Annual Report

for the year ended 31 December 2015

Fundsmith Emerging Equities Trust plc

Fundsmith

Contents

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 premium 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 2015 were £179.3 million (2014: £192.8 million) and the market capitalisation was £184.7 million (2014: £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 financial statements on page 56.

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.

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

Financial Highlights

Performance Summary

	As at 31 December 2015	As at 31 December 2014
Share Price	**955.0p**	**1072.0p**
Net asset value per share	**927.4p**	**997.0p**
Premium of the share price to the net asset value per share	**3.0%**	**7.5%**
Ongoing charges ratio	**1.7%**	**1.7%**

	For the year ended 31 December 2015	From the launch of the Company on 25 June 2014 to 31 December 2014
Net asset value per share	**-7.0%**	**-6.8%**
Share price	**-10.9%**	**-4.5%**
Benchmark[1]	**-10.0%**	**+0.5%**

[1]MSCI Emerging and Frontier Markets Index (measured on a net sterling adjusted basis)

Chairman's Statement

Introduction

I am pleased to present our second Annual Report since the launch of the Company in mid-2014. It covers the year ended 31 December 2015; the Company's first full year.

Performance

In the Investment Manager's report (beginning on page 13), they describe how the proceeds have been fully invested and the development of the portfolio over the year. The stock markets of countries in which the Company invests have performed poorly in 2015. The MSCI Emerging and Frontier Markets Index, measured on a net sterling adjusted basis, fell by 10.0% over the year. The Company's net asset value per share outperformed the benchmark but fell by 7.0% itself (after expenses). However, shareholders should be reassured by the positive returns on capital and profit margins in the underlying investee companies, outlined in more detail on page 15. Your Board notes the Investment Manager's confidence in these high quality companies with strong underlying characteristics, which is crucial in the long-term.

The Company's share price also fell, by 10.9% to 955.0 pence per share over the year, but remained at a premium to the Company's net asset value per share at the end of the year, being 3.0%. The Board keeps the share price premium under review.

Share Capital

The Company has had 19,337,921 ordinary shares in issue since its launch. It is the Board's view that the ability to issue new shares at a small premium to net asset value per share plays an important part in ensuring that the level of premium at which the Company's shares trade does not reach excessive levels. In addition, growing the total assets under management through share issuance will reduce on-going costs per share and potentially enhance the secondary market liquidity of the Company's shares, both of which are attractive to all shareholders.

As the Company is now fully invested and has consistently traded at a premium to net asset value, the Board has been considering a share issuance programme to increase the capital of the Company and will utilise the existing shareholder authority to issue up to 10% of the Company's issued share capital, which was obtained at the Company's Annual General Meeting in 2015, to commence this process. The Board will seek a renewal of this authority at the forthcoming Annual General Meeting and in addition, with regard to the potential benefits of increasing the scale of the Company further, we will also seek shareholder authority to issue a further 15% of the Company's issued share capital.

We will only issue shares under these authorities where the issue price per share (after taking into account the costs of the issue) is not less than the prevailing net asset value per share. In doing so, any share issues are expected to be accretive to the Company's net asset value per share.

Following discussions with the Company's investment manager, Fundsmith LLP, the Board is satisfied that suitable investment opportunities are available to absorb any additional capital raised and shares will only be issued when this remains the case. We have also limited the authority such that it can only be used when the result of the fundraising would not result in the Company having more than 10% of its assets in cash, which is a discipline that we feel is sensible to protect investors from so-called "cash drag" i.e. the negative impact on equity returns of having uninvested cash in a rising equity market.

In addition to the specific restrictions placed on the additional shareholder authority, any issue of shares under this authority, should market conditions and investor demand permit, will be subject to the subsequent publication of a prospectus.

We look forward to receiving shareholder support for these resolutions which your Board unanimously believes to be in the best interests of shareholders.

Dividends

The Board has not recommended a dividend this year, and may not do so for some time. The Company's principal investment objective is to provide capital growth rather than income. The Company will comply with the United Kingdom's investment trust rules regarding distributable income which require that expenses are allocated to revenue or capital depending on where the split of long-term returns is expected. At present all costs have been allocated against revenue as the Company has only just become fully invested and capital returns have been negative since inception. Our expectation is that this split will be reviewed next year and if it were to change, it would increase the chance of a dividend being paid although this is by no means certain. Any dividends and distributions will be at the discretion of the Board from time to time.

Outlook

Our Investment Manager continues to be cautious with regard to the short-term prospects for the target developing economies, but remains confident in the quality of the underlying investee companies. Whilst Developing Economies continue to experience volatility, their domestic demand-led growth is evident. 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 established and cash generative consumer brands will provide attractive returns for our shareholders in the long-term.

Annual General Meeting

The Company's AGM which will be held on Thursday, 26 May 2016 at 1.00pm at Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR 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 that time, together with my Board colleagues.

Martin Bralsford
Chairman
18 March 2016

Overview of Strategy

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.

Investment Approach and Policy

The Company maintains a portfolio diversified by issuer concentration and the Company's portfolio will normally comprise 35 to 55 investments.

The Company complies 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 5% 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.

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

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;
- Premium/discount 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 year under review the Company's net asset value per share return was -7.0%, outperforming the benchmark by 3.0%.

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 year under review the Company's share price return was -10.9%, underperforming the benchmark by 0.9%.

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, 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. To this end, the Board has been considering issuing new shares at an appropriate time. Further details are provided in the Chairman's Statement on pages 4-5.

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 2015 the ongoing charges ratio was 1.7%.

Ongoing charges ratio **31 December**	**2015**	**2014**
	1.7%	1.7%

Premium of the Company's share price to net asset value per share on **31 December**	**2015**	**2014**
	3.0%	7.5%

Number of Ordinary Shares in issue **31 December**	**2015**	**2014**
	19,337,921	19,337,921

Overview of Strategy

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of the principal risks faced by the Company and the Board regularly reviews these risks and how each risk is mitigated. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its solvency and liquidity. 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 share price premium or discount to net asset value per share 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 counterparty 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 56. 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, 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. The Audit Committee receives annually internal control reports from the AIFM and the Registrar. The Audit Committee also reviews a summary of the SOC1 (or ISAE 3402) report from the Company's custodian. These reviews include consideration of the associated cyber security risks facing the Company. Further details of the Board's internal controls are set out in the Audit Committee Report on page 34.
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. The Company's Depositary reports annually to the Audit Committee confirming that the Company has been managed in accordance with the AIFMD, the FUND Sourcebook and the Company's Articles of Association and Prospectus.

Overview of Strategy

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

Directors

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

Martin Bralsford (*Chairman*)
David Potter
John Spencer

All Directors seek 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.

An overview of the main trends and factors affecting the performance of the Company is set out in the Investment Manager's Review beginning on page 13.

The Company's overall strategy remains unchanged.

Investment Portfolio

Investments held as at 31 December 2015

Security	Country of incorporation	Fair value £'000	% of investments
Godrej Consumer Products Ltd	India	6,144	3.4%
Vitasoy International Holdings Ltd	Hong Kong	6,032	3.4%
Universal Robina Corp	Philippines	5,289	3.0%
Colgate Palmolive (India) Ltd	India	5,074	2.8%
Britannia Industries Ltd	India	4,749	2.7%
Foshan Haitian Flavouring	China	4,723	2.7%
Jollibee Foods Corp	Philippines	4,617	2.6%
Grupo Lala SAB De CV	Mexico	4,480	2.5%
Hindustan Unilever Ltd	India	4,403	2.5%
East African Breweries Ltd	Kenya	4,402	2.5%
Top 10 Investments		**49,913**	**28.1%**
Emami Ltd	India	4,386	2.5%
Dabur India Ltd	India	4,310	2.4%
Eastern Tobacco	Egypt	4,192	2.4%
Asian Paints Ltd	India	4,159	2.3%
Philippine Seven Corp	Philippines	4,073	2.3%
Glaxosmithkline Consumer Healthcare Ltd	India	3,990	2.2%
Edita Food Industries Reg	Egypt	3,868	2.2%
HM Sampoerna Tbk PT	Indonesia	3,835	2.2%
Nigerian Breweries Plc	Nigeria	3,829	2.1%
Bim Birlesik Magazalar AS	Turkey	3,757	2.1%
Top 20 Investments		**90,312**	**50.8%**
Nestlé India Ltd	India	3,715	2.1%
Mr Price Group Ltd	South Africa	3,688	2.1%
Indofood CBP Sukses Makmur Tbk	Indonesia	3,622	2.0%
Famous Brands Ltd	South Africa	3,580	2.0%
Shoprite Holdings Ltd	South Africa	3,525	2.0%
Spur Corp Ltd	South Africa	3,484	2.0%
Sun Art Retail Group Ltd	Hong Kong	3,433	1.9%
Procter + Gamble Hygiene	India	3,429	1.9%
Magnit PJSC Spon GDR Regs	Russian Federation	3,415	1.9%
Ceylon Tobacco Co Plc	Sri Lanka	3,330	1.9%
Top 30 Investments		**125,533**	**70.6%**
Nestlé Lanka Plc	Sri Lanka	3,292	1.9%
Big C Supercenter Pcl	Thailand	3,271	1.8%
Guinness Nigeria Plc	Nigeria	3,221	1.8%
Nestlé Nigeria Plc	Nigeria	3,183	1.8%
Tiger Brands Ltd	South Africa	3,166	1.8%
Unilever Indonesia Tbk PT	Indonesia	3,136	1.8%
Forus SA	Chile	3,068	1.7%
Ambev SA	Brazil	3,052	1.7%
Tanzania Breweries Ltd	Tanzania	3,013	1.7%
Hengan Intl Group Co Ltd	Cayman Islands	2,964	1.7%
Top 40 Investments		**156,899**	**88.3%**

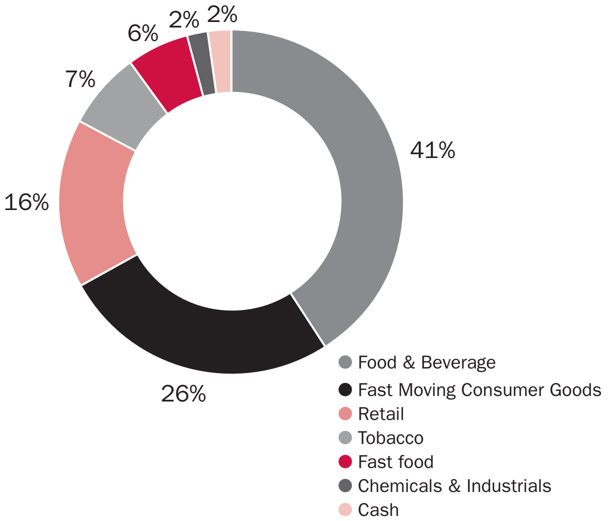
Investment Portfolio

Investments held as at 31 December 2015 – continued

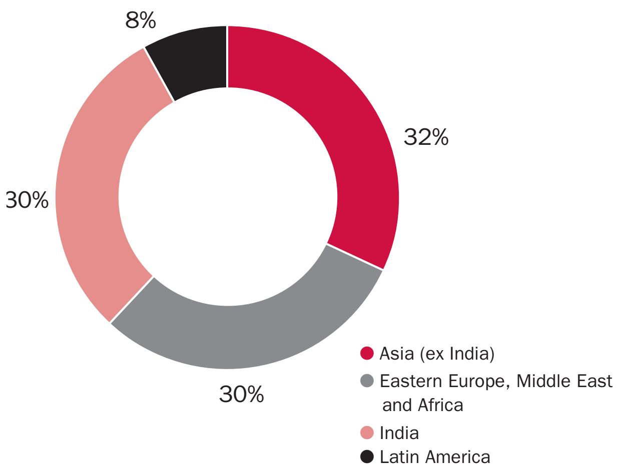
Security	Country of incorporation	Fair value £'000	% of investments
Want Want China Holdings Ltd	Cayman Islands	2,941	1.7%
Bajaj Corp Ltd	India	2,939	1.7%
Marico Ltd	India	2,872	1.6%
Marico Ltd (Placing)	India	2,858	1.6%
Hypermarcas SA	Brazil	2,704	1.5%
Unilever Nigeria Plc	Nigeria	2,174	1.2%
Nestlé Pakistan Ltd	Pakistan	1,300	0.7%
Fan Milk Ltd	Ghana	1,158	0.7%
British American Tobacco Bangladesh Co Ltd	Bangladesh	1,137	0.6%
Walmart De Mexico SAB de CV	Mexico	724	0.4%
Top 50 Investments		**177,706**	**100.0%**

Portfolio Distribution
as at 31 December 2015

By Sector (based on net asset value)



By Geography (by Country of Incorporation)



Top 10 Purchases and Sales in 2015

Top 10 Purchases		Top 10 Sales	
Security	**Country of incorporation**	**Security**	**Country of incorporation**
1. Foshan Haitian Flavouring	China	1. Kroton Educacional SA	Brazil
2. Procter & Gamble Hygiene	India	2. Pidilite Industries Ltd	India
3. Asian Paints Ltd	India	3. Grupo Nutresa SA	Columbia
4. Glaxosmithkline Consumer Healthcare	India	4. ITC Ltd	India
5. Spur Corp Ltd	South Africa	5. Souza Cruz SA	Brazil
6. Edita Food Industries Reg	Egypt	6. Wynn Macau Ltd	Cayman Islands
7. Mr Price Group Ltd	South Africa	7. Havells India Ltd	India
8. Nestlé India Ltd	India	8. Sa Sa International Hldgs	Cayman Islands
9. Nestlé Lanka Ltd	Sri Lanka	9. Natura Cosmeticos SA	Brazil
10. Dabur India Ltd	India	10. Alicorp SAA	Peru

Investment Manager's Review

2015 was the first full year that Fundsmith Emerging Equities Trust plc ("FEET") has been in existence.

To recap once again on our original investment proposition when we launched may seem like the old Yogi Berra (the American baseball player and coach who was known for his deceptively simple sayings and who died in 2015) aphorism: "It's déjà vu all over again", but in my view it is wise to keep your original thesis in mind when investing, and check periodically to see whether it appears to be correct.

This had two elements:

Investment Proposition 1

FEET was to be invested using the same strategy as the Fundsmith Equity Fund but with one added dimension: the companies invested in by FEET would have the majority of their operations in, or revenues derived from, Developing Economies and provide direct exposure to the rise of the consumer classes in those countries. This rise is a well-established trend with a predictable pattern of development and has a long way to run.

Investment Proposition 2

A favourable entry point for our strategy of investing in consumer stocks in Developing Economies lies ahead as a result of two major developments:

The end of Quantitative Easing ("QE") in the United States which might lessen the flow of funds into Emerging Markets and even lead funds to return to the United States.

The economic slowdown in China and its knock-on effect in countries which are dominated by commodity exports, most of which are also Developing Economies.

I think we can now say that Proposition 2 has now largely come true in spades with turmoil in Chinese markets, and poor economic performance in those economies which were driven by the commodity bubble caused at least in part by China, such as Brazil and other Latin American countries, and parts of Africa such as Nigeria and South Africa.

As at 31 December 2015 FEET was 98% invested. Although we held off investing the cash raised by FEET as we awaited the negative impact on emerging markets, spot landings in investment are close to impossible and developments since the year end suggest that at the very least there will be more turmoil to endure before the good characteristics of the companies in which we have invested can shine through in the form of investment performance. Or in plain English: please keep your seat belt fastened.

How did FEET perform in 2015?

FEET Net Asset Value per share ("NAV")	-7.0%
FEET share price	-10.9%
MSCI E+FM Index (the Company's benchmark)	-10.0%
MSCI Emerging Markets Index	-10.0%
MSCI Frontier Markets Index	-9.5%

In terms of NAV per share, we have outperformed the benchmark of the MSCI Emerging and Frontier Markets Index, measured on a net sterling adjusted basis, although of course this merely means that FEET's NAV and share price went down less than the relevant index.

What are we invested in?

The regional split is shown on page 12.

It is worth noting that just 6% of the portfolio was invested in companies operating in China and a further 5% in Hong Kong. This is a much lower percentage than the exposure to China and Hong Kong in the Emerging and Frontier Markets Index which is approximately 24%. Similarly, we have a relatively low exposure to Latin America, and Brazil in particular, at 3%, compared with the index at approximately 6%. This reflects our dim view of the prospects for China and Brazil for some while at least.

We only own stocks which provide non-durable consumer necessities or small ticket luxuries such as confectionery and cosmetics. The holding in the Chemicals and Industrials sector is India's leading supplier of paint, mostly to consumers.

Investment Manager's Review

In terms of contribution to performance, the table below shows the top five contributors to and detractors from our performance by stock:

Top Five Contributors	Country of Incorporation	%
Vitasoy International Holdings Ltd	Hong Kong	+1.1
Godrej Consumer Products Ltd	India	+1.0
Marico Ltd	India	+0.9
Britannia Industries Ltd	India	+0.7
Grupo Lala SAB De CV	Mexico	+0.5

Top Five Detractors	Country of Incorporation	%
Want Want China Holdings Ltd	Cayman Islands*	-1.0
Shoprite Holdings Ltd	South Africa	-0.8
Forus SA	Chile	-0.8
Guinness Nigeria Plc	Nigeria	-0.7
Nigerian Breweries Plc	Nigeria	-0.7

*principal place of business in China

It seems obvious that things to avoid were China and companies in countries which have been adversely affected by the bursting of the commodity bubble – Chile, Nigeria and South Africa. However, as ever in investment, things are rarely that straightforward, and our best performer is based in Hong Kong. India has equally obviously been a happier hunting ground but whilst some of the Indian stocks have performed well we remain wary of the fact that their ratings have run ahead of their immediate prospects as growth in consumer demand in India remains subdued, and Prime Minister Narendra Modi is struggling to bring elements of his reform programme such as a national Goods and Services Tax to fruition.

In terms of currencies, the largest negative impacts upon the portfolio were from the Brazilian real and the South African rand.

The portfolio turnover during 2015 was 67% which is higher than we would like or expect in the long-term. The main reason for this is that we were 55% uninvested at the start of the year, and so our portfolio turnover was always going to be over 50% if we invested the cash. It also therefore makes no sense to provide a Total Cost of Investing including the cost of dealing at this stage although we will expect to do so in future now that FEET is fully invested. The Ongoing Charges figure for 2015 was 1.7% of assets compared with 1.7% last year.

The top ten sales of stocks during the year (in order of size) are listed on page 12 of this Annual Report. The themes which link these sales were reducing our exposure to countries and companies which we were not confident would fare satisfactorily in the downturn – Brazil, Colombia, Peru, and Greater China (Hong Kong and Macau), and to some companies where we were not convinced that the management was reinvesting on our behalf wisely. In the case of Souza Cruz we were on the receiving end of a bid from the multinational parent company BAT.

The top ten purchases are also listed on page 12 of this Annual Report. In most cases we were simply adding to existing holdings. New holdings during the year were:

- Asian Paints Ltd – India's leading supplier of paint to consumers
- EDITA Food Industries Reg – a leading Egyptian food company
- Foshan Haitan Flavouring – the leading supplier of sauces and flavourings in China

In line with Investment Proposition 1 above (it is, by the way, no coincidence that we place this Proposition first) we are keen to ensure that FEET owns shares not only in the consumer sector but also in good companies – companies which have returns on capital and profit margins which are vastly superior to the companies in the benchmark index and which convert far more of their profits into cash. They accomplish this with much lower resort to debt or leverage than the companies in the benchmark index. If these characteristics persist then sooner or later they will be reflected in the share prices.

The characteristics of the FEET portfolio as at 31 December 2015 compared with the companies in the Emerging and Frontier Markets Index were:

	FEET Companies	Index Companies
LTM ROCE	43.4%	0.8%
LTM ROCE (ex goodwill)	48.2%	N/A
LTM Gross margin	43.6%	23.5%
LTM Operating margin	16.7%	1.2%
LTM NFCF conversion	110.1%	N/A
LFY Revenue growth	11.4%	-4.2%
LFY EPS growth	11.3%	-91.7%

This would seem to demonstrate that FEET owns stakes in companies which are at least superior to the benchmark in terms of their financial characteristics.

However, whilst we wait for those superior operating characteristics to be reflected in share price performance and through that the NAV and share price of FEET, we will continue to take advantage of any opportunities presented by the current volatile conditions to upgrade the portfolio.

Terry Smith
Fundsmith LLP
Investment Manager
18 March 2016

Abbreviations:

LTM – Last Twelve Months

LFY – Last Full Year

ROCE – Return on Capital Employed*

NFCF – Neutral Free Cash Flow*

EPS – Earnings Per Share*

** please refer to the Glossary of Terms on page 65 for further details*

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.

Investment Philosophy

(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
18 March 2016

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 judgement.

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. Prior to this he had been Chairman of Premier Brands and 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; including 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 16 years as a chairman, non-executive director and trustee in a wide range of companies and institutions. He is currently Chairman of Gresham House Strategic PLC and Illustrated London News Limited, 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 during the year to 31 December 2015, and each Director's attendance level, is shown below:

Type and number of meetings held during the year ended 31 December 2015	Board (4)	Audit Committee (2)	Management Engagement Committee (1)
Martin Bralsford	4	2	1
David Potter	4	2	1
John Spencer	4	2	1

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 2015
Martin Bralsford	100,000
David Potter	7,908
John Spencer	5,000

There have been no changes in the above Directors' interests as at 18 March 2016.

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 year ended 31 December 2015.

Business and Status of the Company

The Company is registered as a public limited company in England and Wales (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 and strategy 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 year are shown on page 3.

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 the 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 be found in the Alternative Investment Fund Managers Directive Disclosures on page 63.

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

Fundsmith LLP ("Fundsmith") under the terms of the Investment Management 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.

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.

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 structure.

Going Concern

The content of the investment portfolio, trading activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Directors, having made relevant enquiries, are satisfied 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 that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Viability Statement

In accordance with the UK Corporate Governance Code and the Listing Rules, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board asked the Audit Committee to address this new requirement, which should take account of the Company's current position and the principal risks as set out on page 8 to 9 so that the Board may state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

To provide this assessment the Audit Committee considered the Company's financial position as described above and its ability to liquidate its portfolio and meet its expenses as they fall due:

- The portfolio comprises of investments traded on international stock exchanges and there is a spread of investments by size of company. The current portfolio could be liquidated to the extent of 61% within seven trading days assuming 30% participation and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees with only non-executive Directors and consequently does not have redundancy or other employment related liabilities or responsibilities.

The Audit Committee as well as considering the principal risks on pages 8 to 9 and the financial position of the Company as set out above, has also made the following assumptions in considering the longer-term viability:

- The Board and the Investment Manager will continue to adopt a long-term view when making investments, and anticipated holding periods can be at least four years;
- The Company invests principally in the securities of listed companies in emerging markets to which investors will wish to continue to have exposure;
- There will continue to be demand for investment trusts;
- Regulation will not increase to a level that makes the running of the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

Based on the results of this review, the Directors have a reasonable expectation that the Company will be able to continue its operations and meet its expenses and liabilities as they fall due over the next four years.

Directors' & Officers' Liability Insurance Cover

Directors' & officers' liability insurance cover was maintained by the Company during the year ended 31 December 2015. It is intended that this policy will continue for the year ending 31 December 2016 and subsequent years.

Substantial Shares Interest

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

	2 March 2016*		31 December 2015	
Shareholder	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Mr Simon Justin Nixon	2,000,000	10.34	2,000,000	10.34
Hargreaves Lansdown	1,360,722	7.04	1,300,021	6.72
Mr Duncan Russell Cameron	1,000,000	5.17	1,000,000	5.17
Brewin Dolphin	648,514	3.35	640,162	3.31

As at 31 December 2015 the Company had 19,337,921 shares in issue. As at 2 March 2016 the Company had 19,337,921 shares in issue.

* 2 March 2016 being the latest practicable date before publication of the Annual Report.

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.

Share Capital

At the Company's first annual general meeting held on Tuesday, 26 May 2015, authority to allot up to 933,792 ordinary shares of 1 penny each on a non pre-emptive basis was granted. Authority to repurchase up to 2,898,754 shares was also granted. The authorities remained in place at 31 December 2015 and to the date of this report: no shares were issued or repurchased during the year. Resolutions to renew these authorities will be put to shareholders at the next AGM on Thursday, 26 May 2016.

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 56.

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 72.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights, no agreements between holders of securities regarding their transfer which are known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Political Donations

The Company has not and does not intend to make any political donations.

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.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

By order of the Board

Frostrow Capital LLP
Company Secretary
18 March 2016

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.

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 and give a true and fair view of the assets, liabilities, financial position and the return for the year ended 31 December 2015;
- 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 position, performance, business model and strategy.

On behalf of the Board

Martin Bralsford
Chairman
18 March 2016

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 2015 ('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.

Statement of Compliance

The Directors believe that the Company has complied with the recommendations of the AIC Code that are applicable to smaller companies (those below the FTSE 350) during the year under review and up to the date of this report and thereby the provisions of the UK Code except as set out below.

The UK Code includes provisions relating to:
– the role of the chief executive;
– executive Directors' remuneration; and
– the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In addition, all of the Company's day-to-day management and administrative functions are outsourced to third parties. The Company has no executive Directors, employees or internal operations.

The Principles of the AIC Code

The AIC Code is made up of 21 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.

The Board continued

AIC Code Principle	Compliance Statement
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.
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 judgement and that there are no relationships or circumstances which are likely to affect their judgement. 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 considers annually the skills possessed by the Directors and identifies any skill shortages to be filled by new directors. When considering new appointments, the Board reviews 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.

The Board continued

AIC Code Principle	Compliance Statement
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) was 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.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Board annually reviews the fees paid to the Directors and compares 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 51. 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 may periodically take 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 of 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

AIC Code Principle	Compliance Statement
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 buyback 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 per share 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.	An analysis of the shareholder register 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 56. 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 year ended 31 December 2015 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 on 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 year there were four Board meetings, two Audit Committee meetings 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 and AIFM 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 audit and non-audit related) paid to Deloitte LLP can be found on page 52. 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 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.

Conflicts of Interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. It was resolved at each Board meeting during the year that there were no direct or indirect interests of a Director that conflicted with the interests of the Company. Appropriate authorisation will be sought prior to the appointment of any new director or if any conflicts or potential conflicts arise.

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
18 March 2016

Audit Committee Report

for the year ended 31 December 2015

The Committee, which comprises all of the Directors, met twice during the year. Attendance by each Director is shown in the table on page 20. The Committee also met on 25 February 2016 to consider this report.

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 agree 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 the Committee's meetings:

February 2015

– Review of the Committee's terms of reference

– Review of 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

August 2015

– Review of the Committee's terms of reference

– Review of the Auditor's plan for the 2015 audit

– Review of risk management, internal controls 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

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 financial position, 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.

Significant Reporting Matters

The Committee considered key accounting issues, matters and judgements in relation to the Company's financial statements and disclosures relating to:

Valuation of the Company's Investments

The Committee reviews the valuation and existence of investments every six months.

Recognition of Revenue from Investments

The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. The Committee sought confirmation that all dividends receivable have been accounted for correctly.

Accounting Policies

The current accounting policies, as set out on pages 48 to 50, have been applied consistently throughout the year and the prior period. In light of there being no unusual transactions during the year or other possible reasons, the Committee has found no reason to change the policies.

Audit Committee Report

Going Concern
Having reviewed the Company's financial position and liabilities, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. Further detail is provided on page 22.

Internal Controls and Risk Management

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 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.

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, investment management, accounting, company secretarial and custodial services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis by the Investment Manager, the Depositary and the Company Secretary. Each maintains its own system of internal controls and the Audit Committee receives regular reports from them.

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 26 August 2015.

The Committee met Deloitte LLP (the "Auditor") on 25 February 2016 to review the outcome of the audit and the draft 2015 Annual Report and financial statements.

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
- the Auditor's 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.

The only non-audit work carried out during the year related to tax compliance services. The Audit Committee monitors the level of non-audit work carried out by the Auditor and seeks assurances from the Auditor that they maintain suitable policies and processes ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis. The Company operates on the basis whereby the provision of non-audit services by the Auditor is permissible where no conflict of interest arises, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised.

Audit Tendering
As a public company listed on the London Stock Exchange, the Company is subject to the mandatory auditor rotation requirements of the European Union. The Company will put the external audit out to tender at least every 10 years, and change auditor at least every 20 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 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
18 March 2016

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 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 to 43. 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.

At the most recent review, held on 26 August 2015, it was agreed that the Directors' fees would remain unchanged for 2016.

Directors' Fees and Expenses

The Directors, as at the date of this report, 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' Remuneration for the Year (audited)

	Date of Appointment to the Board	Fees 2015 (£)	Fees 2014* (£)
Martin Bralsford (*Chairman*)	23 May 2014	25,000	13,250
David Potter	23 May 2014	20,000	12,051
John Spencer	23 May 2014	20,000	12,051
Total		65,000	37,352

*A pro rata fee was payable in 2014 as the Company launched in June 2014.

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.

Pension 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 pursuant to their Letters of Appointment.

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 25 June 2014 to 31 December 2015 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.

This report is also required to include a table showing actual expenditure by the Company on remuneration and distributions to shareholders for the current and prior year. However, as the Directors have not yet recommended or declared a dividend, there is no such information to include.

Statement of Voting at the Annual General Meeting

At the AGM held on 26 May 2015, 3,046,752 votes (99.9%) were received in favour of the resolution seeking approval of the Directors' Remuneration Report, 4,550 (0.1%) were against, and 700 votes were withheld; the percentage of votes excludes votes withheld.

Directors' Remuneration Report

Total Shareholder Return for the period 24 June 2014 to 31 December 2015

Directors' Interests in the Company's Shares as at 31 December 2015 (audited)

	Ordinary shares of 1p each 2015	2014
Martin Bralsford (Chairman)	100,000	100,000
David Potter	7,908	5,000
John Spencer	5,000	5,000
Total	112,908	110,000

Directors are not required to hold shares in the Company.

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 37 of this Annual Report, and the Directors' Remuneration Report summarise, as applicable, for the year ended 31 December 2015:

(a) the major decisions on Directors' remuneration;

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

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

Martin Bralsford
Chairman
18 March 2016

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 2015 and 2016 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

	Fees 2016 (£)	Fees 2015 (£)
Martin Bralsford	25,000	25,000
David Potter	20,000	20,000
John Spencer	20,000	20,000
Total	65,000	65,000

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. At the last AGM held on 26 May 2015, 3,045,652 votes (99.8%) were received in favour of the resolution seeking approval of the Directors' Remuneration Policy, 5,050 (0.2%) were against, and 1,300 votes were withheld; the percentage of votes excludes votes withheld.

An Ordinary Resolution for the approval of this policy will next be considered by shareholders at the Annual General Meeting to be held in 2018 unless any material changes are proposed by the Directors, in which case a resolution will be proposed at the Annual General Meeting following such changes.

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 2015 and of its loss for the year then ended;** • **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 Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, 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 and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the company	As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 (a) to the financial statements and the Directors' statement on the longer-term viability of the company contained within the Report of The Directors on page 22. We have nothing material to add or draw attention to in relation to: • the Directors' confirmation on page 8 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 8 and 9 that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in note 1(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; • the Director's explanation on page 22 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
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. The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

Risk description

Valuation of investments

The valuation of investment at £178m as at 31 December 2015 (2014: £189m) held by the Company is the most quantitatively significant balance on the balance sheet and also the main driver of the Company's performance and net asset value.

Given current economic conditions, there is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value and may result in a material misstatement.

Refer to note 1(e) for the accounting policy on investments and details of the investments are disclosed on pages 11 and 12.

How the scope of our audit responded to the risk

We performed the following procedures to address the valuation of investments risk:

- We documented and assessed the design and implementation of controls in place to value the investment portfolio within the ISAE assurance report on controls at a service organisation. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified.
- We agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the custodian;
- We agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing prices published by an independent pricing source and investigated any differences above 1%;

We performed the following procedure to address the liquidity of investments risk:

- We identified investments that are not frequently traded and considered indicators of impairment by monitoring the price of any post year-end volume of trade movement.

Key observations

No findings relating to investment valuations were identified from our testing performed on the service organisation report and assessment of the related service auditors.

No findings were identified for any differences that exceeded 1% between the prices used by the Company for valuing its listed investments and the independent pricing sources used in our valuation testing.

From our volume of trade and liquidity analysis, we found that two investments held at the year end with a total fair value of £6,814,000 had low volumes of trade. This indicated that a Level 2 fair value measurement should be applied to these investments. The Directors have agreed to change the fair value categorisation from Level 1 to Level 2 for these investments in the financial statements. We are now satisfied that the liquidity and categorisation of investments at year end is acceptable.

Risk description

Ownership of investments

Given that the Company holds an investment portfolio of £178m as at 31 December 2015 (2014: £189m), there is an increased risk that the effect of any investments not held in the name of the Company or where the Company did not have ownership of the investments may result in a material misstatement.

Refer to note 1(e) for the accounting policy on investments and details of the investments are disclosed on pages 11 and 12.

How the scope of our audit responded to the risk

We performed the following procedures to address this risk:

- We reviewed the service organisation control report to understand and document the design and implementation of controls over ownership of investments within the ISAE assurance report on controls at a service organisation. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified; and
- We confirmed the ownership of all investments at the year end by obtaining independent third party confirmations directly from the custodian and agreeing them to the schedule of investments held at year-end.

Key observations	No findings were identified from our testing performed on the service organisation report and assessment of the related service auditors. No findings were identified from our testing of the custodian confirmation.
Risk description	**How the scope of our audit responded to the risk**
Revenue recognition Dividend income of £3m for the year ended 31 December 2015 (2014: £1m) from equity investments is accounted for on an ex-dividend basis. Overseas dividends are included gross of any withholding tax. 1. There is a risk that dividend income will not be accurately calculated; 2. There is a risk that dividend income will not be recognised in the correct accounting period in the financial statements; and 3. In addition there is a risk of completeness of dividend income for the year. Refer to note 1(c) for the revenue accounting policy and details of revenue are disclosed in note 2.	We performed the following procedures to address this risk: ● We documented and assessed the design and implementation of controls over revenue recognition within the ISAE assurance report on controls at a service organisation. We have also assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to give us assurance over the risk identified. 1. We obtained a listing for all the investments held at any point during the year and obtained the ex-dividend dates and rates for all dividends declared in the year from an independent third party resource. A sample of these were taken and the ex-dividend dates and rates compared to the client's ledger. We recalculated the expected income and compared this to the client's ledger. We agreed receipts of payments to a bank statement. 2. We tested cut-off around the balance sheet date by agreeing the ex-dividend dates and rates of a sample of accrued dividends to independent data and checked for subsequent collections; and 3. We gained comfort over the completeness of dividend income by selecting our sample from a reciprocal population. We obtained the dividend history for each investment held at the year end and also those investments sold during the year from a third party resource. We selected our sample from this population.
Key observations	No findings were identified relating to revenue recognition, accuracy of revenue, revenue cut off and revenue completeness from our testing performed on the service organisation report and assessment of the related service auditors.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 33.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 £1,793,000 (2014: £1,928,000), which is approximately 1% (2014: 1%) of shareholders' funds. The key focus is on the performance of the investment trust as measured through the shareholders' funds and therefore this was chosen as our basis for materiality. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £35,869 (2014: £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 controls, 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. As the accounting is performed by service organisations, we obtained an understanding of how the Company uses service organisations in its operations and evaluated the design and implementation of relevant controls at the Company that relate to the services provided by service organisations. We reviewed the latest reports on internal controls from the service organisations and contacted them directly to obtain specific information we needed to conduct our audit.
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 year 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 part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

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 Statement of Directors' Responsibilities, 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). 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
18 March 2016

Statement of Comprehensive Income

	Notes	For the year ended 31 December 2015 Revenue £'000	Capital £'000	Total £'000	For the period from incorporation on 31 October 2013 to 31 December 2014 Revenue £'000	Capital £'000	Total £'000
Dividend income	2	3,001	0	3,001	1,051	0	1,051
Other operating income		7	0	7	7	0	7
		3,008	0	3,008	1,058	0	1,058
(Losses)/gains on investments							
(Losses)/gains on investments held through profit and loss	8	0	(12,003)	(12,003)	0	1,464	1,464
Gains/(losses) on foreign exchange transactions		9	(495)	(486)	0	(138)	(138)
Management fees	4	(2,308)	0	(2,308)	(1,239)	0	(1,239)
Other expenses including dealing costs	5	(934)	(503)	(1,437)	(428)	(356)	(784)
(Loss)/profit before finance costs and tax		(225)	(13,001)	(13,226)	(609)	970	361
Finance costs		0	0	0	0	0	0
(Loss)/profit before tax		(225)	(13,001)	(13,226)	(609)	970	361
Tax	6	(230)	0	(230)	(61)	0	(61)
(Loss)/profit for the year/period		(455)	(13,001)	(13,456)	(670)	970	300
Earnings per share (basic and diluted) (p)	7	(2.35)	(67.23)	(69.58)	(3.46)	5.01	1.55

The Company does not have any income or expenses which are not included in the loss for the year. Accordingly the "loss for the year" is also the "total comprehensive income for the year", as defined in IAS 1 (revised).

All of the loss and total comprehensive income for the year 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 on pages 48 to 61 are an integral part of this financial statement.

Statement of Financial Position

	Notes	As at 31 December 2015 £'000	As at 31 December 2015 £'000	As at 31 December 2014 £'000	As at 31 December 2014 £'000
Non - Current Assets					
Investments held at fair value through profit and loss	8	177,706		188,908	
			177,706		188,908
Current Assets					
Receivables	9	40		194	
Cash and Cash Equivalents		2,691		5,693	
			2,731		5,887
			180,437		194,795
Current Liabilities					
Trade and other payables	10	(1,093)		(1,995)	
			(1,093)		(1,995)
			179,344		192,800
Equity Attributable to Equity Shareholders					
Ordinary share capital	11		193		193
Share Premium	12		0		0
Capital Reserves			180,276		193,277
Accumulated Losses			(1,125)		(670)
			179,344		192,800
Net Asset Value per share (p)	**13**		**927.4**		**997.0**

The financial statements on pages 44 to 61 were approved by the Board on 18 March 2016 and were signed on its behalf by:

Martin Bralsford
Chairman

The accompanying notes on pages 48 to 61 are an integral part of this financial statement.

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

Statement of Changes in Equity

For the year ended 31 December 2015

	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Accumulated Losses £'000	Total £'000
Balance at 1 January 2015	193	0	193,277	(670)	192,800
Loss for the year	0	0	(13,001)	(455)	(13,456)
	193	0	180,276	(1,125)	179,344
Balance at 31 December 2015	**193**	**0**	**180,276**	**(1,125)**	**179,344**

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 on pages 48 to 61 are an integral part of this financial statement.

Statement of Cash Flows

	For the year ended 31 December 2015 £'000	For the period from 31 October 2013 to 31 December 2014 £'000
Cash Flows from Operating Activities		
(Loss)/profit for the year/period	(13,456)	300
Adjustments for:		
Loss/(gain) on investments	12,003	(1,464)
Sale of investments [a]	25,513	106,327
Sale of money market funds	84,355	0
Purchases of investments [a]	(109,519)	(293,771)
Purchases of money market funds	(1,150)	0
Decrease/(increase) in receivables	154	(194)
(Decrease)/increase in payables	(902)	1,995
Net Cash Flow from operating activities	(3,002)	(186,807)
Cash Flows from Financing Activities		
Proceeds from issue of new shares	0	193,379
Issue costs relating to new shares	0	(879)
Net Cash Flow from Financing Activities	0	192,500
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,002)	5,693
Cash and Cash Equivalents at start of the year/period	5,693	0
Cash and Cash Equivalents at end of the year/period	2,691	5,693

[a] Receipts from the sale of, and payments to acquire, investment securities have been classified as components of cash flows from operating activities because they form part of the Company's dealing operations.

The accompanying notes on pages 48 to 61 are an integral part of this financial statement.

Notes to the Financial Statements

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 November 2014. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements for the reasons stated on page 22. 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. The Company was incorporated on 31 October 2013 and the first set of financial statements covered the 14 month period from incorporation to 31 December 2014. Therefore the amounts presented as prior period comparatives in these financial statements are not entirely comparable to the amounts presented for the year ended 31 December 2015.

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 judgements, 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 judgements, estimates or assumptions for the year.

(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 Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

(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.

1. Accounting Policies Continued

(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 financial statements 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) 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:

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 will impact both the classification and measurement 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

	2015 £'000	2014 £'000
UK dividends	143	213
Overseas dividends	2,858	838
Total	**3,001**	**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 and a geographical split of the portfolio can be seen on page 12.

4. Investment Management Fee

	2015 £'000	2014 £'000
Investment Management Fee	2,308	1,239

As at 31 December 2015, an amount of £560,587 (2014: £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

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Transactions Costs on fair value through profit or loss assets	0	412	412	0	356	356
Directors' Fees	65	0	65	37	0	37
Auditor's Remuneration	28	0	28	28	0	28
Registrar Fees	10	0	10	13	0	13
Broker Fee	50	0	50	26	0	26
Company Secretarial Fees	85	0	85	44	0	44
Custody Fees	410	0	410	124	0	124
Depositary Fees	35	0	35	20	0	20
Postage and Printing	12	0	12	21	0	21
Legal Fees	41	0	41	31	0	31
Administration Fees	66	0	66	35	0	35
Other Expenses	132	91	223	49	0	49
Total Expenses	934	503	1,437	428	356	784

Transaction costs on fair value through profit or loss assets represent such costs incurred on both purchase and sales of those assets. Transaction costs on purchases amounted to £372,000 (2014: £349,000) and on sales amounted to £40,000 (2014: £7,000).

5. Other Expenses Continued

Auditor's remuneration

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

Revenue	2015 £'000		2014 £'000	
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	28		28	
Total audit fees		28		28
Tax services (advice, preparation and submission within local jurisdictions of withholding tax claims)	25		17	
Reporting accountant engagement for the admission to the Premium Listing and London Stock Exchange	0		60	
Total non-audit fees		25		77
Total fees paid		**53**		**105**

6. Taxation

(a) Analysis of tax charge in the year

	2015			2014		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
UK corporation tax at 20.25% (2014: 21.00%)	0	0	0	0	0	0
Irrecoverable overseas withholding tax	230	0	230	61	0	61
Total current tax for the year	**230**	**0**	**230**	**61**	**0**	**61**

6. Taxation Continued

(b) The effective corporation tax rate was 20.25% (2014: 21.00%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below:

	2015			2014		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
(Loss)/Profit before tax	**(225)**	**(13,001)**	**(13,226)**	**(609)**	**970**	**361**
Tax at UK corporation effective tax rate of 20.25% (2014: 21.00%)	(46)	(2,632)	(2,678)	(128)	204	76
Effects of:						
Income not chargeable to tax:						
UK dividends [1]	0	0	0	(176)	0	(176)
Overseas dividends not taxable	(610)	0	(610)	0	0	0
Expenses not deductible for tax purposes	0	102	102	0	75	75
Non-taxable gains on investments	0	2,530	2,530	0	(279)	(279)
Movement in excess management expenses [2]	656	0	656	304	0	304
Irrecoverable overseas withholding tax	230	0	230	61	0	61
Total current tax charge for the year	**230**	**0**	**230**	**61**	**0**	**61**

1. Investment trusts are not subject to corporation tax on these items.
2. As at 31 December 2015, the Company had unutilised management expenses of £4.7 million (2014: £289,424) carried forward. Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

7. Earnings per Share

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

	2015			2014		
	Revenue pence	**Capital pence**	**Total pence**	**Revenue pence**	**Capital pence**	**Total pence**
Earnings per Ordinary Share	**(2.35)**	**(67.23)**	**(69.58)**	**(3.46)**	**5.01**	**1.55**

The total (loss)/gain per share of (69.58)p (2014: 1.55p) is based on a total (loss)/gain attributable to equity shareholders of £(13,456,000) (2014: £300,000).

The revenue (loss) per share of (2.35)p (2014: 3.46p) is based on a revenue (loss)/gain attributable to equity shareholders of £(455,000) (2014: £(670,000)).

The capital (loss)/gain per share of (67.23)p (2014: 5.01p) is based on a capital (loss)/gain attributable to equity shareholders of £(13,001,000) (2014: £970,000).

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

	2015 £'000	2014 £'000
Opening cost at 1 January	187,564	0
Opening investment holding gains at 1 January	1,344	0
Valuation at 1 January	188,908	0
Purchases at cost	110,669	293,771
Sales - proceeds	(109,868)	(106,327)
Realised (loss)/gain on sales	(5,741)	120
Investment holding (loss)/gain	(6,262)	1,344
Closing Fair Value at 31 December	177,706	188,908
Closing cost at 31 December	183,968	187,564
Closing investment holding (loss)/gain at 31 December	(6,262)	1,344
Valuation at 31 December	177,706	188,908
(Loss)/gain on investments		
(Loss)/gain on sales of investments	(5,741)	120
Investment holding (loss)/gain	(6,262)	1,344
(Loss)/gain on investments	(12,003)	1,464

All investments are listed.

Fair value of financial instruments

Under IFRS 13 'Fair Value Measurement' an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

- Level 1 – quoted prices in active markets for identical instruments. As at 31 December 2015 £170,892,000 (2014: £188,908,000) of the investment portfolio was classified as Level 1.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). As at 31 December 2015, £6,814,000 (2014: £Nil) of the investment portfolio was classified as Level 2.
- 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 Level 1 investments have been considered so throughout the year to 31 December 2015 (2014: same).

During the year to 31 December 2015 (2014: None) the following securities: Spur Corp Ltd and (£3,484,000) and Ceylon Tobacco Co Plc (£3,330,000), were transferred from Level 1 to Level 2 at the year end. This was due to these securities having low volumes of trade.

8. Investments Held at Fair Value Through Profit and Loss Continued

Fair value measurements recognised in the Statement of Financial Position

	2015			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit and loss	170,892	6,814	0	177,706
Total	**170,892**	**6,814**	**0**	**177,706**

	2014			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit and loss	188,908	0	0	188,908
Total	**188,908**	**0**	**0**	**188,908**

9. Receivables

	2015 £'000	**2014 £'000**
Accrued income	24	87
Other receivables	16	107
	40	194

10. Payables

	2015 £'000	**2014 £'000**
Trades payable	346	632
Management fee payable	561	1,239
Other fees payable	186	124
	1,093	1,995

11. Share capital

	2015 Number	2015 £'000	2014 Number	2014 £'000
Issued, allotted and fully paid (ordinary)	19,337,921	193	19,337,921	193

There were no transactions in the Company's own shares for the year to 31 December 2015. The following transactions are for the period to 31 December 2014.

– 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

	2015 £'000	2014 £'000
Balance at 1 January 2015/31 October 2013	0	0
Premium arising on issue of new shares	0	193,186
Costs of issuing new shares	0	(879)
Cancellation of share premium account	0	(192,307)
	0	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

	2015 £'000	2014 £'000
Net asset value per share	**927.4p**	**997.0p**

The net asset value per share is based on the net assets attributable to equity shareholders of £179,344,000 (2014: £192,800,000) and on 19,337,921 (2014: 19,337,921) shares in issue at 31 December 2015.

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 year.

14. Risk Management and Financial Instruments Continued

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, cash balances 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 year end.

	31 December 2015				
	Investments £'000	Cash £'000	Receivables £'000	Payables £'000	Total £'000
Bangladeshi Taka	1,138	0	0	0	1,138
Brazilian Real	5,756	22	0	0	5,778
Chilean Peso	3,068	23	0	0	3,091
Chinese Yuan	4,723	0	0	0	4,723
Egyptian Pound	4,192	219	0	0	4,411
Ghanaian Cedi	1,157	0	0	(346)	811
Hong Kong Dollar	15,370	0	0	0	15,370
Indian Rupee	53,028	26	0	0	53,054
Indonesian Rupiah	10,592	0	0	0	10,592
Kenyan Shilling	4,402	87	0	0	4,489
Mexican Peso	5,205	0	0	0	5,205
Nigerian Naira	12,406	154	0	0	12,560
Pakistani Rupee	1,301	15	0	0	1,316
Philippine Peso	13,979	0	0	0	13,979
Pounds Sterling	0	2,055	16	(760)	1,311
South African Rand	17,443	0	24	0	17,467
Sri Lankan Rupee	6,623	28	0	0	6,651
Tanzanian Shilling	3,013	62	0	0	3,075
Thai Baht	3,270	0	0	0	3,270
Turkish Lira	3,757	0	0	0	3,757
US Dollar	7,283	0	0	13	7,296
	177,706	2,691	40	(1,093)	179,344

14. Risk Management and Financial Instruments Continued

	31 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
Chilean Peso	2,322	14	0	0	2,336
Columbian Peso	3,242	11	0	(244)	3,009
Egyptian Pound	4,632	161	0	0	4,793
Ghanaian Cedi	197	0	0	0	197
Hong Kong Dollar	17,747	5	0	0	17,752
Indian Rupee	18,014	62	0	0	18,076
Indonesian Rupiah	3,516	0	0	0	3,516
Kenyan Shilling	4,535	0	52	0	4,587
Mexican Peso	1,545	0	0	0	1,545
Nigerian Naira	8,256	46	0	(86)	8,216
Pakistani Rupee	47	0	0	0	47
Peruvian Nuevo Sol	731	0	0	0	731
Philippino Peso	7,582	0	0	(302)	7,280
Pounds Sterling	83,218	5,343	107	(1,363)	87,305
South African Rand	8,730	0	5	0	8,735
Sri Lankan Rupee	1,926	17	0	0	1,943
Thai Baht	3,986	0	0	0	3,986
Turkish Lira	3,377	17	0	0	3,394
US Dollar	2,811	17	29	0	2,857
	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.

as at 31 December	2015 £'000	2014 £'000	2015 £'000	2014 £'000
	+2%	+2%	-2%	-2%
Effect on net assets for the year	3,561	2,110	(3,561)	(2,110)
Effect on capital return	3,554	2,114	(3,554)	(2,114)

14. Risk Management and Financial Instruments Continued

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 £2,691,000 (2014: £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 £13,000 (2014: £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 £13,000 (2014: £28,000). The calculations are based on the cash balances at the respective balance sheet date and are not representative of the year 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 2015, the impact on profit or loss and net assets would have been negative £17.8 million (2014: £18.9 million). If the investment portfolio valuation rose by 10% at 31 December 2015, the impact on profit or loss and net assets would have been positive £17.8 million (2014: £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.

as at 31 December	2015 £'000	2014 £'000
Assets at fair value through profit and loss	177,706	188,908
Cash	2,691	5,693
Investment income receivable	24	87
Other receivables	16	107
Other payables	(1,093)	(1,995)
	179,344	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 £179,344,000 (2014: £192,800,000).

The Company is subject to the following externally imposed capital requirements:

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

The Company has complied with both of the above requirements.

15. Contingent Liabilities

As at 31 December 2015, 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 year 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 year with the Directors of the Company.

AIFM and Investment Manager – Details of the contract including the remuneration due to the AIFM and Investment Manager are detailed in Note 4 on page 51.

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 as at the date of this report.

Shareholder Information

Further Information

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR on Thursday, 26 May 2016 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.

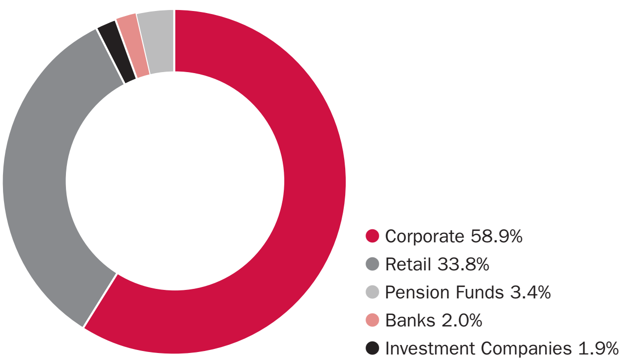
Daily Net Asset Value

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.

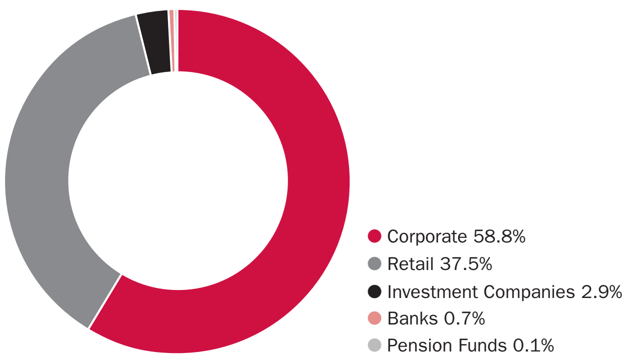
Profile of the Company's Ownership

% of Ordinary Shares held at

31 December 2015



31 December 2014



Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Fundsmith LLP ("Fundsmith") 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 financial statements 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 year 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.

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 2015	Nil	Nil

There have been no breaches of the maximum level during the year 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.

Remuneration Disclosure

During the year ending 31 March 2015, Fundsmith LLP had 18 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith personnel during this period was £15,285,271. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £12,639,895, whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £2,645,376.

Of the £2,645,376 paid to Fundsmith employees, £1,326,544.06 was variable remuneration and £1,318,831.94 was fixed remuneration.

The partners of Fundsmith LLP are not paid a bonus. All of their remuneration is a fixed proportion of Fundsmith LLP's net profits.

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Explanatory Note

We are required to make this remuneration disclosure to the Company's investors in accordance with the Alternative Investment Fund Managers Directive (AIFMD).

The financial year of the Company runs from 1 January to 31 December, whereas the financial year of Fundsmith LLP runs from 1 April to 31 March. The above figures are taken from the annual financial report and accounts of Fundsmith LLP for the year from 1 April 2014 to 31 March 2015. These figures have been independently audited and filed with Companies House.

The rules require us to disclose both the amount of remuneration paid in total, and the amount paid to "Code Staff" (broadly, senior management and/or risk takers). Fundsmith's only Code Staff are the Partners.

The information above relates to Fundsmith LLP as a whole, and we have not broken it down by reference to the Company or the other funds that we manage. Nor have we shown the proportion of remuneration which relates to the income we earn from our management of the Company. We have not provided such a breakdown because this does not reflect the way we work or the way we are organised at Fundsmith. All of the Partners and most of our employees are involved in the management of the Company.

The Company represents approximately 3.5% of Fundsmith's total funds under management.

Statement on the Alternative Investment Fund Managers Remuneration Code

The Company is classified as an Alternative Investment Fund (AIF) in accordance with the Alternative Investment Fund Managers Directive (AIFMD). Fundsmith LLP is duly authorised as an Alternative Investment Fund Manager (AIFM) for the purpose of managing the Company. As an authorised AIFM, Fundsmith LLP must adhere to the AIFM Remuneration Code.

The AIFM Remuneration Code contains a set of principles, which are designed to ensure that AIFMs reward their personnel in a way which promotes sound and effective risk management, which does not encourage risk-taking, which supports the objectives and strategy of any AIFs it manages, and which supports the alignment of interest between the AIFM, its personnel and any AIFs it manages (where this alignment extends to the AIF's investors).

Remuneration at Fundsmith LLP is deliberately straightforward. Our employees are paid a competitive salary. At the end of each year, our employees' performance is reviewed by the Partners in order to determine whether or not a bonus should be paid. All bonus decisions are agreed unanimously by the Partners.

The Partners are each paid a fixed proportion of Fundsmith LLP's net profits. We consider that this is the best way to ensure that our Partners' interests are completely aligned with our investors' interests over the long-term. This alignment of interest is reinforced by the fact that Fundsmith personnel have invested approximately £5,000,000 in the Company. We have a clear and direct interest in the long-term success of the Company.

Any investor who would like more information on how we adhere to the Principles of the Remuneration Code may request a summary of our Remuneration Policy.

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.

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.

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.

Glossary of Terms

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.

Earnings Per Share ("EPS")

The proportion of a Company's profit allocated to each ordinary share.

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.

How to Invest

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stockbroker 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.

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, investor code, full postcode and your date of birth. Your investor code can be found on your dividend voucher or share certificate. 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.

For further information on this service please contact: www.capitadeal.com (online dealing) or 0371 664 0445† (telephone dealing).

† Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable International rate. Lines are open from 8.00 a.m. to 4.30 p.m. Monday to Friday excluding public holidays in England and Wales.

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 Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR on Thursday, 26 May 2016 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 year ended 31 December 2015
2. To re-elect Martin Bralsford as a Director of the Company
3. To re-elect David Potter as a Director of the Company
4. To re-elect John Spencer as a Director of the Company
5. To approve the Directors' Remuneration Report for the year ended 31 December 2015
6. To re-appoint Deloitte LLP as Auditor to the Company and to authorise the Audit Committee to determine their remuneration

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 9, 10, 11 and 12 will be proposed as special resolutions:

Authority to Issue Shares

7. 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 £19,337.92 (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, provided that this authority shall (a) only be used to issue new shares for a price (after taking into account the costs of issue) which represents a premium to the Company's latest cum-income net asset value per share (as announced through a regulatory information service) and (b) expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 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.
8. THAT, in addition to the authority conferred by resolution 7 above, 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 £29,006.88 (being 15% 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 2,900,688 shares of 1 penny each, provided that this authority shall only be used to issue new shares for a price (after taking into account the costs of the issue) which represents a premium to the Company's latest cum-income net asset value per share (as announced through a regulatory information service) (the "NAV"), and shall (a) not be exercisable on any date when the Company is holding cash which, together with the net proceeds of issue of such equity securities under this authority, would amount to a sum in excess of 10% of the product of the NAV per share and the number of ordinary shares in issue at the date of that announcement, and (b) expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 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.

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 7 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) an offer or offers of equity securities of up to an aggregate nominal value of £19,337.92,

   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.

10. THAT, in addition to the authority conferred by resolution 9 above, 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 an offer or offers of equity securities of up to an aggregate nominal value of £29,006.88 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

11. 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 2017 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

12. 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
18 March 2016

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 24 May 2016.

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 24 May 2016 (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 17 March 2016 (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 17 March 2016 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 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

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.

19. 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

Saddlers' Hall, 40 Gutter Lane, London EC2V 6BR

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Financial Statements

The Annual Report and Financial Statements for the year ended 31 December 2015 will be presented to the Annual General Meeting. These financial statements accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 to 4 – Re-Election of Directors

Resolutions 2 to 4 deal with the re-election of each Director. Biographies of each of the Directors can be found on page 19 of this Annual Report.

The Chairman has confirmed, following a performance review, that all the Directors continue to perform effectively.

Resolution 5 – Remuneration Report

The Report on Directors' Remuneration is set out in full in this annual report on pages 35 to 36.

Resolution 6 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 6 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 Audit Committee to set their remuneration.

Resolutions 7 to 10 – Issue of Shares

Ordinary Resolution 7 in the Notice of Annual General Meeting will renew the authority to allot 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 17 March 2016, being the nearest practicable date prior to the signing of this Annual 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 unless previously renewed.

Ordinary Resolution 8 in the Notice of Annual General Meeting will give authority to the Directors to allot unissued share capital up to a nominal amount of £29,006.88 (equivalent to 2,900,688 shares, or 15% of the Company's existing issued share capital on 17 March 2016). The authority can only be exercised to issue shares at a premium to the Company's prevailing net asset value per share, which will ensure that the issues are accretive to existing shareholders. Furthermore, the authority can only be exercised providing it would not result in the Company having more than 10% of its assets in cash, thereby protecting existing shareholders from so-called "cash drag" i.e. the negative impact on equity returns of having uninvested cash in a rising equity market. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier.

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 17 March 2016, 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 7. 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.

Special Resolution 10 will, if passed, give the Directors power to allot shares up to a further 15% of the Company's issued share capital (as at 17 March 2016) on a non-pre-emptive basis. 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.

The Directors intend to use the authority given by Resolutions 7 to 10 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 11 – 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.

Special Resolution 11 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 17 March 2016, being the nearest practicable date prior to the signing of this Annual 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 12 – General Meetings

Special Resolution 12 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 112,908 shares.

Company Information

Further 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 and Wales)

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

The Company was incorporated in the United Kingdom on 31 October 2013 as FEEIT plc

Investment Manager and AIFM
Fundsmith LLP
33 Cavendish Square
London W1G 0PW
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
Chartered Accountants and Statutory Auditor
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: shareholderenquiries@capita.co.uk
Website: www.capitaassetservices.com

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

†calls cost 12p per minute plus your phone company's access charge and may be recorded for training purposes. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Brokers
Investec Bank plc
2 Gresham Street
London EC2V 7QP

Solicitors
Travers Smith LLP
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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www.feetplc.co.uk

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