital	11		193
Share Premium	12		0
Capital Reserves			193,277
Accumulated Losses			(670)
			192,800
Net Asset Value per share (p)	**13**		**997.00**

The financial statements on pages 41 to 56 were approved by the Board on 19 March 2015 and were signed on its behalf by:

Martin Bralsford
Chairman

The accompanying notes are an integral part of this statement.

Fundsmith Emerging Equities Trust plc – Company Registration Number 08756681 (Registered in England)

Statement of Changes in Equity

for the period ended 31 December 2014

	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Accumulated Losses £'000	Total £'000
Balance at 31 October 2013	0	0	0	0	0
Profit for the period	0	0	970	(670)	300
	0	0	970	(670)	300
Issue of Share Capital	193	192,307	0	0	192,500
Cancellation of Share Premium Account	0	(192,307)	192,307	0	0
Balance at 31 December 2014	**193**	**0**	**193,277**	**(670)**	**192,800**

The accompanying notes are an integral part of this statement.

Statement of Cash Flows

for the period from incorporation on 31 October 2013 to 31 December 2014

	31 December 2014 £'000
Cash Flows from Operating Activities	
Profit before taxation	300
Adjustments for:	
Purchases of investments	(293,771)
Sale of investments	106,327
Gain on investments	(1,464)
Operating cash flows before movements in working capital	(188,608)
Increase in receivables	(194)
Increase in payables	1,995
Net Cash Flow from operating activities	**(186,807)**
Cash Flows from Financing Activities	
Proceeds from issue of new shares	193,379
Issue costs relating to new shares	(879)
Net Cash Flow from Financing Activities	**192,500**
Net Increase in Cash and Cash Equivalents	**5,693**
Cash and Cash Equivalents at the start of the period	0
Cash and Cash Equivalents at the end of the period	**5,693**

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1. Accounting Policies

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention (modified to include investments at fair value through profit or loss) on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the EU (IFRS) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the company are expressed in sterling, which is the functional and presentational currency of the company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Statement of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates. There have been no significant judgments, estimates or assumptions for the period.

(b) Presentation of the Income Statement

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

1. Accounting Policies Continued

(c) Income

Income from investments (other than capital dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the company's right to receive payment is established. Special dividends are credited to capital or revenue, according to the circumstances. Income from underwriting commission is recognised as earned.

Interest receivable and payable, management fees, and other expenses are treated on an accruals basis.

(d) Expenses

The management fee is recognised as a revenue item in the income statement. All other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds. The Board will, however, keep this under review and an appropriate amendment to this treatment will be made if required.

(e) Investments

Investments – investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. Gains and losses arising from changes in fair value are included in net profit or loss for the year as a capital item in the income statement and are ultimately recognised in the capital reserve.

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement.

When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All the investments are defined by IFRS as investments held at fair value through profit and loss. All gains and losses are allocated to the capital return within the Income Statement as "Gains or losses on investments held at fair value through profit and loss".

All investments are designated upon initial recognition as held at fair value through profit and loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated in equity is recognised in the Income Statement.

1. Accounting Policies Continued

(f) Foreign Currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the related forward contract rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates and included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

(g) Cash and cash equivalents

Cash at bank and in hand comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(h) Equity dividends

Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by shareholders in the annual general meeting.

(i) Capital reserves

Gains or losses on realisation of investments and changes in fair values of investments are transferred to the capital reserve. Any changes in fair values of investments that are not readily convertible to cash are treated as unrealised gains or losses within the capital reserve.

(j) Taxation

The charge for taxation is based upon the revenue for the year and is allocated according to the marginal basis between revenue and capital using the company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. 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 underlying temporary differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(k) Cost of Share Issues

These have been offset against the proceeds of share issues and dealt with in the share premium account.

Notes to the Accounts

1. Accounting Policies Continued

(I) Adoption of New and Revised Standards

At the date of authorisation of these financial statements, the following Standard and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments

IFRS 9 will impact both the measurement and disclosures of financial instruments in future periods. It is not practicable to provide a reasonable estimate of the effect of the standard until a detailed review has been completed.

2. Dividend Income

	2014 £'000
UK dividends	213
Overseas dividends	838
	1,051

3. Segmental Reporting

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

4. Investment Management Fee

	2014 £'000
Investment Management Fee	1,239

As at 31 December 2014, an amount of £1,239,526 was payable to the Investment Manager.

Details of the terms of the Investment Management Agreement are provided on page 21.

5. Other Expenses

	Revenue £'000	Capital £'000	Total £'000
Transaction Costs on fair value through profit or loss assets	0	356	356
Directors' Fees	37	0	37
Auditor's Remuneration	28	0	28
Registrar Fees	13	0	13
Broker Fees	26	0	26
Company Secretarial Fees	44	0	44
Custody Fees	124	0	124
Depositary Fees	20	0	20
Postage and Printing	21	0	21
Legal Fees	31	0	31
Other Expenses	84	0	84
	428	356	784

Transaction costs on fair value through profit or loss assets represent such costs incurred on both the purchase and sales of those assets. Transaction costs on purchases amounted to £349,000 and on sales amounted to £7,000.

The Company has had no employees throughout the period.

Auditor's remuneration

The analysis of the Auditor's remuneration is as follows:

Revenue		**£'000**
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	28	
Total audit fees		28
Tax services (advice, preparation and submission within local jurisdictions of withholding tax claims)	17	
Reporting accountant engagement for the admission to the Premium Listing and London Stock Exchange	60	
Total non-audit fees		77
Total fees paid		**105**

6. Taxation

(a) Analysis of tax charge in the year

	Revenue pence	Capital pence	Total pence
UK corporation tax at 21%	0	0	0
Irrecoverable overseas withholding tax	61	0	61
Total current tax for the year	**61**	**0**	**61**

(b) The charge for the year can be reconciled to the profit per the Income Statement as follows:

	Revenue £'000	Capital £'000	Total £'000
Profit/(Loss) before tax	(609)	970	361
Tax at UK corporation tax rate of 21.00%	(128)	204	76
Effects of :			
Income not chargeable to tax: UK dividends [1]	(176)	0	(176)
Expenses not deductible for tax purposes	0	75	75
Non-taxable gains on investments	0	(279)	(279)
Movement in excess management expenses [2]	304	0	304
Irrecoverable overseas withholding tax	61	0	61
Total current tax charge for the year	**61**	**0**	**61**

1. Investment trusts are not subject to corporation tax on these items.
2. The Company has not recognised a deferred tax asset of £289,424 arising as a result of having unutilised management expenses since, under current tax legislation, it is unlikely that the Company will obtain any benefit for the asset.

7. Earnings per Share

Profit/(loss) per Ordinary Share is as follows:

		2014	
	Revenue pence	Capital pence	Total pence
Earnings per Ordinary Share	**(3.46)**	**5.01**	**1.55**

The total gain per share of 1.55p is based on the total gain attributable to equity shareholders of £300,000.

The revenue loss per share (3.46)p is based on the revenue loss attributable to equity shareholders of £(670,000). The capital gain per share of 5.01p is based on the capital gain attributable to equity shareholders of £970,000.

The total revenue loss and capital gain per share are based on the weighted average number of shares in issue of 19,337,921 during the period.

8. Investments Held at Fair Value Through Profit and Loss

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated as fair value through profit or loss.

	2014 £'000
Purchases at cost	293,771
Sales – proceeds	(106,327)
– realised gains on sales	120
Investment holding gains	1,344
Closing Fair Value at 31 December 2014	188,908
Closing Cost at 31 December 2014	187,564
Investment holding gains at 31 December 2014	1,344
	188,908
Gains on investments	
Gains on sales of investments	120
Investment holding gains	1,344
	1,464

All investments are listed and actively traded.

Fair value of financial instruments

The following table shows financial assets recognised at fair value, analysed between those whose fair value is based on:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments credit risk, etc). There are no level 2 investments.
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 investments.

All investments are considered Level 1 investments, and have been considered so throughout the lifetime of the Company's holding.

9. Receivables

	2014 £'000
Accrued Income	87
Other Receivables	107
	194

Notes to the Accounts

10. Payables

	2014 £'000
Trade payables	632
Accruals and deferred income	1,363
	1,995

11. Share capital

	2014 Number	2014 £'000
Issued, allotted and fully paid	19,337,921	193

On 31 October 2013, the Company issued 50,000 shares of £1.00 at incorporation for a consideration of £50,000.

On 20 June 2014, the Company exchanged 50,000 shares of £1.00 for 50,000 shares of £0.01 and 4,950,000 deferred shares of £0.01.

On 20 June 2014, the Company repurchased 4,950,000 deferred shares of £0.01 for cancellation.

On 26 June 2014, the Company issued 19,287,921 shares of £0.01 for a consideration of £192,879,210.

12. Share Premium Account

	2014 £'000
Balance at 31 October 2013	0
Premium arising on issue of new shares	193,186
Costs of issuing new shares	(879)
Cancellation of share premium account	(192,307)
Balance at 31 December 2014	0

The Company cancelled its Share Premium Account as at 3 September 2014 by Special Resolution, which was confirmed by an Order of the High Court of Justice.

13. Net Asset Value per Share

	2014 £'000
Net asset value per share	**997.0p**

The net asset value per share is based on the net assets attributable to equity shareholders of £192,800,000 and on 19,337,921 shares in issue at 31 December 2014.

14. Risk Management and Financial Instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 6, involve certain inherent risks. The main risks arising from the Company's financial instruments are market price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained substantially unchanged during the current period.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets on four scheduled occasions in each year and at each meeting it receives sufficient financial and statistical information to enable it to monitor adequately the investment performance and status of the business. The Board has also established a series of investment parameters, which are reviewed annually, designed to manage the risk inherent in managing a portfolio of investments.

Interest rate risk

Interest rate risk is the risk of movements in the value of or income from financial instruments that arise as a result of fluctuations in interest rates. The Company finances its operations through retained profits including capital profits, with no additional financing.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of cash balances and short-term bank deposits. All payables are due within under three months.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Investment Manager reviewing the credit ratings of broker counterparties. The risk attached to dividend flows is mitigated by the Investment Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company. Cash is held either with reputable banks with high quality external credit enhancements or in liquidity/cash funds providing a spread of exposures to various underlying banks in order to diversify risk. The carrying amount of financial instruments best represents the maximum exposure to credit risk.

Currency risk

The income and capital value of the Company's investments and liabilities can be affected by exchange rate movements as some of the Company's assets and income are denominated in currencies other than sterling which is the Company's reporting currency. The key areas where foreign currency risk could have an impact on the Company are:

- movements in rates that would affect the value of investments and liabilities; and
- movements in rates that would affect the income received.

14. Risk Management and Financial Instruments Continued

The Company had the following currency exposures, all of which are included in the Statement of Financial Position at fair value based on the exchange rates ruling at the period end.

			31st December 2014		
	Investments £'000	Cash £'000	Receivables £'000	Payables £'000	Total £'000
Bangladeshi Taka	91	0	0	0	91
Brazilian Real	12,403	0	1	0	12,404
Pounds Sterling	83,218	5,343	107	(1,363)	87,305
US Dollar	2,811	17	29	0	2,857
Egyptian Pound	4,632	161	0	0	4,793
Thai Baht	3,986	0	0	0	3,986
Colombian Peso	3,242	11	0	(244)	3,009
Chilean Peso	2,322	14	0	0	2,336
Ghanaian Cedi	197	0	0	0	197
Hong Kong Dollar	17,747	5	0	0	17,752
Indonesian Rupiah	3,516	0	0	0	3,516
Kenyan Shilling	4,535	0	52	0	4,587
Indian Rupee	18,014	62	0	0	18,076
Sri Lankan Rupee	1,926	17	0	0	1,943
Mexican Peso	1,545	0	0	0	1,545
Nigerian Naira	8,256	46	0	(86)	8,216
Peruvian Nuevo Sol	731	0	0	0	731
Philippine Peso	7,582	0	0	(302)	7,280
Pakistani Rupee	47	0	0	0	47
Turkish Lira	3,377	17	0	0	3,394
South African Rand	8,730	0	5	0	8,735
	188,908	5,693	194	(1,995)	192,800

The Company mitigates the risk of loss due to exposure to a single currency by way of diversification of the portfolio.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and the net assets for the year in relation to foreign exchange movements. The analysis below assumes that exchange rates may move +/-2% against sterling.

	£'000	£'000
	+2%	-2%
Effect on net assets for the year	2,110	(2,110)
Effect on capital return	2,114	(2,114)

Interest rate risk

The majority of the Company's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The Company's cash balance of £5,693,000 earns interest, calculated on a tiered basis, depending on the balance held, by reference to the base rate. The level of interest paid fluctuates in line with the base rate.

If the base rate increased by 0.5%, the impact on the profit or loss and net assets would be expected to be a positive £28,000. If the bank base rate decreased by 0.5%, the impact on the profit or loss and net assets would be expected to be a negative £28,000. The calculations are based on the cash balances at the respective balance sheet date and are not representative of the period as a whole.

All current liabilities have no interest rate and are repayable within one year.

Other price risk exposure

If the investment valuation fell by 10% at 31 December 2014, the impact on profit or loss and net assets would have been negative £18.9 million. If the investment portfolio valuation rose by 10% at 31 December 2014, the impact on profit or loss and net assets would have been positive £18.9 million. The calculations are based on the portfolio valuations as at the respective period-end date and are not representative of the period as a whole.

The Company held the following categories of financial instruments, all of which are included in the Statement of Financial Position at fair value.

	£'000
Assets at fair value through profit and loss	188,908
Cash	5,693
Investment income receivable	87
Other receivables	107
Other payables	(1,995)
	192,800

Liquidity risk exposure

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All payables are due within under three months.

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to provide long-term growth in revenue and capital, principally by investment in UK securities.

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £192,800,000.

The Company is subject to several externally imposed capital requirements:

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

The Company has complied with all of the above requirements.

15. Contingent Liabilities

As at 31 December 2014, there were no contingent liabilities or capital commitments for the Company.

16. Related Party Transactions

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

Directors – The remuneration of the Directors is set out in the Report on Directors' Remuneration on page 35. There were no contracts subsisting during or at the end of the period in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other material transactions during the period with the Directors of the Company.

AIFM and Investment Manager – Details of the contract including the remuneration to the AIFM and Investment Manager are detailed in Note 4 and on page 48.

Terry Smith, the Managing Partner at Fundsmith LLP, the Company's AIFM and Investment Manager holds 500,000 shares in the Company amounting to 2.6% of the Company's issued share capital.

Shareholder Information

Further Information

Financial Calendar

31 December	Financial Year End
March	Final Results Announced
30 June	Half Year End
August	Half Year End Results Announced
May	Annual General Meeting

Annual General Meeting

The Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Tuesday, 26 May 2015 at 1.00 p.m.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

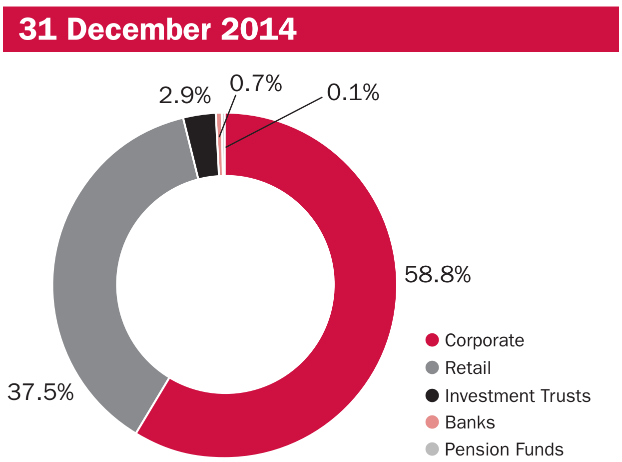
Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Capita Asset Services, under the signature of the registered holder.

Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.feetplc.co.uk and is published daily via the London Stock Exchange.

Profile of the Company's Ownership

% of Ordinary Shares held at 31 December 2014



Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Fundsmith LLP and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within an Investor Disclosure Document ("IDD") which can be found on the Company's website www.feetplc.co.uk.

The periodic disclosures to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 14 to the accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Fundsmith.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. It is therefore anticipated that the Fundsmith Remuneration Policy and associated financial disclosures will be made with the Company's Annual Report for 2015.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a Gross and a Commitment method. Under the Gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the Commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

The table below sets out the current maximum permitted limit and actual level of leverages for the Company:

	As a percentage of assets	
	Gross method	Commitment method
Maximum level of leverage	115%	115%
Actual level at 31 December 2014	0%	0%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the IDD in relation to any special arrangements in place, the maximum level of leverage which Fundsmith may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge or liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

Glossary of Terms

Alternative Investment Fund Managers Directive (AIFMD)
Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ("AIFs") and requires them to appoint an Alternative Investment Fund Manager ("AIFMD") and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Average Operating Profit
The profit earned from a Company's normal core business operations.

Compound Annual Growth Rate
The average year-on-year growth rate of an investment over a number of years. While investments usually do not grow at a constant rate, the compound annual return smoothes out returns by assuming constant growth.

Discount or Premium
A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing
In simple terms gearing is borrowing. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the company's borrowings expressed as a percentage of shareholders' funds.

Leverage
For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Glossary of Terms

Initial Public Offering (IPO)

The initial offer by a company of shares to be quoted on a stock exchange. Often known as a flotation.

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

Neutral Free Cash Flow

An entity has neutral free cash flow if its expenses equal its income.

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised ongoing charges, excluding performance fees and exceptional items, and dividing by the average net asset value of the Company over the year.

Price Earnings Ratio

A Company's share price divided by the amount of profit it makes for each share in a 12-month period.

Return on Capital Employed ("ROCE")

A financial ratio that measures a company's profitability and the efficiency with which its capital is employed. It is calculated as Earnings Before Interest and Tax (EBIT)/Capital Employed.

Zero Interest Rate Policy ("ZIRP")

In monetary policy, the use of a 0% nominal interest rate means that the central bank can no longer reduce the interest rate to encourage economic growth. A zero-bound interest rate typically refers to the process where, by gradual steps, the interest rate approaches zero.

How to Invest

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	http://www.youinvest.co.uk/
Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/Pages/index.aspx
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Club Finance	http://www.clubfinance.co.uk/
Fast Trade	http://www.fastrade.co.uk/wps/portal
FundsDirect	http://www.fundsdirect.co.uk/Default.asp?
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://investments.hsbc.co.uk/
iDealing	http://www.idealing.com/
IG Index	http://www.igindex.co.uk/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
James Brearley	http://www.jbrearley.co.uk/Marketing/index.aspx
Natwest Stockbrokers	http://www.natweststockbrokers.com/nw/products-and-services/share-dealing.ashx
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	http://uk.saxomarkets.com/
TD Direct Investing	http://www.tddirectinvesting.co.uk/

Capita Asset Services – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Capita Asset Services, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

Type of trade	Online	Telephone
Share certificates	1.25% of the value of the deal	1.5% of the value of the deal
Costs*	(Minimum £30.00, max £150.00)	(Minimum £40.00, max £195.00)

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, shareholder reference number, full postcode and your date of birth. Your shareholder reference number can be found on your latest statement or certificate where it will appear as either a 'folio number' or 'investor code'. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

*These are correct at the time of printing and may be subject to change. Please visit www.capitadeal.com for the current costs.

How to Invest

Further Information

The maximum deal size for online trades is £25,000. Deals over this amount can be done over the telephone and rates will be advised at the time of dealing.

For further information on this service please contact: www.capitadeal.com (online dealing) or 0871 664 0364† (telephone dealing).

If calling from outside of the UK please dial +44 (0) 203 367 2686

† Calls cost 10p per minute plus network extras and may be recorded for training purposes. Lines are open from 8.00 a.m. to 4.30 p.m. Monday to Friday.

Risk Warnings

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined, in part, by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, all of the holdings in the portfolio are currently denominated in currencies other than sterling and therefore they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Tuesday, 26 May 2015 at 1.00 p.m. for the following purposes:

Ordinary Business

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

1. To receive and, if thought fit, to accept the Audited Financial Statements and the Report of the Directors for the period 31 October 2013 to 31 December 2014

2. To elect Martin Bralsford as a Director of the Company

3. To elect David Potter as a Director of the Company

4. To elect John Spencer as a Director of the Company

5. To approve the Directors' Remuneration Report for the period ended 31 December 2014

6. To receive and approve the Remuneration Policy

7. To re-appoint Deloitte LLP as Auditor to the Company and to authorise the Directors to determine their remuneration

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 9, 10, and 11 will be proposed as special resolutions:

Authority to Allot Shares

8. THAT in substitution for all existing authorities the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to a maximum aggregate nominal amount of £19,337 (being 10% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed) and representing 1,933,792 shares of 1 penny each (or, if less, the number representing 10% of the issued share capital of the Company at the date at which this resolution is passed), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed, by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Notice of the Annual General Meeting

Disapplication of Pre-emption Rights

9. THAT in substitution of all existing powers the Directors be and are hereby generally empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 8 set out in the notice convening the Annual General Meeting at which this resolution is proposed or otherwise as if section 561(1) of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of section 560 of the Act) for cash as if section 561(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities pursuant to:

   (a) an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 1 penny each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

   (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £19,337 or, if less, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is passed,

   and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase Ordinary Shares

10. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1 penny each in the capital of the Company ("Shares") for cancellation provided that:

   (a) the maximum aggregate number of Shares authorised to be purchased is 2,898,754 (representing approximately 14.99% of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed);

   (b) the minimum price (exclusive of expenses) which may be paid for a Share is 1 penny;

   (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange as stipulated in Article 5(1) of Regulation No. 2233/2003 of the European Commission (Commission Regulation of 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments);

   (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

General Meetings

11. THAT the Directors be authorised to call general meetings (other than annual general meetings) on not less than 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, until expiry of 15 months from the date of the passing of this resolution.

By order of the Board

Registered office:
33 Cavendish Square
London W1G 0PW

Frostrow Capital LLP
Company Secretary
19 March 2015

Notice of the Annual General Meeting

Further Information

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.

2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

3. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 1.00 p.m. on 21 May 2015.

4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.

5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.

6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at 5.30 p.m. on 21 May 2015 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.

9. As at 19 March 2015 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 19,337,921 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 19 March 2015 are 19,337,921.

10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no 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 applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).

15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

16. Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Capita Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras). Lines are open 8.30am to 5.30pm Monday to Friday.

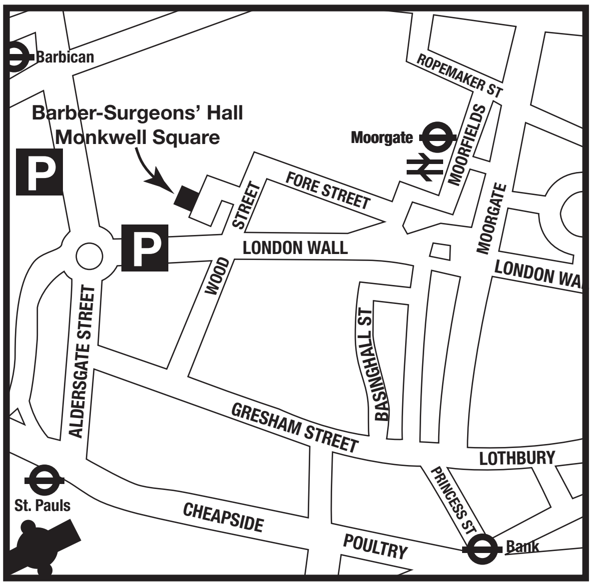
17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

    In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see above) then, subject to paragraph 4, the proxy appointment will remain valid.

LOCATION OF THE ANNUAL GENERAL MEETING

Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL



Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Accounts

The Annual Report and Accounts for the period from incorporation on 31 October 2013 to 31 December 2014 will be presented to the Annual General Meeting. These accounts accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 to 4 – Election of Directors

Resolutions 2 to 4 deal with the election of each Director. Biographies of each of the Directors can be found on page 19 of this annual report.

Resolutions 5 to 6 – Remuneration Policy and Remuneration Report

It is now mandatory for all listed companies to put both their Report on Directors' Remuneration and their Remuneration Policy to a shareholder vote. The Report on Directors' Remuneration and the Directors' Remuneration Policy Report are set out in full in this annual report on pages 35 to 37.

Resolution 7 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 7 relates to the re-appointment of Deloitte LLP as the Company's independent Auditor to hold office until the next Annual General Meeting of the Company and also authorises the Directors to set their remuneration.

Resolutions 8 and 9 – Issue of Shares

Ordinary Resolution 8 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £19,337 (equivalent to 1,933,792 shares, or 10% of the Company's existing issued share capital on 19 March 2015, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 9 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 19 March 2015, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 8. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 8 and 9 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 10 – Share Repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. Shares purchased under this authority will be cancelled.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 1 penny per share. Shares which are purchased under this authority will be cancelled.

Special Resolution 10 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 19 March 2015, being the nearest practicable date prior to the signing of this Report, (amounting to 2,898,754 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 11 – General Meetings

Special Resolution 11 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice.

Recommendation

The Board considers that the resolutions relating to the above items of special business, are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting as the Directors intend to do in respect of their own beneficial holdings totaling 110,000 shares.

Company Information

Directors
Martin Bralsford, *(Chairman)*
David Potter *(Chairman of the Management Engagement Committee)*
John Spencer *(Chairman of the Audit Committee)*

Registered Office
33 Cavendish Square
London W1G 0PW

Website
www.feetplc.co.uk

Company Registration Number
08756681 (Registered in England)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.

The Company was incorporated in England on 31 October 2013 as FEEIT plc

Investment Manager and AIFM
Fundsmith LLP
52-54 Gracechurch Street
London EC3V 0EH
Website: www.fundsmith.co.uk
Authorised and regulated by the Financial Conduct Authority.

Company Secretary
Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 0203 008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com
Authorised and regulated by the Financial Conduct Authority.

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by e-mail, please contact Frostrow Capital using the stated e-mail address.

Administrator
State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Depositary
State Street Trustees Limited
20 Churchill Place
Canary Wharf
London E14 5HJ

Custodian and Banker
State Street Bank and Trust Company
20 Churchill Place
Canary Wharf
London E14 5HJ

Independent Auditor
Deloitte LLP
2 New Street Square
London EC4A 3B2

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 20 8639 3399
Facsimile: +44 (0) 1484 600911
E-Mail: ssd@capitaassetservices.com
Website: www.capitaassetservices.com

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†calls cost 10p per minute plus network charges and may be recorded for training purposes. Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday.

Company Information

Further Information

Brokers
Investec Bank plc
2 Gresham Street
London EC2V 7QP

Solicitors
Travers Smith
10 Snow Hill
London EC1A 2AL

Identification Codes

Shares:	SEDOL:	BLSNND1
	ISIN:	GB00BLSNND18
	BLOOMBERG:	FEET LN
	EPIC:	FEET

Foreign Account Tax Companies Act (“FATCA”)
32RSE8.99999.SL.826

Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Capita Registrars, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by RNID) you should dial 18001 from your textphone followed by the number you wish to dial.

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The pulp is bleached using a totally chlorine free (TCF) process.

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A member of the Association of Investment Companies

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