Fundsmith
Emerging Equities Trust

Annual Report

for the year ended 31 December 2018

Fundsmith Emerging Equities Trust plc

Contents

Company Summary

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

Company Summary

The Company

The Company is an investment trust and its shares are listed on the premium segment of 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 2018 were £322.5 million (2017: £310.7 million) and the market capitalisation was £314.0 million (2017: £324.1 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 22.

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 12 to the financial statements on page 67.

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 19 for further information.

Further details of the Company's investment policy are set out in the Strategic Report on page 8.

Performance Summary

	As at 31 December 2018	As at 31 December 2017
Share price	**1,190.0p**	**1,314.0p**
Net asset value per share	**1,222.0p**	**1,259.7p**
(Discount)/premium of the share price to the net asset value per share	**(2.6%)**	**4.3%**
Ongoing charges ratio	**1.5%**	**1.7%**

	For the year ended 31 December 2018	For the year ended 31 December 2017
Net asset value per share total return	**-3.0%**	**+21.2%**
Share price total return	**-9.4%**	**+24.5%**
Benchmark total return[1]	**-9.3%**	**+25.3%**

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

Please refer to the Glossary on pages 77 to 78 for definitions of these terms and the basis of their calculation.

Introduction

I am pleased to present our fifth Annual Report covering the year ended 31 December 2018.

Performance

The Company's net asset value (NAV) per share for the year decreased by 3.0% (2017: +21.2%). The share price fell by 9.4% (2017: +24.5%) in line with the MSCI Emerging and Frontier Markets Index, measured on a net sterling adjusted basis, which fell by 9.3% over the same period (2017: +25.3%).

A decrease in absolute terms over the year in both our measures of shareholder return is disappointing, although the NAV return for which our Investment Manager is directly responsible has not declined significantly. The Investment Manager provides a thorough explanation of performance to shareholders and a comprehensive analysis of the performance of the Company's portfolio during the year in their report beginning on page 12. Although we report in pounds sterling, the economic exposure of investments is to a number of currencies and fluctuations here will affect the sterling return. This is also covered in the Investment Manager's report.

Shareholders should continue to be reassured by the positive returns on capital and also by profit margins generated by the underlying investee companies, details of which can be found in the Investment Manager's report. Your Board shares the Investment Manager's confidence in these high-quality companies whose strong underlying characteristics will ultimately determine the long-term growth in the net asset value of the Company. In particular, the Board closely monitors the position in India, where we continue to be fully invested.

Share Capital

Continued demand for the Company's shares led to the issue of a total of 1,727,500 new shares during the year (2017: 1,700,000 shares), raising gross proceeds of £21.5 million (2017: £19.2 million), at an average price of £12.46 per share (2017: £11.32). As at 31 December 2018, the Company had 26,390,056 shares of 1p each in issue (2017: 24,662,556), an increase of 7.0%. Such proceeds are raised only when the shares are at a premium to NAV and the Investment Manager has advised that they can be invested within the objectives. The net increment to the Company's NAV arising from the share issues was approximately £0.4 million in the year.

Since the financial year-end, to 20 March 2019 (the latest practicable date prior to publication of this report), a further 200,000 shares have been issued, raising £2.4 million so that at the date of this report there were 26,590,056 shares in issue.

As previously noted, the share issuance programme:

- allows the Company to issue shares tactically, so as to manage the premium to NAV per share at which the shares trade;
- increases the size of the Company, thereby spreading operating costs over a larger capital base which should reduce the ongoing charges ratio;

"Demand for the Company's shares led to the issue of a total of 1,727,500 new shares during the year, raising £21.5 million"

- enhances the NAV per share of existing shares through share issuance at a premium to the prevailing cum-income NAV per share; and
- potentially improves the liquidity in the market for the shares.

In addition, the shareholder authorities under which the Company issues shares are limited so that issuance can only occur when the result of the fundraising would not cause the Company to have more than 10% of its assets in cash, which protects investors from so-called "cash-drag" i.e. the negative impact on equity returns of having uninvested cash in a rising equity market.

At the last Annual General Meeting ("AGM") in May 2018, shareholders granted the Board authority to issue up to 10% of the Company's issued share capital without pre-emption rights. The Board will ask shareholders to renew similar authorities again at this year's AGM. Further details of these resolutions are set out on pages 81 to 89 of this report. We look forward to receiving shareholder support for these resolutions which your Board unanimously believes to be in the best interests of shareholders.

Dividends

Shareholders will note that in 2018 the Company made a revenue profit and that revenue losses from previous years have now been reversed. As a result, the Board recommends to shareholders for their approval a small dividend so that the Company complies with the investment trust rules regarding distributable income. It is recognised that such relatively small dividends are not material to many shareholders but, having looked into the possibility of a dividend reinvestment plan, the Board has concluded that it is not practical given the relative quantum of share price and dividend.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 2p per ordinary share will be paid on 29 May 2019 to shareholders on the register on 26 April 2019. The associated ex-dividend date is 25 April 2019.

The Company's objective remains to provide capital growth rather than income and any dividends and distributions will, subject to the investment trust rules, continue to be at the discretion of the Board from time to time.

Investment Policy

I reported in the Company's last annual report that the Board had been considering whether it may be appropriate to increase the single jurisdiction limit contained in the Investment Policy from 40% of gross assets (at the time each investment is made), to allow the Company to take advantage of compelling investment opportunities, as they arise. At the time and after consultation with major shareholders, the Board decided not to go ahead with such a change in policy.

Since then, the question has arisen whether the Investment Manager should be allowed to make changes to holdings subject to the single jurisdiction limit once holdings have exceeded the 40% threshold. This would allow the Investment Manager to make changes to the size of holdings in a jurisdiction in which investments overall have been successful and have increased in value since their original purchase. In such a scenario, the Investment Manager would increase the size of a holding (or invest in a new company) while decreasing the size of another holding in the same jurisdiction by the same monetary amount. Accordingly, the Board has decided to make a minor amendment to the investment policy to permit such actions. The Board believes that it is in the best interests of shareholders that the Investment Manager has this flexibility and, "The previous year was a turbulent one in many respects in many parts of the world and your Board believes that this volatility will continue in 2019. However, the Board believes your Company is well diversified to protect and sustain value within the international constraints of its Investment Policy."

having consulted with its advisers, that the changes to the investment policy are not material (and therefore do not require the consent of the Company's shareholders). Accordingly, the Board approved the relevant change to paragraph (ii) of the Investment Policy (see page 8) on 21 March 2019.

The Board

As mentioned in the half-yearly report, Rachel de Gruchy joined the Board on 1 June 2018, bringing with her lengthy and broad-based experience in international investment and financial markets. She will stand for election at the forthcoming AGM, along with all other Directors, in accordance with our policy of annual re-election. You will find the appropriate resolutions in the Notice of the AGM beginning on page 81.

The Directors will continue to keep the size and composition of the Board under review.

Outlook

The previous year was a turbulent one in many respects in many parts of the world and your Board believes that this volatility will continue in 2019. However, the Board believes your Company is well diversified to protect and sustain value within the international constraints of its Investment Policy.

Annual General Meeting

The Company's AGM, to be held on Wednesday, 22 May 2019 at 1.00pm, will again be held at the Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL. Further details can be found on pages 81 to 89.

This year we have not included paper forms of proxy to accompany the notice of AGM at the end of this report. Shareholders can vote online by visiting www.myfeetshares.co.uk and following instructions. However, any shareholders who require a hard copy form of proxy may request one from the registrar, Link Asset Services. Instructions are provided on page 84.

The AGM provides shareholders with an opportunity to meet the Directors and to receive a presentation from our Investment Manager and we hope as many shareholders as possible will attend. I look forward to meeting you at that time, together with my Board colleagues. The Board wishes to highlight to any shareholders not able to attend the AGM in person, that an edited video of the Investment Manager's presentation will be available on the Company's website, www.feetplc.co.uk. If any shareholders are unable to attend or wish to raise a matter with the Board, please contact me through the Company Secretary whose details are set out on page 90.

Martin Bralsford
Chairman
21 March 2019

Investment Objective

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 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 per cent. of the Company's gross assets can be invested in shares issued by companies domiciled in any single jurisdiction. Where, as a result of investment performance, the total value of the companies in a particular jurisdiction exceeds 40 per cent. of gross assets, this restriction shall not apply to a portfolio rebalancing transaction (an investment funded from the proceeds of a disposal of shares in a company domiciled in the same jurisdiction, executed at the same time).

(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 beginning on page 19 for further information

Investment Portfolio

Investments held as at 31 December 2018

Security	Country of incorporation	Fair value £'000	% of investments
Vitasoy International Holdings Ltd	Hong Kong	17,835	5.5
Britannia Industries Ltd	India	15,947	5.0
Godrej Consumer Products Ltd	India	13,157	4.1
Foshan Haitian Flavouring	China	13,117	4.1
Eastern Tobacco	Egypt	12,770	4.0
Marico Ltd	India	12,462	3.9
Travelsky Technology Ltd	China	11,815	3.7
Hindustan Unilever Ltd	India	10,808	3.3
Asian Paints Ltd	India	10,668	3.3
Hypera SA	Brazil	10,640	3.3
Top 10 Investments		**129,219**	**40.2**
Eris Lifesciences Ltd	India	10,589	3.3
Philippine Seven Corp	Philippines	10,369	3.2
Nestlé India Ltd	India	9,694	3.0
Colgate Palmolive (India) Ltd	India	9,387	2.9
Havells India Ltd	India	9,066	2.8
Dali Foods Group Co Ltd	China	8,522	2.7
Vietnam Dairy Products JSC	Vietnam	8,162	2.5
Walmart De Mexico SAB de CV	Mexico	6,947	2.2
Procter + Gamble Hygiene	India	6,806	2.1
Emami Ltd	India	6,761	2.1
Top 20 Investments		**215,522**	**67.0**

Investments held as at 31 December 2018 – continued

Security	Country of incorporation	Fair value £'000	% of investments
Integrated Diagnostics Holdings Plc	Jersey [1]	6,684	2.1
Mr Price Group Ltd	South Africa	6,629	2.1
Ceylon Tobacco Co Plc	Sri Lanka	6,590	2.1
Nestlé Nigeria Plc	Nigeria	6,420	2.0
Dabur India Ltd	India	6,144	1.9
Bim Birlesik Magazalar AS	Turkey	5,950	1.9
DP Eurasia NV	Netherlands [2]	5,512	1.7
PT Unilever Indonesia Tbk	Indonesia	5,501	1.7
Thyrocare Technologies Ltd	India	5,320	1.6
British American Tobacco	Bangladesh	5,138	1.6
Top 30 Investments		**275,410**	**85.7**
Dr Lal Pathlabs Ltd	India	4,679	1.5
PT HM Sampoerna Tbk	Indonesia	4,506	1.4
Clicks Group Ltd	South Africa	4,386	1.4
Mercadolibre Inc	Argentina	4,199	1.3
Eicher Motors Ltd	India	4,108	1.3
Tiger Brands Ltd	South Africa	4,103	1.3
Ajanta Pharmaceutical Ltd	India	4,019	1.2
East African Breweries Ltd	Kenya	3,700	1.1
Edita Food Industries Reg	Egypt	3,007	0.9
PT Prodia Widyahusada Tbk	Indonesia	2,709	0.8
Top 40 Investments		**314,826**	**97.9**
Nestlé Pakistan Ltd	Pakistan	2,519	0.8
Fan Milk Ltd	Ghana	1,682	0.5
Nigerian Breweries Plc	Nigeria	1,603	0.5
Guinness Nigeria Plc	Nigeria	604	0.2
Edita Food Industries SAE	Egypt	259	0.1
Total Investments		**321,493**	**100.0**

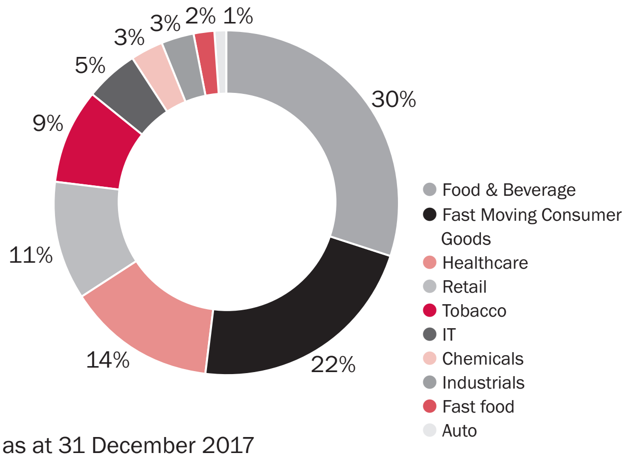
[1] Principal place of business Egypt

[2] Principal place of business Turkey

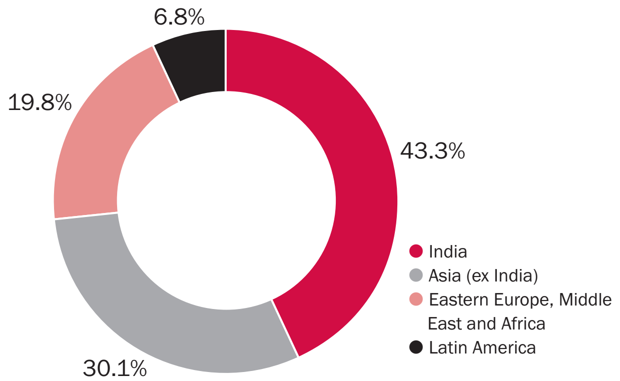
Portfolio Distribution

as at 31 December 2018

By Sector (based on net asset value)

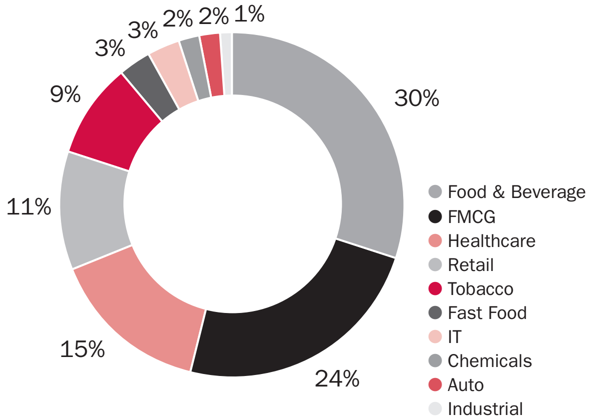


By Geography (by Country of Incorporation)

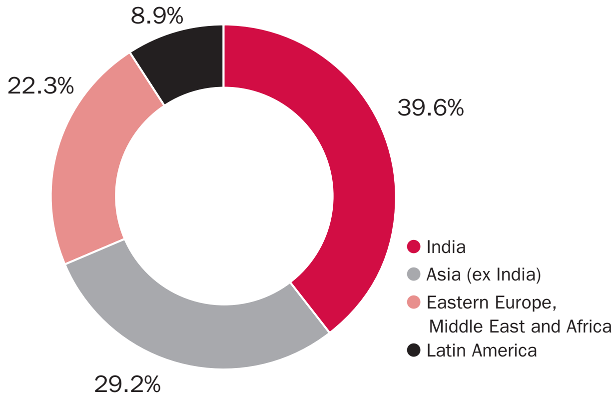


as at 31 December 2017

By Sector (based on net asset value)



By Geography (by Country of Incorporation)



Top 10 Purchases and Sales in 2018

Top 10 Purchases			Top 10 Sales		
	Security	Country of incorporation		Security	Country of incorporation
1	DP Eurasia NV	Netherlands[1]	1	Famous Brands Ltd	South Africa
2	Travelsky Technology Ltd	China	2	Raia Drogasil SA	Brazil
3	Bim Birlesik Magazalar AS	Turkey	3	Kimberly-Clark de Mexico SAB de CV	Mexico
4	Hypera SA	Brazil	4	Spur Corporation	South Africa
5	Havells India Ltd	India	5	Biotoscana Investments SA	Luxembourg[2]
6	Eris Lifesciences Ltd	India	6	Dabur India Ltd	India
7	Mercadolibre Inc	Argentina	7	Olympic Industries	Bangladesh
8	Eastern Tobacco	Egypt	8	Matahari Department Store	Indonesia
9	Dali Foods Group Co Ltd	China	9	AVI Ltd	South Africa
10	Thyrocare Technologies Ltd	India	10	Guinness Nigeria Plc	Nigeria

[1] Principal place of business Turkey

[2] Principal place of business Uruguay

"The relative performance of Fundsmith Emerging Equities Trust plc ("FEET") improved markedly in 2018"

The relative performance of Fundsmith Emerging Equities Trust plc ("FEET") improved markedly in 2018:

Total return	1 January – 31 December %
FEET Net asset value per share	-3.0
FEET share price	-9.4
MSCI Emerging & Frontier Markets Index	-9.3

Table 1: Source: MSCI/Bloomberg

The Net Asset Value fall of 3% outpaced the benchmark Index by over 5%. The share price tracked the Index fall as the premium to NAV at which the shares traded was eroded during the year.

Whilst this performance is obviously not as good in some respects as outperforming the Index when it is rising, it is nonetheless a welcome indication that our strategy may be capable of delivering an essential characteristic which is the preservation of value in a downturn.

Performance in more detail is shown below:

	%					Since	
	2018	2017	2016	2015	2014*	inception	Annualised
FEET NAV [1]	-3.0	+21.2	+12.0	-7.0	+0.1	+22.7	+4.6
FEET share price [2]	-9.4	+24.5	+10.5	-10.9	+7.2	+19.0	+3.9
Emerging markets [3]	-9.3	+25.3	+32.4	-10.0	+0.5	+36.1	+7.1
UK bonds [4]	+1.2	+1.4	+6.5	+1.0	+7.4	+18.5	+3.8
UK cash [5]	+0.7	+0.4	+0.5	+0.6	+0.3	+2.5	+0.5

Table 2:

1 Net of fees, priced at UK market close (source: Fundsmith)

2 At LSE close (source: Fundsmith)

3 MSCI Emerging & Frontier Markets Index (£ Net) priced at close of business US EST (source: www.msci.com)

4 Bloomberg/EFFAS Bond Indices UK Govt 5-10yr (source: Bloomberg)

5 3m £ LIBOR Interest Rate (source: Bloomberg)

* From 25 June 2014

In some respects, I remain surprised that the performance over the past year has been that good for two related reasons.

First, as we have discussed before, is the fact that more than 100% of the inflows into emerging markets since 2015 have gone into Exchange Traded Funds or ETFs. This trend continued in 2018.

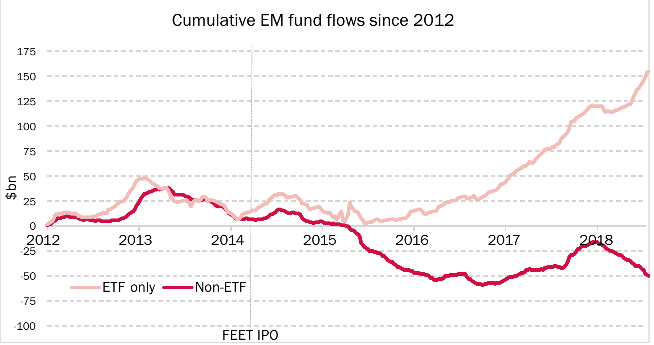


Figure 1: Source: EPFR Global

"The composition of the MSCI Emerging and Frontier Markets Index is very different to our Company, so these ETF flows are mostly going into stocks and sectors which we do not and will not own"

The obvious issue is that the composition of the MSCI Emerging and Frontier Markets index is very different to our Company, so these ETF flows are mostly going into stocks and sectors which we do not and will not own. This is shown below:

FEET GICS Sector Split	Weight %
Consumer Staples	69.7
Health Care	13.8
Consumer Discretionary	6.3
Information Technology	3.7
Materials	3.3
Industrial	2.9
Cash	0.3
	100

MSCI GICS Sector Split	Weight %
Financials	25.2
Communication Services	14.1
IT	14.0
Consumer Discretionary	10.2
Energy	7.9
Materials	7.6
Consumer Staples	6.8
Industrials	5.5
Real Estate	3.2
Health Care	2.8
Utilities	2.7
	100

Table 3: Source: Fundsmith, Bloomberg

There have been some alterations to the MSCI sector classification which makes the benchmark look less dominated by technology stocks than it has been in the past. MSCI moved some of the larger internet companies (such as Tencent and Baidu) to Communication Services from IT; Tencent itself is almost 5% of the Index.

Secondly, to compound the problem and probably linked to the first point about ETF inflows, the best performing emerging market last year was Qatar (+38%), a stock market dominated by banks and property companies, in which FEET has no holdings:

FEET country breakdown	Weight %
India	43.3
China (incl. Hong Kong)	15.9
Egypt	7.0
South Africa	4.7
Indonesia	3.9
Turkey	3.6
Other Emerging Markets	9.5
Frontier Markets	11.8
Cash	0.3
	100

MSCI E+FM Index country breakdown	Weight %
China (incl. Hong Kong)	29.7
South Korea	13.5
Taiwan	11.1
India	9.2
Brazil	7.3
Other Frontier + Emerging Markets	29.2
	100

Table 4: Source: Bloomberg, MSCI

None of the top ten constituents of the MSCI Emerging and Frontier Markets Index, which collectively represent 23% of that Index are, in our opinion, of sufficient quality for inclusion in our Company's portfolio, as they consist of Chinese banks, a Chinese insurer, ecommerce platforms, consumer electronics and semiconductor manufacturers. These companies bring with them risks of cyclicality, leverage, opaque accounting, lack of clear ownership rights, technological obsolescence and inadequate financial returns:

"FEET owns shares in good companies – companies which have returns on capital, profit margins and growth which are superior to the companies in the benchmark Index and which convert far more of their profits into cash"

Top 10 MSCI E+FM Index constituents	Weight %	ROCE %
Tencent	4.7	24
Taiwan Semiconductor	3.7	22
Alibaba	3.6	13
Samsung Electronics	3.4	24
Naspers	1.8	-1
China Construction Bank	1.6	8
China Mobile	1.2	12
ICBC	1.0	8
Ping An Insurance	0.9	18
Reliance Industries	0.9	3
Total Average	**22.8**	**13**

Table 5: Source: MSCI, Bloomberg

Although we continue to analyse some of these stocks to try to determine whether their fundamental characteristics have improved sufficiently for us to own them, none pass muster.

To make matters even more difficult, the returns generated in emerging markets in 2018 were extremely concentrated – 32% of the MSCI Emerging and Frontier Markets Index total return came from just three stocks: Tencent (and Naspers which owns a stake in Tencent), Alibaba and Samsung, none of which we own or wish to own.

Faced with this background, I am pleasantly surprised by how the FEET portfolio performed.

It is an essential part of our investment strategy – in fact the most important part – that FEET owns shares in good companies – companies which have returns on capital, profit margins and growth which are superior to the companies in the benchmark Index and which convert far more of their profits into cash. They need to be able to accomplish this with much less 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 compared with the companies in the benchmark Index were:

	FEET %	MSCI E+FM Index (ex-Financials) %
LTM ROCE	46	15
LTM ROCE (ex-goodwill)	50	N/A
LTM Gross margin	50	31
LTM Operating margin	21	18
LTM NFCF conversion	106	84
LFY Revenue growth	14	19
LFY NFCF growth	12	9

Table 6: Source: Fundsmith, MSCI, Bloomberg

Abbreviations: LTM: last twelve months, LFY: last full year, ROCE: return on capital employed, NFCF: neutral free cash flow.

This would seem to demonstrate that FEET owns stakes in companies which are at the very least superior to the index in terms of their financial characteristics. Although the revenue and Neutral Free Cash Flow ("NFCF" – Free Cash Flow after adding back capital expenditures in excess of depreciation to avoid valuing all companies that can invest their free cash flow to grow as having a reduced FCF) growth for the Index stocks looks comparable or superior to our portfolio, this is also very concentrated. 68% of the growth in NFCF last year in the entire MCSI EM Index came from just two stocks – Tencent and Alibaba. Without this, the NFCF growth for the Index was just 3%.

"Valuation is not likely to be the main determinant of the outcome of our strategy. The quality of the companies in our portfolio is, at least over the long-term"

By sector, the breakdown of FEET at 31 December 2018 as we would describe the sectors rather than those used by the Index (which are rather unspecific) was:

Sector (%)	2018	2017
Food & Beverage	30	30
Fast Moving Consumer Goods	22	23
Healthcare	14	15
Retail	11	11
Tobacco	9	9
Fast food	2	3
IT	5	3
Chemicals	3	2
Auto	1	2
Industrials	3	1
Cash	0	1
	100	**100**

Table 7: Source: Fundsmith

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

Top Five Contributors	Country	%
Vitasoy	Hong Kong	2.1
Foshan Haitian	China	0.9
Nestlé India	India	0.9
Hindustan Unilever	India	0.8
Britannia Industries	India	0.8

Top Five Detractors	Country	%
Emami	India	-1.3
DP Eurasia[1]	Netherlands	-1.0
Vietnam Dairy Products	Vietnam	-0.9
Tiger Brands	South Africa	-0.7
Fan Milk	Ghana	-0.6

Table 8: Source: Fundsmith

[1] Principal place of business Turkey

Emami was the only one of our Indian stocks in the top five detractors. Its relatively high dependence on wholesale distributors has been a handicap post the implementation of the Goods & Services Tax ("GST"). We used the weakness caused by events in Turkey to add significantly to our stake in DP Eurasia, the Domino's Pizza master franchisee in Turkey and Russia.

What about the valuation of our portfolio? The table below shows the price/earnings ("PE") ratio, Neutral Free Cash Flow yield and dividend yield for the portfolio for the last twelve months ("LTM") compared with companies in the benchmark Index:

	FEET	MSCI E&FM Index (ex-financials)
LTM PE ratio	43.9x	22.2x
LTM NFCF yield	3.5%	5.3%
LTM Dividend yield	1.8%	2.5%

Table 9: Source: Fundsmith, MSCI, Bloomberg

Our stocks are significantly more highly rated than the Index based upon the PE ratio and the Neutral Free Cash Flow yield, which is our preferred measure, and which we believe is a much better comparator. However, neither could be regarded as lowly-rated, although that is a different concept to being "cheap" – a stock can be lowly-rated but not cheap if it is justifiably low and a highly rated stock might not be "expensive" if its prospects – such as its growth rate and incremental returns – can justify the rating.

Moreover, valuation is not likely to be the main determinant of the outcome of our strategy. The quality of the companies in our portfolio is, at least over the long term. If we have succeeded in assembling a portfolio of companies which can deliver and sustain a 46% Return On Capital Employed and invest about half (which equates to dividend cover of 2x-FEET's portfolio and was 2.1x at the end of 2018) of their earnings at this rate of return, which is currently three

"Weakness in emerging market currencies adversely affected our performance"

times the ROCE of the Index, this will be a much bigger determinant of the outcome of our investment than the valuation.

It is interesting that the stocks in FEET are only about 12.5% more expensive than the stocks in the Fundsmith Equity Fund, which had a Free Cash Flow yield of 4.0% at the end of 2018. Yet the returns they are generating and the revenue growth they are delivering are materially higher. The Fundsmith Equity Fund is perhaps a better comparison than the Index given that the Fundsmith Equity Fund owns comparable companies based in the developed world, several of which are the parent companies of companies in the FEET portfolio.

The top ten purchases and sales in the year are listed on page 11 of these accounts.

Our portfolio turnover during 2018 of 19.3%, ignoring turnover caused by inflows from share issues, was materially lower than the 34% turnover in 2017. Whilst this remains higher than we would ideally like it to be, it is heading in the right direction and we aim to reduce it further in 2019.

A few other purchases and disposals during the year are noteworthy.

We bought and sold one stock during the period – 3M India as the stake we could get was so small and the rating to which it went was so high that we could not build a meaningful stake.

We purchased a new stake in BIM, the Turkish discount retailer that we have owned before.

We sold our entire stakes in Kimberly-Clark de Mexico, AVI, Famous Brands, Biotoscana, Spur, Olympic Industries, Raia Drogasil, and Matahari Department Stores. This was partly a policy of concentrating our portfolio in fewer stocks in which we have the greatest confidence.

The ongoing charges figure ("OCF") for 2018 was 1.5% compared with 1.7% in 2017. However, the OCF does not include the cost of dealing. The Total Cost of Investment ("TCI") in 2018 including trading commission and taxes was 1.6% (2017: 1.8%). Some of the turnover was involuntary insofar as it resulted from the investment of funds raised from shares issued during the year. The spread incurred from voluntary dealing in which we decided to buy or sell without any inflows was 0.18% (2017: 0.18%) which gives another perspective on our dealing activity.

Weakness in emerging market currencies adversely affected our performance. The largest positive currency impact upon our performance was from the Egyptian Pound but the negative impacts were much greater and the largest detractor was the Indian Rupee:

Top Five	%	Bottom Five	%
Egypt	0.3	India	-1.0
Hong Kong	0.3	South Africa	-0.4
Nigeria	0.1	Brazil	-0.4
Mexico	0.1	Sri Lanka	-0.2
Kenya	0.1	Pakistan	-0.2

Table 10: Source: Fundsmith

"In India we are now experiencing strong company results as the disruptive effects of the GST implementation have waned and its benefits have become apparent"

As at 31 December 2018, the FEET portfolio's geographic breakdown was as follows:

Region	%
Asia (ex-India)	30.0
Eastern Europe, Middle East and Africa	19.6
India	43.3
Latin America	6.8
Cash	0.3
	100.0

Table 11: Source: Fundsmith

In India we are now experiencing strong company results as the disruptive effects of the GST implementation have waned and its benefits have become apparent. This is in spite of some deterioration in the macro economic situation caused by rising input costs and political uncertainty ahead of the general election due this year.

India remains by far the largest single country exposure and is over 40% of the portfolio. This is not a breach of our country limits as it arose because of the relatively strong performance of our Indian stocks and not as a result of additional purchases.

India has seen some dramatic reforms in recent years under Prime Minister Modi. We have remarked upon two of these at length in previous reports, namely "demonetisation" in November 2016 in which the highest denomination bank notes, the Rs500 and Rs1,000 notes (roughly £6 and £12) were declared no longer to be legal tender. This was followed on 1 July 2017 by the implementation of a countrywide Goods and Services Tax ("GST") which replaced state taxation (India is comprised of 29 states). This was, in our view, a massive step towards turning India into a single economy for the first time and has undoubtedly begun to reap benefits in terms of efficiency for manufacturers and distributors.

At a recent conference Sanjiv Mehta, who runs Hindustan Unilever, opined that the 20 countries he was responsible for when he ran Unilever's operations in the Middle East and Africa division were more homogeneous than the 29 states of India. It is clear that a Herculean effort is required to alter this from an economic perspective and it is being applied.

However, as we also pointed out in previous reports, the near-term performance of our Indian investee companies in the light of these dramatic changes was highly likely to be, shall we say, bumpy.

Having some 85% of banknotes by value withdrawn without warning is obviously disruptive to economic activity. So was the implementation of the GST. Aside from the fact that the new GST regime was almost certainly initially too complex with too many bands, it led to stocking up in advance of implementation in some sectors and destocking in others, depending upon the view of how the GST would affect them. Even the revenue and cost numbers produced by many companies are not truly comparable with their pre-GST numbers because of changes in the way some of their goods are treated for input and output tax. The informal sector of the economy has been hardest hit by this and whilst we might applaud that as the modern retail sector is of growing importance to our investee companies and GST could be expected to stimulate it, some of their sales do rely upon wholesalers and informal retailers who might have cash flow issues and problems with having previously (shall we say) under-reported their sales and profits.

"We hope and expect that the combination of these reforms will help to transform India's economy to the benefit of our investee companies as well as ordinary Indians"

The good news is that we passed the anniversary of GST implementation in mid-2018, some simplification of its application has begun and both Indian businessmen and consumers have begun to understand how it works. We hope and expect that the combination of these reforms will help to transform India's economy to the benefit of our investee companies as well as ordinary Indians.

The pattern of FEET's performance in 2018 is shown by this graph:

Figure 2: Source Bloomberg

The bear run in emerging markets which began in July seemed to have passed by the time the major markets started to experience major jitters both in October and December, and in the last two months of the year a reasonably sharp recovery set in.

As we have pointed out several times before, markets do not deliver their performance evenly. FEET's shares rose 25% in 2017. 2018's performance has been about minimising losses. Who knows what 2019 holds? We certainly have a general election in the country to which we have the largest exposure – India – which seems certain to bring some nervousness. However, ultimately we hope for an outcome which will allow the country and our companies to continue to progress.

Terry Smith
Fundsmith LLP
Investment Manager
21 March 2019

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.

Fundsmith LLP applies 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

**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.*

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

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

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

2. We try not to overpay for shares when investing

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

3. We aim to buy and hold

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

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

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

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

(B) Indices are not used for portfolio construction

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

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

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

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

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

(C) We do not attempt market timing

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

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

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

(D) Corporate Governance

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

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

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

(E) Currencies

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

Terry Smith
Fundsmith LLP
Investment Manager
21 March 2019

The Strategic Report on pages 2 to 27 has been prepared to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed 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's strategy is to create value for shareholders by addressing its investment objective, which is to provide shareholders with an attractive return by investing in a portfolio of shares issued by listed 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.

The Company is an alternative investment fund ("AIF") under the European Union's alternative investment fund managers' directive ("AIFMD") and has appointed Fundsmith LLP as its alternative investment fund manager ("AIFM").

As an externally managed investment trust, all of the Company's day to day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Board is responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buy backs, share price and discount/premium monitoring, corporate governance matters, dividends and gearing.

Further information on the Board's role and the topics it discusses with the Investment Manager is provided in the Corporate Governance Report beginning on page 30.

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.

Depositary

During the year, Northern Trust Global Services SE (the "Depositary") acted as the Company's depositary in accordance with the AIFMD on the terms and subject to the conditions of the depositary agreement between the Company, Fundsmith and the Depositary (the "Depositary Agreement"). Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of (i) £25,000; or (ii) an amount equivalent to 0.015% of the net assets of the Company.

The Depositary provides the following services:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions and foreign exchange services;
- taking reasonable care to ensure that the Company is managed in accordance with the AIFMD, the FUND sourcebook and the Company's articles of association in relation to the net asset value per share and the application of income of the Company; and

- monitoring the Company's compliance with investment restrictions and leverage limits set in its offering documents.

The Depositary Agreement may be terminated upon three months' written notice from the Company to the Depositary or the Depositary to the Company.

Custodian

The Depositary has delegated the custody and safekeeping of the Company's assets to The Northern Trust Company which in turn appoints sub-custodians in each of the jurisdictions in which the Company's assets are held. The liability of the Depositary is not affected by the fact that it has delegated safekeeping to a third party.

The Depositary is entitled to a variable custody fee which depends on the type and location of the custodial assets of the Company. Variable transaction charges are also chargeable.

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 total return;
- Premium/discount of share price to net asset value per share; and
- Ongoing charges ratio.

Please refer to the Glossary beginning on page 77 for definitions of these terms and an explanation of how they are calculated.

Net asset value return against the benchmark

The Company's net asset value per share is shown on the Statement of Financial Position on page 55. 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 total return was -3.0%, outperforming the benchmark by 6.3% (2017: 21.2%, underperforming the benchmark by 4.1%).

A full description of performance during the year under review is contained in the Investment Manager's Review commencing on page 12 of this annual report.

Share price total return

The Directors also regard the Company's share price total 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 total return was -9.4%, underperforming the benchmark by 0.1% (2017: 24.5%, underperforming the benchmark by 0.8%).

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/or buy-backs is at the discretion of the Board.

As at 31 December 2018, the discount of the Company's share price to the net asset value per share was 2.6% (2017: premium of 4.3%). 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 implemented a share issuance programme. Further details are provided in the Chairman's Statement on pages 5 to 7.

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 2018 the ongoing charges ratio was 1.5% (2017: 1.7%).

Risk Management

The Board is responsible for the ongoing identification, evaluation and management of the principal risks faced by the Company and the Board has established a process for the regular review of these risks and their mitigation. This process accords with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The risks are broadly unchanged from the previous year.

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; and
- Accounting, legal and regulatory.

The following sections detail the risks the Board considers to be the most significant to the Company under these headings:

Principal Risks and Uncertainties	Mitigation
Investment Activity and Strategy	
An unsuccessful investment strategy leads to underperformance against the Company's benchmark index and peer companies, thereby failing to achieve the Company's investment objective.	The Board regularly reviews the Company's investment mandate and its long-term investment strategy in relation to market and economic conditions, and the performance of the Company's peers. 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. The Board sets appropriate investment restrictions and guidelines.
The departure of a key individual at Fundsmith may affect the Company's performance.	The Investment Manager reports to the Board on developments at Fundsmith including succession and business continuity plans.
Financial	
The financial risks associated with the Company include market risk (including counterparty risk), liquidity risk and credit risk.	The Company's assets comprise liquid securities, which can be sold to meet funding requirements, if necessary. Further information on financial instruments and risk can be found in note 15 to the financial statements beginning on page 67.
A counterparty fails adversely affecting the Company through either delay in settlement or loss of assets.	The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets. The Company's Investment Manager is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses. The Board reviews the Investment Manager's approved list of counterparties and their internal control reports.
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.	The Board sets the Company's policy on hedging, which is detailed on page 8.

Principal Risks and Uncertainties	Mitigation
Shareholder Relations and Corporate Governance The Company becomes unattractive to investors, leading to the Company's shares trading at a significant discount to the net asset value per share.	The Board receives regular reports on shareholder activity and is kept informed of shareholder sentiment. Regular contact is maintained with major shareholders. 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.
Poor adherence to corporate governance best practice or errors or irregularities in published information could lead to censure by the FCA and/or result in reputational damage to the Company.	Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Report beginning on page 30.
Operational Disruption to, or failure of, accounting, dealing or payments systems in place at the Company's service providers, including the 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 report from the 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 41.
Accounting, Legal and Regulatory The regulatory environment in which the Company operates may change, affecting the Company's *modus operandi*.	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. With regard to the UK's exit from the European Union ("Brexit"), the Board believes that this does not pose a unique risk to the Company and is unlikely to affect the Company's share price or how its shares are sold. However, the Board will continue to monitor regulatory developments.
Failure to comply with appropriate law and regulations could expose the Company to serious financial loss and reputational damage.	The Company's Depositary reports twice yearly 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. The Directors attend conferences and events to keep up to date on regulatory changes and the Board has appointed a specialist investment trust Company Secretary who provides industry and regulatory updates at each meeting.

Brexit

The Board has considered whether the UK's exit from the European Union ("Brexit") poses a unique threat to the Company. Despite the proximity of the deadline, there is still considerable uncertainty around both the process and the effects of Brexit. This makes any analysis necessarily general at this stage.

The effect of even a no-deal Brexit is likely to be very limited on our investee companies as they have an immaterial exposure to the UK market. As the Company is priced in sterling, however, sharp movements in exchange rates can affect the net asset value (see page 70 for the foreign currency sensitivity analysis). This is clearly not a reflection on the underlying value of the companies in their base currencies but may lead to an increase or decrease in the Company's net asset value simply because of movements in sterling.

Further, whilst the Company's current shareholders are predominantly UK based holders, sharp or unexpected changes in investor sentiment, or tax or regulatory changes, could lead to short term selling pressure on the Company's shares which potentially could lead to the shares trading at a discount to the net asset value per share.

Overall, however, the Board believes that, over the longer term, Brexit is unlikely to affect the Company's business model or whether the shares trade at a premium or discount to the net asset value per share. The Board will continue to monitor developments as they occur.

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. Taking account of the anticipated investment holding periods and the medium term prospects of the Company's investment portfolio, the Board decided that a four year period was appropriate for their assessment.

In reviewing the Company's viability, the Board considered the Company's position with reference to its business model, the principal risks and uncertainties as detailed on pages 24 to 25 of this report, and its present and expected financial position. In considering the Company's financial position, the Board reviewed the liquidity of the Company's portfolio and the Company's forecast expenses and cash flows. In addition, the Board considered the appropriateness of the Company's current investment objective in the prevailing investment market and environment.

The Board regularly reviews the prospects for the Company's portfolio and receives reports from the Investment Manager on the opportunities for new investments. The Board also reviews the Company's financing arrangements at least quarterly to ensure that the Company is able to continue to meet its liabilities as they fall due.

The Directors have assumed that:

- the Board and the Investment Manager will continue to adopt a long-term view when making investments;
- investors will continue to wish to have exposure to listed companies in emerging markets;
- 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 formed a reasonable expectation that the Company will continue in its operations and meet its expenses and liabilities as they fall due over the next four years.

Non-financial Information

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 annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In 2017, in response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.feetplc.co.uk. The policy is reviewed annually by the Audit Committee.

Social, Human Rights and Environmental Matters

The Company is an externally-managed investment trust, with no employees and four non-executive Directors. Therefore, the Company has no material, direct impact on the environment or the community and the Company itself has no environmental, human rights, social or community policies. In carrying out its activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

The Directors, through the Investment Manager, encourage companies in which investments are made to adhere to best practice with regard to corporate governance. The Investment Manager's approach to corporate governance in emerging markets is set out in their Investment Philosophy beginning on page 19.

As an investment company, the Company does not provide goods and services in the normal course of business and does not have customers or employees. Accordingly, the Company falls outside the scope of the Modern Slavery Act 2015. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

Performance and Future Developments

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 12.

The Directors continue to believe that the emerging markets sector together with Fundsmith's investment strategy should provide good returns for the long-term investor.

It is expected that the Company's overall corporate and investment strategies will remain unchanged in the coming year.

This Strategic Report on pages 2 to 27 has been signed for and on behalf of the Board.

Martin Bralsford
Chairman
21 March 2019

Board of Directors

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.

Rachel de Gruchy

Appointed to the Board of Directors on 1 June 2018, Rachel has over thirty years of international investment industry experience having held senior roles in Jersey and Australia. She began her career with Laurie, Milbank & Co in Jersey and was a Director of Matheson Securities (CI) Ltd (owned by the Jardine Matheson Group) from 1993 to 1997, subsequently moving to a role specialising in advisory and client portfolio management services with Wilson Investment Group Ltd in Australia. From 2013 to 2018 Rachel was Managing Director, Jersey Branch of IAM Advisory, which provides an independent investment advisory service, including performance measurement and manager research, to professional trustees, charities, sovereign wealth and UHNWI clients. Rachel is a Chartered Fellow of the Chartered Institute for Securities and Investment (CISI), having been previously elected a Member of the London Stock Exchange in 1989 and is a designated Chartered Wealth Manager. She holds the CISI Diploma and has a Masters of Applied Finance, the Institute of Directors (IoD) Diploma in Company Direction and is a Member of the IoD.

David Potter

Chairman of the Management Engagement Committee and Senior Independent Director

After 35 years in the City (CSFB, Montagu, Midland, Guinness Mahon, Investec) David has spent the last 18 years as a chairman, non-executive director, trustee and advisor 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 and Chairman of the Bryanston and National Film & TV School Foundations.

John Spencer

Chairman of the Audit Committee

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, ICAP SEF (US) LLC and ICAP Global Derivatives Limited.

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

Meeting Attendance

The number of Board and Committee meetings held during the year to 31 December 2018, and each Director's attendance, is shown below:

Type and number of meetings held during the year ended 31 December 2018	Board (4)	Audit Committee (2)	Management Engagement Committee (1)
Martin Bralsford	4	2	1
Rachel de Gruchy (appointed 1 June 2018)	2	1	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 2018
Martin Bralsford	100,000
Rachel de Gruchy	2,000
David Potter	14,511
John Spencer	5,000

There have been no changes in the above Directors' interests to the date of this report.

Manager's Interests

As at the date of this report, Terry Smith of Fundsmith LLP, the Company's Investment Manager, held interests in 580,000 (2017: 530,000) shares in the Company.

Corporate Governance

The Board has considered the principles and recommendations of the 2016 AIC Code of Corporate Governance (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 principles set out in the 2016 UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders and the Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the UK Listing Rules.

During 2018, a new UK Corporate Governance Code was published by the Financial Reporting Council, which applies to companies with financial years beginning on or after 1 January 2019. A corresponding AIC Code of Corporate Governance was published at the beginning of February 2019, also applying to companies with financial years beginning on or after 1 January 2019. The Company will report against the principles and recommendations of the new AIC Code in its next annual report.

The AIC Code and the AIC Guide can be viewed on the AIC's website www.theaic.co.uk and the UK Code can be viewed on the Financial Reporting Council website www.frc.org.uk.

Statement of Compliance

The Company has complied with the recommendations of the 2016 AIC Code and the relevant 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 particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Board and Committees

Responsibility for effective governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company, it has no employees and outsources investment management, risk management, company management, company secretarial, administrative and marketing services to third parties.

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 Directors have decided that, given the size of the Board, it is unnecessary to form separate remuneration and nomination committees; the duties that would ordinarily fall to those committees are carried out by the Board as a whole. However, the Chairman takes no part in discussions involving his own remuneration.

The Board

Chairman – Martin Bralsford

Three additional non-executive Directors, all considered independent.

Key roles and responsibilities:

- to provide leadership and set strategy within a framework of prudent, effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

Chairman – David Potter

All Directors

Key roles and responsibilities:

- to review regularly the contracts, the performance and the remuneration of the Company's principal service providers.

Audit Committee

Chairman – John Spencer

All Directors

Key roles and responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to review the performance of the Company's external Auditor.

Risk Management and Internal Controls

A description of the Company's risk management systems and the Board's review of internal controls is provided in the Strategic Report on pages 24 and 25 and the Audit Committee Report on page 41.

Board of Directors

Directors' Independence

The Board consists of four 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. Accordingly, 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.

Board Evaluation

During the course of 2018 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.

In addition, prior to the appointment of Rachel de Gruchy as a Director of the Company on 1 June 2018, a detailed skills review was undertaken to ensure that the Board would have an appropriate balance of skills, knowledge and experience, and that the Directors would work well together and have a good rapport.

The Chairman and the Directors are satisfied that the structure and operation of the Board continues to be effective and relevant and that there is a satisfactory mix of skills, experience, length of service and knowledge of the Company.

All Directors submit themselves for election and annual re-election respectively by shareholders. Following the evaluation process, the Board recommends that shareholders vote in favour of their re-election at the Annual General Meeting.

Succession Planning

The Board regularly considers its structure and recognises the need for progressive refreshments.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge. The plan is reviewed annually and at such other times as circumstances may require.

Appointments to the Board

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association and the aforementioned Succession Planning Policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next Annual General Meeting. The minimum number of directors is two and the maximum is 10. When considering new appointments, the Board will review the skills of the Directors and seek to add persons with complementary skills, or skills and experience which fill any gaps in the Board's knowledge, and who can devote sufficient time to the Company to carry out their duties effectively. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

During the year, Rachel de Gruchy was appointed as a Director following the Board's annual review of its composition, diversity, efficacy and length of service. Having regard to the Company's Articles of Association and the Board's Succession Planning Policy, and after discussions with two executive search agencies, the Board drew up a list of desirable skills and industry experience for a new director.

Ms de Gruchy has attended and contributed to FEET Board and Committee meetings since 2015 as part of a Board apprentice scheme. In view of her valued contributions, extensive international investment and financial markets experience, and her relevant qualifications as summarised in her biography on page 28, the Board decided that Ms de Gruchy would be the best candidate for the role.

Policy on Director Tenure

The Board subscribes to the view expressed within the 2016 AIC Code that long-serving directors should not be prevented from forming part of an independent majority. It does not consider that a directors' tenure necessarily reduces his ability to act independently. 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 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 will be appointed with the expectation that they will serve for a minimum of three years subject to shareholder approval.

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 will take 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. The Board is currently comprised of three men and one woman, meeting Lord Davies' original recommendation.

Induction/Development

New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. 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. Directors are encouraged to participate in training courses where appropriate.

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, The Northern 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.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

The Company has also arranged Directors' and Officers' Liability Insurance which provides cover for legal expenses under certain circumstances. This was in force for the entire period under review and up to the date of this report.

Company Secretary

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 the Board procedures are followed and that the Company complies with applicable rules and regulations. The Company Secretary is also responsible for ensuring good information flows between all parties.

Board Meetings and Relations with the Investment Manager

The Board meets regularly throughout the year and a representative from Fundsmith is in attendance at each Board meeting to address questions on specific matters and to seek approval for specific transactions which Fundsmith is required to refer to the Board. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

The primary focus at regular Board meetings is the review of investment performance and associated matters, including gearing, asset allocation, marketing/investor relations, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expenses projections, analyses of asset allocation, transactions, performance comparisons, share price and net asset value performance.

The Board reviews the discount or premium to net asset value per share of the Company's share price at each Board meeting and considers the effectiveness of the Company's marketing and communication strategies, as well as any recommendations on share buybacks and issuance.

The Board is responsible for strategy and reviews the continued appropriateness of the Company's investment objective, strategy and investment restrictions at each meeting.

Shareholder Communications

Shareholder Relations

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.

An analysis of the shareholder register of the Company is provided to the Directors at each Board meeting. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues.

Shareholder Communications

The Company aims to provide shareholders 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 yearly reports. This is supplemented by the daily publication through the London Stock Exchange of the net asset value of the Company's shares.

The Company's website (www.feetplc.co.uk) is regularly updated with monthly fact sheets and provides useful information about the Company, including the Company's financial reports and announcements.

All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from Fundsmith, the Company Secretary, the Auditor, legal advisers and the Corporate Stockbroker.

The Board supports the principle that the AGM be used to communicate with private investors. It is the intention that the full Board will attend the AGM under the chairmanship of the Chairman of the Board. All shareholders are encouraged to attend the AGM, 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 AGM. 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, www.feetplc.co.uk.

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow.

Significant Holdings and Voting Rights

Details of the substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Report of the Directors on pages 35 to 38.

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
21 March 2019

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 2018.

The Corporate Governance report on pages 30 to 34 forms part of this report. Disclosures relating to performance, future developments and risk management can be found in the Strategic Report on pages 2 to 27.

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 premium segment of the Official List and traded on the main market of the London Stock Exchange.

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. 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 8 and the Investment Philosophy beginning on page 19.

Results and Dividend

The results attributable to shareholders for the year are shown on page 54.

In 2018 the Company made a revenue profit, and revenue losses from previous years have now been reversed. Under investment trust rules regarding distributable income, a final dividend will have to be paid to allow the Company to comply with those rules. The Company's objective remains to provide capital growth rather than income and, subject to the investment rules any dividends and distributions will continue to be at the discretion of the Board from time to time.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 2p per ordinary share will be paid on 29 May 2019 to shareholders on the record on 26 April 2019. The associated ex-dividend date is 25 April 2019.

Information on the Company's dividend policy is also detailed in the Chairman's Statement on page 6.

Alternative Performance Measures

The Financial Statements (on pages 46 to 72) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 2 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on page 23. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company's performance. The measures used for the year under review have remained consistent with the prior year.

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary on page 77 to 78.

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 beginning on page 74.

Continuing Appointment of the Investment Manager and AIFM

The Board has reviewed the continuing appointment of the Investment Manager and AIFM and 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 the 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 liquid securities and, accordingly, the Company has adequate financial resources to continue in operational existence for at least the next 12 months.

Continuation Vote

The Company's constitutional documents require that, if after the end of the fourth financial year of the Company's existence (being the year ended 31 December 2018) or any subsequent year, the Company's Ordinary Shares have traded, on average, at a discount in excess of 10 per cent. of Net Asset Value per Ordinary Share in that year, the Directors will consider proposing a special resolution at the Company's next annual general meeting that the Company ceases to continue in its present form. As the Company's shares traded at an average premium of 1.0 per cent. during the year ended 31 December 2018, no such resolution will be proposed at the forthcoming AGM.

Directors

The Directors of the Company who held office during the year and up to the date of signature of the financial statements are shown below. Further information on the Directors can be found on page 28.

Martin Bralsford *(Chairman)*
Rachel de Gruchy (appointed 1 June 2018)
David Potter
John Spencer

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

Directors' & Officers' Liability Insurance Cover

Directors' & officers' liability insurance cover was maintained by the Company during the year ended 31 December 2018. It is intended that this policy will continue for the year ending 31 December 2019 and subsequent years.

Directors' Indemnities

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

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

Substantial Share Interests

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

	28 February 2019		31 December 2018	
Shareholder	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Hargreaves Lansdown	3,106,260	11.68	3,108,429	11.78
Mr Simon Justin Nixon	2,000,000	7.52	2,000,000	7.58
Alliance Trust	1,314,515	4.94	1,233,258	4.67
AJ Bell Securities	1,211,193	4.56	1,233,254	4.67
Interactive Investor	1,049,249	3.95	1,053,910	3.99
Mr Duncan Cameron	1,000,000	3.76	1,000,000	3.79
Charles Stanley Group	809,061	3.04	769,498	2.92

As at 31 December 2018 the Company had 26,390,056 shares in issue. As at 20 March 2019 (the latest practicable date before publication of the Annual Report) the Company had 26,590,056 shares in issue.

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, Link Asset Services, or to the Company directly.

Capital Structure

The Company's capital structure is summarised in note 12 on page 67.

Share Capital

At the start of the year under review, the Directors had shareholder authority to issue up to 5,000,638 ordinary shares of 1 penny each on a non-pre-emptive basis. At the Company's annual general meeting held on Wednesday, 23 May 2018, this authority expired and a new authority to allot up to 2,523,755 ordinary shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis was granted. Authority to repurchase up to 3,783,109 ordinary shares was also granted.

In the meeting notice of the 2018 AGM, the Board had sought authority from shareholders to issue a further 15% of the Company's issued share capital without pre-emption rights in a separate resolution. This additional authority had, in the past, facilitated the smooth running of the share issuance programme. However, as a significant number of the proxy votes received before the meeting were against granting this further authority, the proposed resolution was withdrawn before the meeting. After discussion with the Company's advisers and major shareholders, the Board has decided that it will no longer propose that shareholders grant this further authority.

During the year, the Company issued 1,727,500 ordinary shares at a minimum premium of 1.5% to the last published cum-income net asset value per share. Details are provided in notes 12 and 13 to the Financial Statements on page 67. Since the year-end and to the date of this report, a further 200,000 new shares have been issued under the same issuance criteria.

No shares were repurchased during the year and there are no shares held in Treasury.

The giving of powers to issue or buy-back the Company's shares requires the relevant resolutions to be passed by Shareholders. Proposals for the renewal of the Board's powers to issue and buy-back shares are set out in the Notice of Annual General Meeting beginning on page 81.

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 84.

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 made, 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

The Directors confirm that there are no disclosures to be made in regard of Listing Rule 9.8.4.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Company's registrar, Link Asset Services, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Key Information Document

The European Union's Packaged Retail Investment and Insurance-based Products (PRIIPs) Regulations cover investment trusts and require Boards or AIFMs to prepare a Key Information Document (KID) in respect of their companies. FEET's KID is available on the Company's website. Investors should note that the processes for calculating the risks, costs and potential returns in the KID are prescribed by EU law and the Company has no discretion over the format or content of the document. The illustrated performance returns in the KID cannot be guaranteed and, together with the prescribed cost calculation and risk categorisation, may not reflect figures for the Company derived using other methods. Accordingly, the Board recommends that investors also take account of information from other sources, including the Annual Report.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at the Barber Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 22 May 2019 at 1.00pm.

Explanatory notes to the proposed resolutions can be found on pages 87 to 88.

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

By order of the Board

Frostrow Capital LLP
Company Secretary
21 March 2019

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, the Directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provided additional disclosures when compliance with the specific requirements in IFRS were insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- prepared the financial statements on a going concern basis.

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.

Disclosure of Information to the Auditor

The Directors at the time of approving the Report of the Directors are listed on page 36. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditor is unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Statement of Directors' Responsibilities:

The Financial Statements are published on the Company's website (www.feetplc.co.uk). The maintenance and integrity of the website is the responsibility of the AIFM. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider 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 position and performance, business model and strategy.

Each of the Directors, who are listed on page 36 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company for the year ended 31 December 2018; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Martin Bralsford
Chairman
21 March 2019

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2018. The Committee met twice during the year. Attendance by each Director is shown in the table on page 29. The Committee also met on 12 March 2019 to consider this report.

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles and to assess the effectiveness of the audit. The Committee's role and responsibilities are set out in full in its terms of reference which are available on request from the Company Secretary and can be seen on the Company's website (www.feetplc.co.uk). A summary of the Committee's main responsibilities and how it has fulfilled them is set out below.

Composition

The Audit Committee comprises all the Directors whose biographies are set out on page 28. The Committee considers that each member has recent and relevant experience in accounting or auditing and that the Committee as a whole has experience relevant to the investment trust industry.

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 were fair, balanced and understandable, allowing shareholders to more easily assess the Company's strategy, investment policy, business model, position 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 reviews the need for non-audit services to be performed by the Auditor in accordance with the Company's non-audit services policy, and authorises such on a case by case basis having given consideration to the cost-effectiveness of the services and the objectivity of the Auditor. During the year, Deloitte provided tax compliance services to the Company for a fee which is not considered material. An analysis of the Auditor's remuneration can be found on page 62.

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.

Meetings and Business

The following matters were dealt with at the Committee's meetings:

February 2018

- Review of the Committee's terms of reference and non-audit services policy;
- Review of the Company's annual results;
- Approval of the annual report and financial statements;
- Review of risk management, internal controls and compliance; and
- Review of the outcome of the audit and discussion of matters arising.

July 2018

- Review of the Auditor's plan and terms of engagement for the 2018 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 and approval of formal audit tender guidelines;
- Review of the Company's half-year results; and
- Approval of the half-year report.

Financial Statements

The Board has asked 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 and ownership of the Company's Investments
The Committee reviews the valuation and existence of investments every six months. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary.

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 58 to 61, have been applied consistently throughout the year and the prior period where applicable. Two new standards were applied during the year: IFRS 9 – Financial Instruments replacing IAS 39, and IFRS 15 – Revenue from Contracts with Customers. For further details please see page 61.

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 36.

Risk Management and Internal Controls

The Directors have identified (Strategic Report pages 24 to 25) five main areas of risk: Investment Activity and Strategy, Financial, Shareholder Relations and Corporate Governance, Operational and Accounting, Legal and Regulatory and have 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. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

The Board has overall responsibility for the Company's risk management and 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. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

External Auditor

Meetings:
This year the nature and scope of the audit together with Deloitte LLP's audit plan were considered by the Committee on 24 July 2018.

The Committee met Deloitte LLP (the "Auditor") on 12 March 2019 to review the outcome of the audit and the draft 2018 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 potential 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) and Fundsmith LLP (as AIFM) 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.

Non-Audit Services
The Audit Committee monitors the level of non-audit work carried out by the Auditor, if any, and seeks assurances from the Auditor that they maintain suitable policies and procedures 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 conflicts 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. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit. In addition, non-audit fees must not exceed 70% of the average audit fees paid in the last three years.

Details of the fees paid to the Auditor for audit services and non-audit services are set out in note 5 to the Financial Statements on page 62.

Audit Tendering
Deloitte LLP has been the appointed Auditor, and Stuart McLaren the designated audit partner, since the Company's launch in 2014. Deloitte carried out the audit for the years ended 31 December 2014-2018 and was considered independent by the Board. This audit is Stuart McLaren's last audit for the Company. He will be succeeded by Chris Hunter as Audit Partner.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. 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.

The Committee has adopted formal audit tender guidelines to govern the audit tender process.

Auditor Reappointment

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.

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.

John Spencer
Chairman of the Audit Committee
21 March 2019

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. 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 46 to 53.

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.

Directors' fees during the year were: £30,000 for the Chairman and £25,000 for Directors. In addition, Directors who chair a Board committee receive an additional £2,000 per annum.

All levels of remuneration reflect both the time commitment and responsibility of the role.

The projected fees for 2019 are set out on page 45.

Directors' Fees and Expenses

The Directors, as at the date of this report, received the fees listed in the table above. 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.

No payments were made to former directors of the Company during the year (2017: nil).

Single Total Figure of Remuneration (audited)

	Date of Appointment to the Board	Fees 2018 (£)	Fees 2017 (£)
Martin Bralsford (*Chairman*)	23 May 2014	30,000	25,000
Rachel de Gruchy	1 June 2018	14,600	N/A
David Potter	23 May 2014	27,000	20,000
John Spencer	23 May 2014	27,000	20,000
Total		**98,600**	**65,000**

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

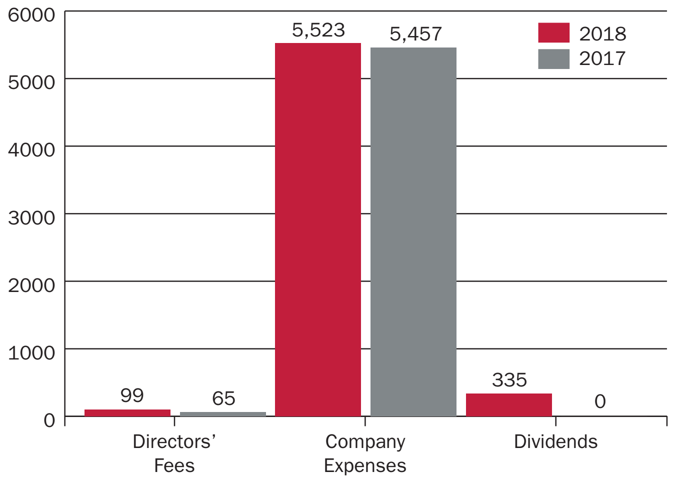
Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Share Price Total Return

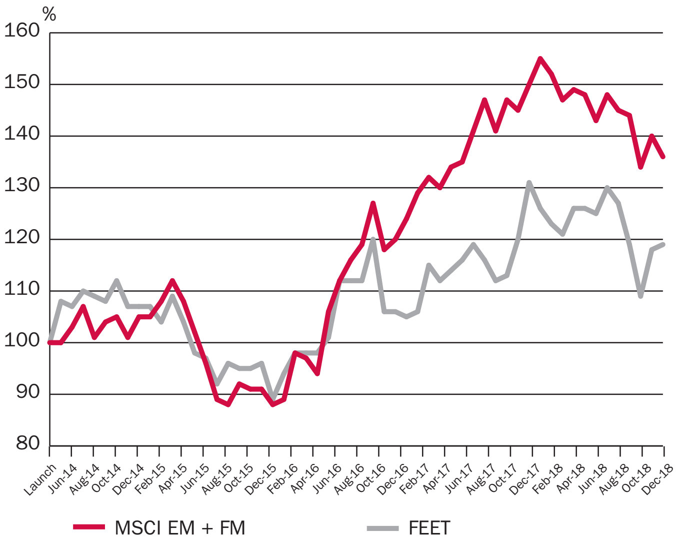
A performance comparison is required to be presented in this report. As the Company was incorporated on 31 October 2013 and commenced trading on 25 June 2014, the performance comparison is shown for the period from 25 June 2014 to 31 December 2018 using the MSCI Emerging and Frontier Markets Index on 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.

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 December 2017 and 2018.



Total Shareholder Return for the period 25 June 2014 to 31 December 2018



Source: MSCI/Bloomberg

Statement of Voting at the Annual General Meeting

At the AGM held on 23 May 2018, 2,565,481 votes (99.19%) were received in favour of the resolution seeking approval of the Directors' Remuneration Report, 7,182 (0.28%) were against, and 11,763 votes were withheld; the percentage of votes excludes votes withheld.

Directors' Interests in the Company's Shares as at 31 December 2018 (audited)

	Ordinary shares of 1p each 2018	2017
Martin Bralsford *(Chairman)*	100,000	100,000
Rachel de Gruchy	2,000	N/A
David Potter	14,511	14,511
John Spencer	5,000	5,000
Total	**121,511**	**119,511**

Directors are not required to hold shares in the Company.

No changes have been notified to the date of this report.

Martin Bralsford
Chairman
21 March 2019

Directors' Remuneration Policy Report

The Company's Remuneration Policy provides that fees payable to the Directors should reflect the value of 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. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. Directors may also earn a pro rata day rate in connection with extraordinary corporate events or transactions requiring them to commit significant extra time to the Company. The current and projected Directors' fees for 2018 and 2019 are shown in the table below. The Company does not have any employees.

Directors' Fees Projected and Current

	Fees 2019 (£)	Fees 2018 (£)
Martin Bralsford	30,000	30,000
Rachel de Gruchy	25,000	14,600
David Potter	27,000	27,000
John Spencer	27,000	27,000
Total	**109,000**	**98,600**

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. This policy was last approved by shareholders at the AGM held on 23 May 2018. 2,563,535 votes (99.63%) were received in favour, 9,628 (0.37%) were against, and 11,263 votes were withheld; the percentage of votes excludes votes withheld. Accordingly, an Ordinary Resolution for the approval of this policy will be considered again by shareholders at the Annual General Meeting in 2021. Further details are provided in the notice of the meeting beginning on page 81.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fundsmith Emerging Equities Trust plc (the 'Company'):

- **give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit 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.**

We have audited the financial statements which comprise:

- **the income statement;**
- **the statement of financial position;**
- **the statement of changes in equity;**
- **the statement of cash flows; and**
- **the related notes 1 to 17.**

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation of investments
- Ownership of investments
- Revenue recognition

Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .

Materiality

The materiality that we used in the current year was £3.2 million which was determined on the basis of 1% of net assets as at 31 December 2018.

Scoping

We scope our audit work by assessing the risks of material misstatement through using both quantitative and qualitative factors relating to the account balances, classes of transactions and disclosures.

Significant changes in our approach

There were no significant changes to our audit approach from the prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in note 1a 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.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 24-25 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 24 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; or
- the Directors' explanation on page 26 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 confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investments

Key audit matter description

As an investment entity, the Company holds investments of £321 million as at 31 December 2018 (2017: £307 million) which has increased by 4.6% from the prior year-end. These represent the most quantitatively significant financial statement line on the balance sheet. The Company engaged Northern Trust as administrator, custodian and depositary from 2 January 2018.

In addition, the investments held at fair value through the income statement are the main driver of the Company's performance and net asset value. The portfolio of investments has a wide geographical spread and 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. This may result in a material misstatement within the investments held at fair value through the income statement and also the fair value hierarchy for investments disclosures.

Refer to note 1e for the accounting policy on investments and details of the investments are disclosed in note 9. The valuation of investment risk is included within the Audit Committee report on page 41.

How the scope of our audit responded to the key audit matter

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

- We critically assessed the design and implementation of controls in place to value the investment portfolio within the Northern Trust service organisation controls report. In addition, we assessed whether the service auditors were professionally competent and that the scope of the controls tested were appropriate to gain assurance over the risk identified;
- We agreed 100% of the last traded prices of quoted investments on the schedule of investments at year-end to closing bid prices published by an independent pricing source and investigated total portfolio difference that is above the reporting threshold;

In addition, we performed the following procedures to address whether the investment portfolio was actively traded and designated with the correct fair value hierarchy:

- We identified investments that were not actively traded and considered indicators of impairment;
- We monitored the post year-end volume of trade data, the number of 'zero trade' days and also the bid-ask spreads on investment holdings that were not traded out within 10 business days from the year end; and
- We assessed the fair value designations had been correctly assigned and presented in the financial statements.

Key observations

There were no differences that exceeded the reporting threshold between the prices used by the Company for valuing its listed investments and the independent pricing sources used in our valuation testing.

We found from our analysis detailed above that eight investments (2017: five) held at the year end with a total fair value of £38.7 million (2017: £20.8 million) were not trading actively. This indicated that a level 2 fair value should be applied to these investments. Management changed 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 fair value categorisation of investments at year end has been appropriately disclosed in note 9 of the financial statements.

Ownership of Investments

Key audit matter description

The Company holds investments of £321 million as at 31 December 2018 (2017: £307 million) which has increased by 4.6% from the prior year-end. These represent the most quantitatively significant financial statement line on the balance sheet. There is a risk that investments recorded may not be owned by the Company at year end. The Company engaged Northern Trust as administrator, custodian and depositary from 2 January 2018.

Refer to note 1e for the accounting policy on investments and details of the investments are disclosed in note 9. The ownership of investment risk is included within the Audit Committee report on page 41.

How the scope of our audit responded to the key audit matter

We performed the following procedures to address this risk:

- We reviewed the Northern Trust service organisation controls report to understand and document the design and implementation of controls over ownership of investments. In addition, we also assessed whether the service auditors were professionally competent and that the scope of the controls were appropriate to give us assurance over the risk identified; and
- We confirmed the ownership of all investments at the year-end date by obtaining independent third party confirmations directly from the custodian.

Key observations

No issues were identified from our review of the Northern Trust service organisation report and assessment of the related service auditor.

We did not identify differences in the investment holdings when agreeing the Company's investment portfolio to the confirmation received directly from the custodian.

Revenue recognition

Key audit matter description

Dividend income of £7 million for the year ended 31 December 2018 (2017: £6 million) from equity investments is accounted for on an ex-dividend basis. Overseas dividends are included gross of any withholding tax. We identified the risk of fraud in revenue recognition as a key audit risk since dividend income may not be fully captured.

1. There is a risk that dividend income from the various overseas equity investments 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 that dividend income for the year is not complete. Dividends declared for the investments held may not all be recorded on the general-ledger.

Refer to note 1c for the revenue accounting policy and details of revenue are disclosed in note 2. The revenue recognition risk is included within the Audit Committee report on page 41.

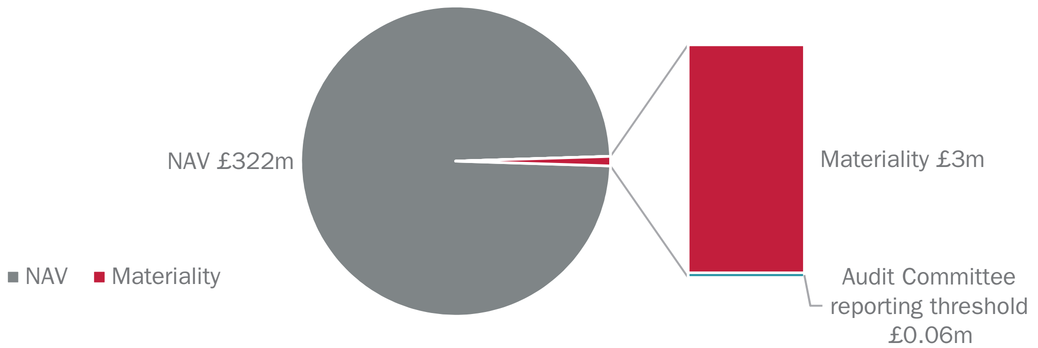
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this risk: ● We critically assessed the design and implementation of controls over revenue recognition for monitoring of completeness, accuracy and cut-off of revenue transactions within the Northern Trust service organisation controls report. In addition we assessed whether the service auditors were professionally competent and that the scope of the controls tested are appropriate to provide assurance over the risk identified; and ● We obtained a listing of all 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 dividends were taken and the ex-dividend dates and rates were compared to the ledger. We recalculated the expected income and compared this to the ledger.
Key observations	No misstatements in relation to revenue recognition, revenue accuracy, and revenue completeness were identified which required reporting to those charged with governance.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.2 million (2017: £3.1 million)
Basis for determining materiality	1% (2017: 1%) of net assets.
Rationale for the benchmark applied	Net assets has been chosen as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



We agreed with the Audit Committee that we would report all audit differences in excess of £0.06 million (2017: £0.06 million), 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

There were no changes to the scope of our audit from the prior year. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement performed directly by the audit engagement team.

We note that the accounting and administration for the Company changed from State Street to Northern Trust as a third-party service organisation starting 2 January 2018. As part of our audit we assessed the design and implementation of relevant controls in place at Northern Trust who prepare the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: completeness and accuracy of investment income given the nature of revenue being a key performance indicator and an area of focus to users of the financial statements; and
- obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included financial reporting including Companies Act 2006 and UK Listing Rules, as well as the Company qualification as an Investment Trust under UK tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 11 November 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagements including previous renewals and reappoints of the firm is five years, covering the years ending 31 December 2014 to 31 December 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

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

Stuart McLaren (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
21 March 2019

Income Statement

	Notes	For the year ended 31 December 2018 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2017 Revenue £'000	Capital £'000	Total £'000
Dividend income	2	6,970	–	6,970	5,989	–	5,989
Gains/(losses) on investments							
(Losses)/gains on investments held through profit and loss	9	–	(10,441)	(10,441)	–	53,350	53,350
Gains/(losses) on foreign exchange transactions		17	22	39	(34)	(479)	(513)
Management fees	4	(3,933)	–	(3,933)	(3,409)	–	(3,409)
Other expenses including dealing costs	5	(1,119)	(570)	(1,689)	(1,183)	(930)	(2,113)
Profit/(loss) before tax		1,935	(10,989)	(9,054)	1,363	51,941	53,304
Tax	6	(552)	–	(552)	(368)	–	(368)
Profit/(loss) for the year		1,383	(10,989)	(9,606)	995	51,941	52,936
Earnings per share (basic and diluted) (p)	7	5.35	(42.47)	(37.12)	4.12	215.37	219.49

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

All of the profit 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 58 to 72 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2018 £'000	As at 31 December 2018 £'000	As at 31 December 2017 £'000	As at 31 December 2017 £'000
Non-Current Assets					
Investments held at fair value through profit and loss	9	321,493		306,646	
			321,493		306,646
Current Assets					
Receivables	10	676		331	
Cash and Cash Equivalents		2,709		5,318	
			3,385		5,649
			324,878		312,295
Current Liabilities					
Trade and other payables	11	(2,392)		(1,622)	
			(2,392)		(1,622)
			322,486		310,673
Equity Attributable to Equity Shareholders					
Ordinary share capital	12		264		246
Share Premium	13		78,560		57,159
Capital Reserves			242,391		253,380
Revenue Reserve			1,271		(112)
			322,486		310,673
Net Asset Value per share (p)	**14**		**1,222.0**		**1,259.7**

The financial statements on pages 54 to 72 were approved by the Board on 21 March 2019 and were signed on its behalf by:

Martin Bralsford
Chairman

The accompanying notes on pages 58 to 72 are an integral part of these financial statements.
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 2018

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2018		246	57,159	253,380	(112)	310,673
(Loss)/profit for the year		–	–	(10,989)	1,383	(9,606)
		246	57,159	242,391	1,271	301,067
Issue of Share Capital		18	21,401	–	–	21,419
Balance at 31 December 2018	12	**264**	**78,560**	**242,391**	**1,271**	**322,486**

For the year ended 31 December 2017

	Notes	Share Capital £'000	Share Premium £'000	Capital Reserves £'000	Revenue Reserve £'000	Total £'000
Balance at 1 January 2017		229	38,022	201,439	(1,107)	238,583
Profit for the year		–	–	51,941	995	52,936
		229	38,022	253,380	(112)	291,519
Issue of Share Capital		17	19,137	–	–	19,154
Balance at 31 December 2017	12	**246**	**57,159**	**253,380**	**(112)**	**310,673**

The accompanying notes on pages 58 to 72 are an integral part of these financial statements.

Statement of Cash Flows

	For the year ended 31 December 2018 £'000	For the year ended 31 December 2017 £'000
Cash Flows used in Operating Activities		
(Loss)/profit for the year before taxation	(9,054)	53,304
Adjustments for:		
Loss/(gain) on investments	10,441	(53,350)
Gain/(loss) on foreign exchange	(39)	513
Sale of investments [a]	28,294	44,854
Purchases of investments [a]	(53,582)	(67,312)
(Increase)/decrease in receivables	(345)	1,770
Increase in payables	770	744
Overseas taxation paid	(552)	(368)
Net Cash Flow from Operating Activities	**(24,067)**	**(19,845)**
Cash Flows used in Financing Activities		
Proceeds from issue of new shares	21,526	19,250
Issue costs relating to new shares	(107)	(96)
Net Cash Flow from Financing Activities	**21,419**	**19,154**
Net Decrease in Cash and Cash Equivalents	**(2,648)**	**(691)**
Effect of foreign exchange rates	39	(513)
Change in cash and cash equivalents	(2,609)	(1,204)
Cash and Cash Equivalents at start of the year	5,318	6,522
Cash and Cash Equivalents at end of the year	**2,709**	**5,318**
Cash Flow from Operating Activities includes		
Interest paid	(4)	–
Dividends received	6,099	5,375

[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 58 to 72 are an integral part of these 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 (and updated in February 2018). 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 36. The Company is a UK listed company with a predominantly UK shareholder base. The results and the financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. The accounting policies have been disclosed consistently and in line with Companies Act 2006.

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

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

Statement of estimation uncertainty

In the application of the Company's accounting policies, management is required to make 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. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. 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 Income Statement. All other expenses are charged to revenue except expenditure of a capital nature, in which case they are treated as capital. The Board will, however, keep this under review and an appropriate amendment to this treatment will be made if required.

(e) Investments

Investments have been designated upon initial recognition at 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. For any unlisted investments, the fair value will be determined by using valuation techniques. These valuations will maximise the use of observable market data where it is available and with minimal reliance on entity specific estimates. For other investments which do not fit within this criteria the fair value will be determined by the Audit Committee with valuations recommended to the Board of the Company. The Audit Committee will consider the appropriateness of the valuations, models and inputs, using the various valuation methods in accordance with the Company's valuations policy.

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 capital on the Statement of Comprehensive Income.

1. Accounting Policies Continued

(f) Foreign Currencies

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

(g) Cash and Cash Equivalents

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

(h) Equity Dividends

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

(i) Capital Reserves

Gains or losses on realisation of investments 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, which has not been applied in these financial statements, was in issue but not yet effective:

IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

The Company does not believe that there will be a material impact on the financial statements or the amounts reported from the adoption of this standard.

1. Accounting Policies Continued

(k) Adoption of New and Revised Standards (continued)

In the current financial year the company has applied a number of new standards, amendments to standards and interpretations as follows:

IFRS 9 – Financial Instruments 2014 replaces IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial liabilities, impairment for financial assets and general hedge accounting. The Company measures all balance sheet items at fair value, there are no impaired assets and does not enter into general hedge accounting. There is no material impact on the Company in relation to the adoption of this standard.

IFRS 15 – Revenue from Contracts with Customers specifies how and when an entity should recognise revenue and enhances the nature of revenue disclosures. Due to the nature of the Company's revenue streams from financial instruments there is no material impact on the Company in relation to the adoption of this standard.

2. Dividend Income

	2018 £'000	2017 £'000
Overseas dividends	6,970	5,989
Total	**6,970**	**5,989**

3. Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being the investment business. The Company's objective is to be a core investment for investors seeking increasing capital growth and income over the long term. The accounting policies of the operating segment, which operates in the UK, are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on total profit before tax, which is shown in the Income Statement on page 54. A geographical split of the portfolio can be seen on page 11.

4. Investment Management Fee

	2018 £'000	2017 £'000
Investment Management Fee	3,933	3,409

As at 31 December 2018, an amount of £965,012 (2017: £904,604) was payable to the Investment Manager.
Details of the terms of the Investment Management Agreement are provided on page 22.

5. Other Expenses

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Transactions Costs on fair value through profit or loss assets	–	137	137	–	281	281
Directors' Fees	99	–	99	65	–	65
Employers' National Insurance Contributions	–	–	–	11	–	11
Auditor's Remuneration	43	–	43	32	–	32
Registrar Fees	29	–	29	30	–	30
Broker Fee	35	–	35	35	–	35
Company Secretarial Fees	115	–	115	90	–	90
Custody Fees	308	–	308	655	–	655
Depositary Fees	50	–	50	61	–	61
Postage and Printing	25	–	25	21	–	21
Legal Fees	41	–	41	61	–	61
Administration Fees	2	–	2	105	–	105
Other Expenses	372	433	805	17	649	666
Total Expenses	**1,119**	**570**	**1,689**	**1,183**	**930**	**2,113**

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 £82,823 (2017: £106,000) and on sales amounted to £54,371 (2017: £175,000).

Auditor's remuneration

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

Revenue	2018 £'000		2017 £'000	
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	31		31	
Total audit fees		31		31
Tax services				
(a) tax compliance service	12		1	
(b) other tax advisory services	–		–	
Total non-audit fees		12		1
Total fees paid		**43**		**32**

6. Taxation

(a) Analysis of tax charge in the year

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Taxation on ordinary activities						
UK corporation tax at 19% (2017: 19.2493%)	–	–	–	–	–	–
Irrecoverable overseas withholding tax	552	–	552	368	–	368
Total current tax for the year	**552**	**–**	**552**	**368**	**–**	**368**

The effective corporation tax rate of 19.2493% at 2017 is based on a marginal tax rate due to a change in rate during 2017 from 20% to 19%.

(b) The effective corporation tax rate was 19% (2017: 19.2493%). 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:

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before tax	**1,935**	**(10,989)**	**(9,054)**	**1,363**	**51,941**	**53,304**
Corporation tax at effective rate of 19% (2017: 19.2493%)	368	(2,088)	(1,720)	262	9,998	10,260
Effects of:						
Expenses not allowable for tax purposes	–	108	108	–	179	179
Non-taxable gains on investments	–	1,980	1,980	–	(10,177)	(10,177)
Overseas dividends not taxable	(1,328)	–	(1,328)	(1,146)	–	(1,146)
Overseas tax suffered	552	–	552	368	–	368
Increase in excess management and loan expenses	960	–	960	884	–	884
Total current year tax charge for the year	**552**	**–**	**552**	**368**	**–**	**368**

As at 31 December 2018, the Company had unutilised management expenses of £18.0 million (2017: £12.9 million) 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 per Ordinary Share is as follows:

	2018 Revenue pence	2018 Capital pence	2018 Total pence	2017 Revenue pence	2017 Capital pence	2017 Total pence
Earnings per Ordinary Share	**5.35**	**(42.47)**	**(37.12)**	**4.12**	**215.37**	**219.49**

Earnings per share is calculated based on returns for the year and the weighted average number of shares in issue during the year.

The total loss per share of (37.12)p (2017: gain of 219.49p) is based on a total loss attributable to equity shareholders of £(9,606,000) (2017: gain of £52,936,000).

The revenue gain per share of 5.35p (2017: 4.12p) is based on a revenue gain attributable to equity shareholders of £1,383,000 (2017: £995,000).

The capital loss per share of (42.47)p (2017: gain of 215.37p) is based on a capital loss attributable to equity shareholders of £(10,989,000) (2017: gain of £51,941,000).

The total revenue gain and total capital loss per share are based on the weighted average number of shares in issue of 25,875,583 (2017: 24,117,407) during the year.

8. Dividends

Dividends relating to the year ended 31 December 2018 which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered below:

Dividends proposed:

	2018 pence	2018 £'000	2017 pence	2017 £'000
Final dividend proposed*	2.00	532	–	–

* Not included as a liability in the year ended 31 December 2018 accounts.

The final dividend proposed is based on shares in issue at the record date or, if the record date has not been reached, on shares in issue on the date the Statement of Financial Position is signed.

The final dividend proposed will be paid on 29 May 2019 to Shareholders on the register on 26 April 2019. The associated ex-dividend date is 25 April 2019.

9. 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.

	2018 £'000	2017 £'000
Opening cost at 1 January	230,382	208,669
Opening unrealised gain/(loss) at 1 January	76,264	22,169
Valuation at 1 January	306,646	230,838
Purchases at cost	53,582	67,312
Sales – proceeds	(28,294)	(44,854)
Realised loss on sales	(7,538)	(745)
Investment holding unrealised (loss)/gain	(2,903)	54,095
Closing Fair Value at 31 December	321,493	306,646
Closing cost at 31 December	248,132	230,382
Closing unrealised gain at 31 December	73,361	76,264
Valuation at 31 December	321,493	306,646
(Loss)/gain on investments		
Loss on sales of investments	(7,538)	(745)
Unrealised (loss)/gain	(2,903)	54,095
(Loss)/gain on investments	**(10,441)**	**53,350**

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 2018, £282,795,000 (2017: £285,829,000) 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 2018, £38,698,000 (2017: £20,817,000) 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.

During the year to 31 December 2018, British American Tobacco (£138,000), Fan Milk Ltd (£682,000) and Philippine Seven Corp (£10,369,000) were transferred from level 1 to level 2. This was due to these securities having a lower volume of trade.

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

Fair value measurements recognised in the Statement of Financial Position

	2018			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit and loss	282,795	38,698	–	321,493
Total	**282,795**	**38,698**	**–**	**321,493**

	2017			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments held at fair value through profit and loss	285,829	20,817	–	306,646
Total	**285,829**	**20,817**	**–**	**306,646**

10. Receivables

	2018 £'000	**2017 £'000**
Accrued income	632	278
Other receivables	44	53
	676	**331**

The above receivables do not carry any interest and are short term in nature. The Directors consider that the carrying values of these receivables approximate their fair value.

11. Payables

	2018 £'000	**2017 £'000**
Management fee payable	965	905
Other fees payable	1,427	717
	2,392	**1,622**

12. Share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Issued, allotted and fully paid (ordinary)	26,390,056	264	24,662,556	246

During the year ended 31 December 2018, the Company issued 1,727,500 shares of £0.01 each (2017: 1,700,000) for a net consideration of £21,419,000 (2017: £19,153,986). Details of the shareholder authorities granted to Directors to issue and buy back shares during the year are provided on page 37.

13. Share Premium Account

	2018 £'000	2017 £'000
Balance at 1 January	57,159	38,022
Premium arising on issue of new shares	21,508	19,233
Costs of issuing new shares	(107)	(96)
	78,560	**57,159**

14. Net Asset Value per Share

	2018 pence	2017 pence
Net asset value per share	**1,222.0**	**1,259.7**

The net asset value per share is based on the net assets attributable to equity shareholders of £322,486,000 (2017: £310,673,000) and on 26,390,056 (2017: 24,662,556) shares in issue at 31 December 2018.

15. Risk Management and Financial Instruments

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 8, 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.

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.

15. Risk Management and Financial Instruments Continued

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.

15. 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 2018		
	Investments £'000	**Cash £'000**	**Receivables £'000**	**Payables £'000**	**Total £'000**
Bangladeshi Taka	5,138	–	–	–	5,138
Brazilian Real	10,640	6	262	–	10,908
Chinese Yuan	13,117	–	–	–	13,117
Egyptian Pound	13,029	–	258	–	13,287
Ghanaian Cedi	1,682	–	–	–	1,682
Hong Kong Dollar	38,172	–	–	–	38,172
Indian Rupee	139,615	73	44	(1,153)	138,579
Indonesian Rupiah	12,716	–	–	–	12,716
Kenyan Shilling	3,700	–	–	–	3,700
Mexican Peso	6,947	–	–	–	6,947
Nigerian Naira	8,627	–	–	–	8,627
Pakistani Rupee	2,519	–	–	–	2,519
Philippino Peso	10,369	–	–	–	10,369
Pounds Sterling	5,512	2,630	36	(1,239)	6,939
South African Rand	15,118	–	8	–	15,126
Sri Lankan Rupee	6,590	–	–	–	6,590
Turkish Lira	5,950	–	–	–	5,950
US Dollar	13,890	–	–	–	13,890
Vietnam Dong	8,162	–	68	–	8,230
	321,493	**2,709**	**676**	**(2,392)**	**322,486**

As at 31 December 2018, the investment portfolio included £8.627 million of Nigerian securities out of the total investment portfolio of £321.5 million. These Nigerian securities are affected by the repatriation of the Nigerian Naira into sterling. This may take some time to convert to sterling and may be subject to foreign exchange movements.

15. Risk Management and Financial Instruments Continued

	31 December 2017 Investments £'000	Cash £'000	Receivables £'000	Payables £'000	Total £'000
Bangladeshi Taka	8,576	–	52	–	8,628
Brazilian Real	17,910	–	13	–	17,923
Chinese Yuan	8,983	–	–	–	8,983
Egyptian Pound	12,292	–	85	–	12,377
Ghanaian Cedi	3,267	–	–	–	3,267
Hong Kong Dollar	25,091	–	–	–	25,091
Indian Rupee	121,266	–	29	–	121,295
Indonesian Rupiah	17,435	–	–	–	17,435
Kenyan Shilling	4,766	–	–	–	4,766
Mexican Peso	10,212	–	–	–	10,212
Nigerian Naira	10,242	–	–	–	10,242
Pakistani Rupee	3,332	–	18	–	3,350
Philippino Peso	10,004	–	–	–	10,004
Pounds Sterling	783	5,318	54	(1,654)	4,501
South African Rand	24,199	–	–	–	24,199
Sri Lankan Rupee	5,052	–	–	–	5,052
US Dollar	12,197	–	1	32	12,230
Vietnam Dong	11,039	–	79	–	11,118
	306,646	**5,318**	**331**	**(1,622)**	**310,673**

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 +/-5% against sterling which is a reasonable approximation of possible changes.

as at 31 December	2018 £'000	2017 £'000	2018 £'000	2017 £'000
	+5%	**+5%**	**-5%**	**-5%**
Effect on net assets for the year	15,778	15,308	(15,778)	(15,308)
Effect on capital return	15,800	15,293	(15,800)	(15,293)

15. 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 £2,709,000 (2017: £5,318,000) 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 £14,000 (2017: £30,000). 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 £14,000 (2017: £30,000). 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 2018, the impact on profit or loss and net assets would have been negative £32.1 million (2017: £30.7 million). If the investment portfolio valuation rose by 10% at 31 December 2018, the impact on profit or loss and net assets would have been positive £32.1 million (2017: £30.7 million). The calculations are based on the portfolio valuations as at the respective year-end date and are not representative of the period as a whole, as well as the assumption that all other variables remained constant.

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	**2018 £'000**	**2017 £'000**
Assets at fair value through profit and loss	321,493	306,646
Cash	2,709	5,318
Investment income receivable	632	278
Other receivables	44	53
Other payables	(2,392)	(1,622)
	322,486	**310,673**

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.

The Company's capital is its equity share capital and reserves that are shown in the Statement of Financial Position at a total of £322,486,000 (2017: £310,673,000).

15. Risk Management and Financial Instruments Continued

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.

The Board, with the assistance of the AIFM, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of the planned level of gearing, the need to repurchase or issue equity shares, and the extent to which any revenue in excess of that which is required to be distributed be retained.

16. Contingent Liabilities

As at 31 December 2018, there were no contingent liabilities or capital commitments for the Company.

17. 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 Directors' Remuneration Report on page 43. 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 61.

Terry Smith, the Managing Partner at Fundsmith LLP, the Company's AIFM and Investment Manager holds 580,000 shares in the Company (2017: 530,000) amounting to 2.2% (2017: 2.1%) of the Company's issued share capital as at the date of this report.

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 22 May 2019 at 1.00 p.m.

Share Price

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 Registrar, Link Asset Services, under the signature of the registered holder.

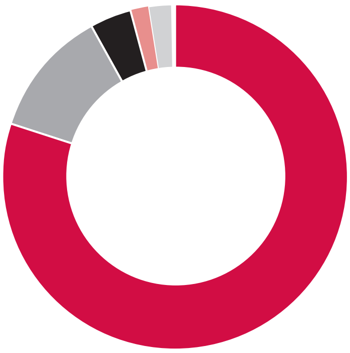
Daily Net Asset Value

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

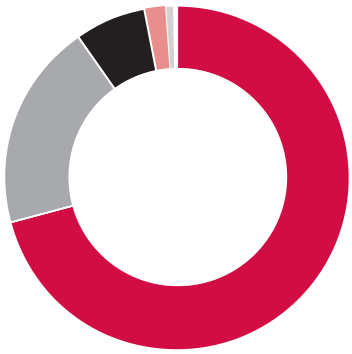
% of Ordinary Shares held at

31 December 2018



- Retail 80.3%
- Corporate 11.8%
- Banks 4.0%
- Pension Funds 1.5%
- Investment Companies 2.4%

31 December 2017



- Retail 70.9%
- Corporate 19.4%
- Banks 6.9%
- Pension Funds 1.9%
- Investment Companies 0.9%

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 15 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 2018	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 2018, Fundsmith LLP ('Fundsmith') had 22 members of personnel in total, including employees and Partners. The total amount of remuneration paid to Fundsmith personnel during this period was £26,543,498. Out of this figure, the total amount of remuneration paid to the Partners of Fundsmith LLP was £20,957,629 whilst the total amount of remuneration paid to the employees of Fundsmith LLP was £5,585,869.

Of the £5,585,869 paid to Fundsmith employees, £3,860,000 was variable remuneration and £1,725,869 was fixed remuneration.

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

Explanatory Note

Fundsmith LLP is 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 financial report and accounts of Fundsmith LLP for the period 1 April 2017 to 31 March 2018. These figures have been independently audited and filed with Companies House

The rules require Fundsmith 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 it has not been broken down by reference to the Company or the other funds that Fundsmith manages. Nor has the proportion of remuneration which relates to the income Fundsmith earns from their management of the Company been shown. Fundsmith has not provided such a breakdown because this does not reflect the way they work or the way Fundsmith is organised. All of the Partners and most of the employees are involved in the management of the Company.

The Company represents approximately 1.8% 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. The employees are paid a competitive salary. At the end of each year, the 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.

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Further Information

The Partners are each paid a fixed proportion of Fundsmith LLP's net profits. They consider that this is the best way to ensure that the Partners' interests are completely aligned with their investors' interests over the long-term. This alignment of interest is reinforced by the fact that Fundsmith personnel have invested approximately £8,000,000 in the Company. They have a clear and direct interest in the long-term success of the Company.

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

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 net asset value per share from the price 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.

Earnings Per Share ("EPS")

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

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") Per Share

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.

NAV Total Return

The theoretical total return on shareholders' funds per share, including an assumed £100 original investment at the beginning of the period specified, reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in the share price discount/premium.

Neutral Free Cash Flow ("NFCF")

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

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised operating expenses, and expressing them as a percentage of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, costs of buying back or issuing shares and other non-recurring costs. These items are excluded because if included, they could distort the understanding of the Company's performance for the year and the comparability between periods.

	31 Dec 2018 £'000	**31 Dec 2017 £'000**
Operating expenses	5,052	4,531
One off expense write offs	(291)	–
Average net assets during the year	312,711	274,654
Ongoing charges	1.52%	1.65%

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.

Share Price Total Return

The return to the investor on mid-market prices assuming that all dividends paid were reinvested.

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.barclays.co.uk/smart-investor/
Bestinvest	http://www.bestinvest.co.uk/
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Club Finance	http://www.clubfinance.co.uk/
FundsDirect	http://www.fundsdirect.co.uk
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://hsbc.co.uk/investments/
iDealing	http://www.idealing.com/
Interactive Investor	http://www.ii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	https://www.home.saxo/

Link Asset Services – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrar, Link 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 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.linksharedeal.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 stock markets 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 stock market, 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, most 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 is hereby given that the Annual General Meeting of Fundsmith Emerging Equities Trust plc will be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Wednesday, 22 May 2019 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 Annual Report for the year ended 31 December 2018.
2. To approve the payment of a final dividend of 2 pence per ordinary share for the year ended 31 December 2018.
3. To re-elect Martin Bralsford as a Director of the Company.
4. To re-elect David Potter as a Director of the Company.
5. To re-elect John Spencer as a Director of the Company.
6. To elect Rachel de Gruchy as a Director of the Company.
7. To approve the Directors' Remuneration Report for the year ended 31 December 2018.
8. 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 10, 11, 12 and 13 will be proposed as special resolutions:

Authority to Issue Shares

9. 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 £26,590.05 (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 2,659,005 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 2020 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

10. 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 9 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 £26,590.05;

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.

Treasury Shares

11. THAT in substitution of all existing powers (but in addition to any power conferred on them by resolution 10 set out in the Notice of Annual General Meeting) the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to sell relevant shares (within the meaning of Section 560 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 724 of the Act ("Treasury Shares")), for cash as if Section 561(1) of the Act did not apply to any such sale provided that:

(a) where any Treasury Shares are sold pursuant to this power at a discount to the then prevailing net asset value of ordinary shares of 1p each in the Company ("Shares"), such discount must be (i) lower than the discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury and (ii) not greater than 5% to the last published net asset value per Share at the time of such sale (and for this purpose the Directors shall be entitled to determine in their reasonable discretion the discount to the net asset value at which such Shares were acquired by the Company and the net asset value per Share at the time such Shares are sold pursuant to this power); and

(b) this power shall be limited to the sale of relevant shares having an aggregate nominal value of £26,590.05, being 10% of the issued share capital of the Company as at the date of this Notice of Annual General Meeting and representing 2,659,005 Shares, and provided further that the number of relevant shares to which power applies shall be reduced from time to time by the number of Shares which are allotted for cash as if Section 561(1) of the Act did not apply pursuant to the power conferred on the Directors by resolution 10 set out in the Notice of Annual General Meeting;

and such power shall expire 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 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 otherwise require treasury shares to be sold after such expiry and the Directors may sell Treasury Shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase Ordinary Shares

12. 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") (either for retention as Treasury Shares for future reissue, resale, transfer or cancellation) provided that:

    (a) the maximum aggregate number of Shares authorised to be purchased is 3,985,849 (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;

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2020 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

13. 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
21 March 2019

Further Information

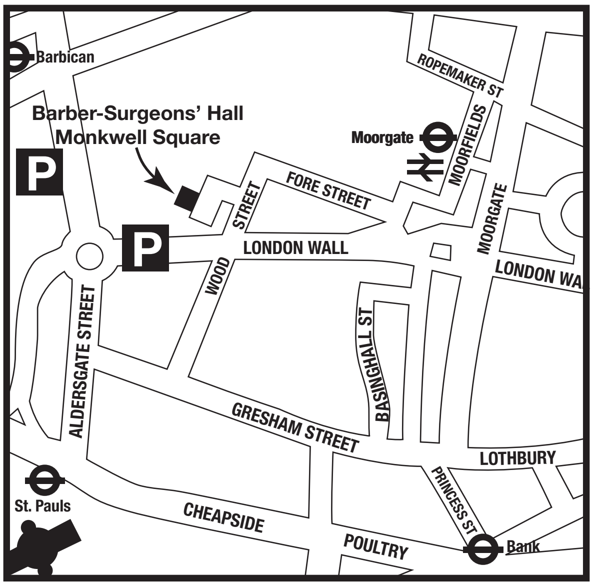
Notes

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.
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. This year, hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto www.myfeetshares.co.uk and following instructions; requesting a hard copy form of proxy directly from the registrars, Link Asset Services at enquires@linkgroup.co.uk or in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. To be valid any appointment of a proxy must be completed, signed and received at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 1.00 p.m. on 20 May 2019.
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 close of business on 20 May 2019 (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 20 March 2019 (being the last business day prior to the publication of this notice) the Company’s issued share capital consists of 26,590,056 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 March 2019 are 26,590,056.
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 a hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link 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 Link 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

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



Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Financial Statements

The Annual Report for the year ended 31 December 2018 will be presented to the Annual General Meeting. The financial statements accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolution 2 – To approve a Final Dividend

The rationale for the payment of a final dividend is set out in the Chairman's Statement on page 6 and in the Report of the Directors on page 35.

Resolutions 3 to 6 – Election and Re-Election of Directors

Resolutions 3 to 6 deal with the re-election or election of each Director. Biographies of each of the Directors can be found on page 28 of this Annual Report.

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

Resolution 7 – Remuneration Report

The Directors' Remuneration Report is set out in full in this annual report on pages 43 to 44.

Resolution 8 – Re-Appointment of Auditor and the determination of their remuneration

Resolution 8 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 9 and 10 – Issue of Shares

Ordinary Resolution 9 in the Notice of Annual General Meeting will renew the authority to allot unissued share capital up to an aggregate nominal amount of £26,590.05 (equivalent to 2,659,005 shares, or 10% of the Company's existing issued share capital on 20 March 2019, 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.

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 10 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 20 March 2019, 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 9. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 9 and 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.

Explanatory Notes to the Resolutions

Resolution 11 – Treasury Shares

Under Section 724 of the Companies Act 2006 ("s724") the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. It is a requirement of s724 that such sale be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued share capital on a non pre-emptive basis pursuant to Resolution 10, Special Resolution 11, if passed, will give the Directors authority to sell shares held in treasury on a non pre-emptive basis. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. Any re-sale of treasury shares would only take place at a narrower discount to the net asset value per share than that at which they had been bought into treasury, and in any event at a discount no greater than 5% to the prevailing net asset value per share, and this is reflected in the text of Resolution 11. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The number of treasury shares which may be sold pursuant to this authority is limited to 10% of the Company's existing share capital as at the date of this report (reduced by any equity securities allotted for cash on a non-pro rata basis pursuant to Resolution 10, as described above). This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier.

Resolution 12 – 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.

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 12 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 20 March 2019, being the nearest practicable date prior to the signing of this Annual Report, (amounting to 3,985,849 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 13 – General Meetings

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible, in line with the recommendations of the UK Corporate Governance Code.

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 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 totalling 121,511 shares.

Directors

Martin Bralsford, *(Chairman)*
Rachel de Gruchy
David Potter *(Chairman of the Management Engagement Committee and Senior Independent Director)*
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, please contact Frostrow Capital using the stated e-mail address.

Administrator

Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London E14 5NT

Depositary

Northern Trust Global Services SE
50 Bank Street
Canary Wharf
London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Custodian and Banker

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Independent Auditor

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

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 (0)371 664 0300
E-Mail: enquiries@linkgroup.co.uk
Website: www.linkassetservices.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. Calls outside the UK will be charged at the applicable International rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Broker

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

Legal Entity Identifier

2138003EL6XV8JYU8V55

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, Link 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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33 Cavendish Square, London W1G 0PW
www.feetplc.co.uk

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