TREATT PLC




Report & Financial Statements 2003

innovative

About *the* Company

Treatt is a supplier of ingredients to the flavour and fragrance industry. These ingredients are included by Treatt's customers as part of a flavour or fragrance which may then be manufactured from a concentrated mixture of hundreds of different ingredients.

The ingredients Treatt manufacture are mainly based on essential oils which are distilled or blended. Aromatic chemicals, and a range of Treattarome™ natural distillates manufactured from the named food, are also supplied. Typical products including a Treatt ingredient could range from air fresheners, cosmetics, shampoos and soaps to soft drinks, confectionery and basic pharmaceutical products. Treatt is a world leader in the supply of essential oils for these uses.

There are hundreds of different essential oils extracted from many different organic materials. Some examples of common oils are peppermint, lime, lavender, orange and eucalyptus. Essential oils have been used as flavour and fragrance ingredients for centuries and their use for this purpose far outweighs other uses such as aromatherapy.

Let our innovation be your inspiration —
visit our new website at www.treatt.com

Financial Summary

	2003	2002
TURNOVER	**£31.68m**	£30.74m
PROFIT BEFORE TAX	**£1.95m**	£2.03m
EARNINGS PER SHARE		
Before exceptional items	**14.6p**	19.7p
After exceptional items	**13.6p**	14.6p
DIVIDENDS PER SHARE	**8.4p**	8.4p
NET ASSETS PER SHARE	**£1.67**	£1.65

Calendar

Financial year ended	30 September 2003
Results for year announced	8 December 2003
Annual Report and Financial Statements published	22 December 2003
Annual General Meeting	23 February 2004
Final dividend for 2003 goes 'ex-dividend'	10 March 2004
Record date for 2003 final dividend	12 March 2004
Final dividend for 2003 paid	8 April 2004
Interim results to 31 March 2004 announced	24 May 2004

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Chairman's Statement

"Earnings before interest, tax, depreciation and amortisation increased to £2.8 million (2002: £2.7 million)"

We can report that earnings before interest, tax, depreciation and amortisation increased to £2.83 million (2002: £2.68 million) but owing to increased borrowing and depreciation charges, profit before tax and exceptional items for the year was £2.09 million (2002: £2.77 million). Group turnover for the year showed steady growth, increasing by 3.1% to £31.68 million (2002: £30.74 million). Earnings per share before exceptional items fell to 14.6 pence (2002: 19.7 pence) whilst the level of the Group's net debt/equity ratio ended the year at 26%. This was a reduction on the half year position of 32% and in line with last year's level of 25%.

The Board is recommending a final dividend of 5.7 pence (2002: 5.7 pence), leaving the total dividend for the year unchanged at 8.4 pence per share.

As forecast last year, 2003 was a year of continuing change and modernisation for Treatt in an increasingly challenging market place. Therefore, the results reflect our increased level of capital investment, both in the UK and the USA, leading to higher depreciation charges. Similarly, the additional cost of borrowing at fixed interest rates to finance Treatt USA's move to a new site in Lakeland, Florida, has had a significant effect.

During the year R.C. Treatt, our UK operating company, incurred exceptional reorganisation costs totalling £139,000 spread across various departments, where measures have been taken to ensure staffing levels are more closely aligned to our business needs in the current competitive economic environment. The benefits of these cost savings will be experienced in the current financial year.

Orange oil based products continued as the most significant component of sales, representing approximately 20% of Group sales although gross profits in 2003 were lower in the absence of last year's significant stock profits. Sales of distributed aroma chemicals out of the UK were maintained at last year's levels despite strong competitive pressures.

Treatt USA began the year at its new purpose-built 65,000 square foot facility in Lakeland and in spite of the increased operational pressures caused by the move, Treatt USA's sales and gross contribution were maintained, thus creating an excellent platform from which to develop its future potential. Sales of Treattarome™ ('From The Named Food') products continued to perform well throughout the year. The Group's investment in Treatt USA over the last two years has been an essential part of the Group's strategy for developing a strong market presence in the United States, with the previous premises being unsuitable for future expansion. Consequently, the future growth potential of the Group has been significantly enhanced.

Having successfully carried out a partial implementation of the JD Edwards Enterprise Resource Planning (ERP) system at Treatt USA last year, the full UK implementation is due to go live in 2003/4, with 95% of the investment now complete. This is an important and challenging development for the Group as all systems throughout R.C. Treatt will become fully integrated, including sales order processing, purchasing, manufacturing, quality control, shipping and finance. This will result in efficiency savings over time as well as enabling the business to expand without a substantial increase in general overhead costs. Indeed, the existing systems have been restrictive as they no longer satisfy the requirements of the Group.

Pension and Healthcare Costs

Following the closure of the R.C. Treatt final salary pension scheme to new entrants in 2001, a further review of the scheme was carried out in 2003 following the latest triennial valuation. As a consequence, further action was taken to reduce the scheme's funding deficit which, as explained in the Financial Review, was reduced by £1.2 million. Steps have also been taken to restrict the increase in Treatt USA's healthcare costs.

Post Balance Sheet Events

Since the year end we have negotiated the potential disposal of the former site in Florida through a lease-purchase arrangement. Treatt USA will receive lease rentals for eleven months, with the tenant obliged to purchase the property at a pre-agreed price in September 2004, subject to environmental clearance and satisfactory bank valuation. Should the tenant not proceed with the purchase, the deposit will be forfeited. See the Financial Review for further information.

Prospects

R.C. Treatt's order book at the year end was at a similar level to last year and at Treatt USA order books are now significantly higher than last year. Whilst we are optimistic for sales growth, the results for 2004 will continue to reflect increased depreciation and borrowing costs following the higher level of capital investment over the last two years both in the UK and the USA. The Board believe this investment was essential in order to increase the Group's profitability in the United States and operate more efficiently worldwide.

The orange oil market remains the area of greatest uncertainty for the coming year as it continues to trade at a higher price than normal. However, we do expect orange oil prices to return to more historically normal levels in the latter half of 2004. The Group's stock holdings of orange oil will be managed pro-actively in order to minimise the potential impact of falling prices.

Sales so far at Treatt USA in the first quarter have increased year on year, particularly because Treattarome™ sales are performing well as production begins by a customer for a national product launch expected in the New Year.

We firmly believe that, with the continued consolidation within the industry, together with increasing trends towards globalisation, there are few independent flavour and fragrance ingredient companies as well placed as Treatt plc to service existing and potential new customers from both sides of the Atlantic.

People

On behalf of our Shareholders, the Board would like to place on record its thanks to all our employees in England and the United States for their support and dedication throughout the year. Implementing the Group's capital and IT investment programmes in today's challenging economic climate requires a loyal and committed work force and we are proud of the fact that we have a healthy balance between new employees with fresh ideas and long serving, experienced colleagues.

We are also pleased to welcome Richard Hope as Finance Director, who joined the Group in May 2003. Having qualified as a Chartered Accountant in 1990 with PricewaterhouseCoopers, Richard has been Head of Finance at Hampshire Cosmetics Limited for the last seven years.

EDWARD DAWNAY
Chairman

Operating Review

"Treatt USA's dollar sales increased by 9%"

The Group's Operations performed satisfactorily during the year in spite of the strong pressure on margins and the level of internal resource focussed on the transfer of Treatt USA to the new facility in Lakeland, Florida and preparing for the UK implementation of our Enterprise Resource Planning (ERP) system.

The Group's investment in ERP is now 95% complete with a total of £450k being incurred during the year, bringing the total investment so far to £986k. There was further significant investment at Treatt USA in plant and machinery totalling £400k ($660k).

Again, there was a continuation of the trend for the industry to consolidate during the year, thus leaving few independent businesses able to service the flavour and fragrance industries on a global basis. Indeed, Treatt directly supplied a total of 83 countries throughout the world. This demonstrates that, through Treatt's expertise, experience and systems, we continue to manage successfully the highly complex shipping and legal requirements inherent in shipping food ingredients and hazardous goods around the globe, whilst maintaining high levels of customer service. This is particularly beneficial when major customers transfer some or all of their operations from one part of the world to another.

Trading

Last year the Group's gross profit was enhanced by significant stock profits. The last 12 months has not produced any material stock profits as orange oil prices have stabilised. There were no other significant commodity price movements which had a material effect on the financial results for the year.

R.C. Treatt

Sales increased 3.9% with volumes up by just over 1%, and sales to the top ten customers represented just over one third of turnover, which is similar to previous years. Considering the level of concentration within the industry, we believe this provides the Company with a well-balanced risk profile. Gross margins for the year fell by 1%, principally due to a slight change in the product mix for the year. Sales across the full range during the year, especially in the UK, were also hit by a number of factory closures which curtailed the purchasing patterns of some customers. Aroma chemical sales for the year remained stable despite increased competition from the Far East.

Treatt USA

US Dollar sales were up by 9% during the year although, as a consequence of movements in average exchange rates, when translated into sterling sales showed no growth. However, as both new and existing customers have visited the new facilities in Lakeland, the order book has shown encouraging signs. The Treattarome™ products continue to perform well as the range of potential uses becomes more widely known and understood.

Investment for the future

R.C. Treatt

Capital expenditure for the year was principally focused on the new ERP system as we believe this will provide the systems infrastructure from which we can maximize the Company's performance over the coming years. Over time, the new system will deliver significant efficiency savings, including the ability to process greater levels of orders and expand production without the need to increase administrative overheads. We have also continued to invest in new equipment on both sides of the Atlantic in order to provide as versatile a product range as possible, especially in naturally derived food and fragrance ingredients.

Treatt USA

Operationally, Treatt USA's new site is a major improvement over its former property, and we have received very positive feedback from staff, customers and suppliers when visiting. The new site has enabled Treatt USA to enhance significantly its operational performance and provides a working environment from which it will be a great deal easier to retain and recruit the best staff. At the new site, there is an additional five acres of undeveloped land which will help to ensure that there is room for further expansion in the future. With the investment in the new facility, the Group is now able to expand significantly in the North American market.

Research and Development

During the year, we have strengthened our commitment to Research and Development in both the UK and USA by hiring additional, experienced technical staff. We have continued to invest in new equipment for our laboratories so that we remain at the forefront of new technology in the flavour and fragrance ingredients sector. Treatt has also continued to support R&D in producing countries in order to develop new sources of raw materials on a financially viable basis.

Markets

During the year there was a significant geographical redistribution of sales. Following the major transfer of business from certain customers in The Americas (excluding USA) to Western Europe, sales to The Americas fell by 9% and the Rest of Europe saw a 17% increase. UK sales also fell as a result of plant closures referred to earlier.

Products

The Group's sales of sweet orange oil based products increased by 15% year on year, as this year saw a full year of sales based on orange oil trading at around the $3 per kilo level. The Group also saw a significant increase in sales of other citrus oil products to a broad range of customers.

Although sales of the Treattarome™ range of natural distillates, which are manufactured by Treatt USA in Florida, were not maintained at last year's level, they remained strong and are expected to perform well over the next twelve months. Indeed, during the first few weeks of the new financial year we have been delivering a Treattarome™ to a customer for a significant national product launch expected in the New Year.

Personnel

The Group recognises the importance of maximising employee potential and has continued to invest in human resources, with a strong emphasis on staff training and communication. Appropriate training and development needs are identified as part of a two way Personal Development Review undertaken by Department Managers in conjunction with the Human Resources Department. Standard terms and conditions of employment operate for all staff, which do not discriminate against any individual or group of people. Employee involvement in the Group's performance is encouraged and Group results are regularly communicated to staff.

Financial Review

"Net assets per share increased to £1.67"

Performance Analysis

Profit and Loss account

Group turnover increased by 3.1% during the year to £31.68 million (2002: £30.74 million). In constant currency the growth at our USA subsidiary, Treatt USA, increased in US Dollars by 9%, whilst R.C. Treatt's sales growth of 3.9% was satisfactory. Earnings before interest, tax, depreciation and amortisation for the year grew by almost 6% to £2.83 million (2002: £2.68 million) and Group profit before tax, before exceptional items, was £2.09 million (2002: £2.77 million).

The fall in profitability was caused by increased overheads in two main areas. Firstly, the investment in the Enterprise Resource Planning system (ERP) has resulted in additional consultancy and other one-off costs totalling £131,000 which we have prudently charged to the profit and loss account rather than capitalised as part of the ERP project. Secondly, the Treatt USA relocation necessitated £116,000 ($185,000) of start up costs associated with the move which will not reoccur and these were also written off. There was also a general increase in the overhead base as the new facility was staffed and fully equipped, in addition to the expected increase in depreciation costs for the new facility.

Gross margins of 27.3% were achieved this year (2002: 29.5%) with the continuing weakness of the US Dollar during the year again being an important contributory factor for the fall. This was because a number of long term contracts were satisfied during the year, where the weaker Dollar had reduced the Sterling value of these contracts by approximately 10%.

The Group's operating costs rose by 3.5% to £6.4 million (2002: £6.1 million). At Treatt USA there was an increase of £469,000 ($750,000) in costs as the impact of higher operating expenses at the new premises took effect, including the one-off costs referred to above. Total staff numbers across the Group remained level. An exceptional charge of £139,000 was incurred at R.C. Treatt during the year in relation to reorganisation costs.

The Group's net interest payable increased during the year to £208,000 (2002: £167,000). This was due to a full year's interest being charged on the funds drawn from the Variable Rate Demand Bonds which are used to finance the Lakeland facility, together with increased average borrowings at R.C. Treatt.

Earnings per share before exceptional items fell to 14.6 pence per share (2002: 19.7 pence). The Earnings per share after exceptional items is 13.6 pence per share (2002: 14.6 pence). Both measures have been shown in order to provide a consistent measure of performance over time.

Cash Flow

The Group has seen an increase in its net borrowings during the year of £379,000 to £4.5 million. Cash inflow from operating activities was £2,263,000, which represents an increase of £1.3 million over last year, despite a material increase of almost £1 million in stock balances. However, the market conditions for orange oil are likely to see a reduction in the level of stock investment for this raw material over the coming year.

Group capital expenditure was £1.4 million (2002: £3.2 million) which, as expected, fell significantly as the investment in the relocation of Treatt USA took place last year. This year's capital expenditure included £450,000 in relation to ERP, increasing the total ERP investment to just under £1 million. It is expected that in the absence of ERP and Lakeland costs, capital expenditure will return to lower levels in 2004.

In September 2003, Treatt USA signed an agreement to rent out the former site for eleven months, with the tenant placing a non-refundable deposit to potentially purchase the property in September 2004 for £293,000 ($483,000) net of transaction costs. If the sale goes through as expected this will have a materially beneficial effect on the Group's cash flow at the end of the next financial year.

Balance Sheet

Over the year Group shareholders' funds have risen to £17,228,000, with net assets per share increasing to £1.67 (2002: £1.65), an increase of 34% over the last five years. Sixty percent of shareholders' funds are in the form of current assets and the Group's land and buildings are all held at historical cost.

Financial Review continued

Group Tax Charge

The Group's current year tax charge of £558,000 represents an effective tax rate of 29% (2002: 31%). The overall tax charge of £545,000 is marginally lower than the 2002 charge of £554,000 due principally to R.C. Treatt receiving a tax refund for prior year R&D tax credits.

Pension and Healthcare Costs

During the year the decision was taken to reduce the future liabilities of the final salary pension scheme, by restricting increases in pensionable salaries to no more than inflation. This change has had the effect of reducing the FRS 17 pension fund deficit by £1.6 million, with the overall deficit falling by £1.2 million to £3 million. Similarly, Treatt USA's contribution to healthcare costs for family members will, in the future, be restricted.

Treasury Policies

The Group operates a conservative set of treasury policies to ensure no unnecessary risks are taken with the Group's assets.

No investments other than cash and other short-term deposits are currently permitted. Where appropriate these balances are held in foreign currencies, but only as part of the Group's overall hedging activity as explained below.

The nature of Treatt's activities is such that the Group could be affected by movements in certain exchange rates, principally between Sterling and the US Dollar. This risk manifests itself in a number of ways as follows:

Firstly the value of the foreign currency net assets of Treatt USA can fluctuate with Sterling. These are currently not hedged, as the risks are considered less than the cost of putting the hedge in place. Further, any exchange gains or losses on Treatt USA's balance sheet do not affect real cash flows.

Secondly, with R.C. Treatt exporting to over 80 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in four currencies in addition to Sterling, with the US Dollar being by far the most significant. Raw materials are also mainly purchased in US Dollars and so a US Dollar bank account is operated to allow Dollar denominated sales and purchases to flow through this account. If there is a mismatch in any one accounting period and the Sterling to US Dollar exchange rate changes, an exchange difference will arise. Hence it is Sterling's relative strength against the US Dollar that is of prime importance.

As well as affecting the cash value of sales as a result of US Dollar exchange movements, this can also have a significant affect on the replacement cost of stocks, which affects future profitability and competitiveness.

The Group therefore has a policy of maintaining the majority of cash balances, including the main Group overdraft facilities, in US Dollars as this is the most cost effective means of providing a natural hedge against movements in the US Dollar/Sterling exchange rate. Currency accounts are also run for the other main currencies to which R.C. Treatt is exposed. Based on estimated future cash flows for each currency a conservative position is taken with forward contracts, if required, in order to protect the Group's asset base. This policy will protect the Group against the worst of any short-term swings in currencies.

Company Information and Advisers

Directors	Edward William Dawnay (Chairman and Non-executive Director) Hugo William Bovill (Managing Director) Anita Jane Haines (Human Resources Director, appointed 1 October 2002) Richard Andrew Hope (Finance Director, appointed 12 May 2003) Robin Mears (Operations Director) Douglas David Appleby (Non-executive Director) William Geoffrey Bovill (Non-executive Director) Peter Alan Thorburn (Non-executive Director)
Secretary	Richard Andrew Hope (appointed 12 May 2003)
Registered Office	Northern Way, Bury St Edmunds, Suffolk IP32 6NL **Tel** + 44 (0) 1284 702500 **E.Mail** co.sec@treatt.com **Fax** + 44 (0) 1284 714880 **Web site** http://www.treatt.com
Registration Number	1568937
Audit Committee	Edward William Dawnay (Chairman) William Geoffrey Bovill Peter Alan Thorburn
Remuneration Committee	Peter Alan Thorburn (Chairman) Edward William Dawnay William Geoffrey Bovill
Nomination Committee	William Geoffrey Bovill (Chairman) Douglas David Appleby Hugo William Bovill Edward William Dawnay Peter Alan Thorburn
Stockbrokers	Investec Henderson Crosthwaite 2 Gresham Street, London EC2V 7QP
Auditors	Baker Tilly 87 Guildhall Street, Bury St Edmunds, Suffolk IP33 1PU
Solicitors	Macfarlanes 10 Norwich Street, London EC4A 1BD
Bankers	HSBC Bank plc 140 Leadenhall Street, London EC3V 4PS Barclays Bank plc P.O. Box 885, Mortlock House, Histon, Cambridge, CB4 9DE
Registrar and Transfer Office	CAPITA IRG Plc Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Share Price	The Company's share price is listed in the Financial Times and The Daily Telegraph and is also available on http://www.ft.com. Share price information can be obtained by calling FT Cityline on 0906 843 4853. At 13 November 2003 all calls to this number are charged at 60p per minute. Annual and interim reports are available on the Company's Website (http://www.treatt.com).

Five Year Trading Record

	1999 £'000	2000 £'000	2001 £'000	2002 £'000	**2003 £'000**
	Years ended 30 September				
PROFIT AND LOSS ACCOUNT					
Turnover	22,443	24,137	27,664	30,740	**31,683**
Profit before exceptional items	2,571	2,723	2,832	2,771	**2,088**
Exceptional items	–	–	–	(739)	**(139)**
Profit on ordinary activities before taxation	2,571	2,723	2,832	2,032	**1,949**
Tax on profit on ordinary activities	(707)	(782)	(875)	(554)	**(545)**
Profit on ordinary activities after taxation, attributable to shareholders	1,864	1,941	1,957	1,478	**1,404**
Dividends	(716)	(786)	(818)	(864)	**(865)**
Profit retained for the financial year	1,148	1,155	1,139	614	**539**
BALANCE SHEET					
Fixed assets	5,117	5,831	7,663	9,523	**9,911**
Current assets	13,592	13,828	16,984	16,803	**16,730**
Current liabilities	(4,914)	(4,290)	(4,791)	(6,260)	**(6,420)**
Other liabilities and provisions	(37)	(147)	(3,499)	(3,135)	**(2,993)**
Shareholders' funds	13,758	15,222	16,357	16,931	**17,228**
CASH FLOW					
Cash inflow from operating activities	2,044	1,364	3,821	968	**2,263**
Interest paid	(26)	(42)	(38)	(167)	**(208)**
Dividends paid	(646)	(715)	(782)	(820)	**(860)**
Corporation tax paid	(679)	(736)	(821)	(943)	**(355)**
Additions to fixed assets	(1,361)	(1,129)	(2,382)	(3,137)	**(1,364)**
Shares issued	–	–	36	195	**4**
Other cash flows	4	20	2	168	**141**
Decrease in net cash	(664)	(1,238)	(164)	(3,736)	**(379)**
Net (borrowings)/cash	979	(259)	(423)	(4,159)	**(4,538)**
RATIOS					
Gearing	Nil	1.7%	2.6%	24.6%	**26.3%**
Earnings per share before exceptional items	18.5p	19.3p	19.4p	19.7p	**14.6p**
Dividend per share	7.1p	7.8p	8.1p	8.4p	**8.4p**
Dividend cover (times)	2.60	2.47	2.39	1.71	**1.62**
Net assets per share	136.5p	151.0p	161.9p	164.6p	**167.4p**

Report of the Directors

Financial Statements

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2003.

Principal Activity and Review of the Business

The Group's principal activity is the supply of flavour and fragrance ingredients. This involves blending and distilling essential oils, the marketing of aroma chemicals and the production of other natural distillates for the flavour and fragrance industries.

Comments on the Group's activities and its outlook for the future are given in the Chairman's Statement, Operating and Financial Reviews.

Results and Dividends

The results of the Group for the year are set out on page 22 and show a profit before taxation for the year of £1,949,000.

The Directors recommend a final dividend of 5.7p (2002: 5.7p) per ordinary share.

This, when taken with the interim dividend of 2.7p (2002: 2.7p) per share paid on 3 October 2003, gives a total dividend of 8.4p (2002: 8.4p) per share for the year ended 30 September 2003.

Market Value of Land and Buildings

The Directors consider the total market value of the Group's land and building to be in excess of the £5,792,000 shown in the balance sheet, which now includes the full cost of the new Lakeland facility which has been reclassified from assets under construction. This belief has been borne out by our property advisers, however, in the absence of a full professional valuation the excess cannot be readily quantified.

Directors

The Directors of the Company are shown on page 9.

In accordance with the Company's Articles of Association and as reported in the Corporate Governance Statement on page 15, in recognition of Provision A.6.2 of the Combined Code E.W. Dawnay, W.G. Bovill and D.D. Appleby retire by rotation and, being eligible, offer themselves for re-election.

R.A. Hope was appointed as Finance Director on 12 May 2003 and retires as a Director, in accordance with the Company's Articles of Association, and being eligible, offers himself for re-election at the Annual General Meeting.

A.J. Haines was appointed Human Resources Director on 1 October 2002 and M. Bottjer resigned as a Director with effect from 31 December 2002.

Non-executive Directors

D.D. Appleby

David Appleby was appointed a Non-executive Director of the Company in October 1994. He was formerly Manufacturing Director of R.C. Treatt & Co. Limited.

W.G. Bovill

Geoffrey Bovill joined the principal operating subsidiary R.C. Treatt & Co. Limited in 1948 and was appointed a Director in 1955. He became a Non-executive Director in 1956 and was appointed Chairman in 1961. He was Chairman of the Company from its incorporation in 1981 until February 2001.

E.W. Dawnay

Edward Dawnay was appointed a Non-executive Director of the Company in June 1994. He is a Director of EFG Private Bank Ltd., Chairman of Dunedin Enterprise Investment Trust Plc and a Director of Martin Currie High Income Trust Plc. He was appointed Chairman of the Company in February 2001.

P.A. Thorburn

Peter Thorburn, was appointed to the Board in March 2002. Previously he was Vice President Global Sales & Marketing Flavor and Fragrance Ingredients at International Flavors and Fragrances Inc. ("IFF"). He was with IFF/BBA for over 20 years in a variety of management roles.

Executive Directors

H.W. Bovill

Hugo Bovill joined R.C. Treatt & Co. Limited in 1976, becoming Marketing Director in 1982 and later Managing Director in 1987. He was appointed to the Board of Directors of the Company in 1985.

A.J. Haines

Anita Haines joined R.C. Treatt & Co. Limited in January 1988 as Company Secretary and was appointed Human Resources Manager in September 2000. She was appointed H.R. Director of the Company in October 2002.

R.A. Hope

Richard Hope was appointed Finance Director and Company Secretary of Treatt plc in May 2003. He qualified as a Chartered Accountant in 1990 at PricewaterhouseCoopers, and was Head of Finance at Hampshire Cosmetics Limited from 1996 until 2003.

R. Mears

Having previously been employed in the industry for 17 years, Robin Mears joined the Group as Technical Director in 1989 and was appointed Operations Director in October 2002. Mr Mears has notified the Company of his wish to retire earlier than his normal retirement age and will now retire on 31 January 2005.

Report of the Directors continued

Directors' Interests in Shares

The Directors who held office at 30 September 2003 had the following interests in the shares of the Company at the beginning and end of the financial year:

	10p ordinary shares fully paid			Options to acquire 10p ordinary shares		
	2003	2002			**2003**	2002
Hugo William Bovill	**493,504**	493,504	**(a)**		**20,000**	20,000
Anita Jane Haines	**–**	–	**(a)**	**3,450**		
			(b)	**13,550**	**17,000**	17,000
Richard Andrew Hope	**–**	–			**–**	–
Robin Mears	**16,297**	16,297	**(a)**	**20,000**		
			(b)	**22,000**	**42,000**	42,000
Douglas David Appleby	**128,595**	128,595			**–**	–
William Geoffrey Bovill	**72,985**	72,985			**–**	–
Edward William Dawnay	**100**	100			**–**	–
Peter Alan Thorburn	**–**	–			**–**	–
Joint Holdings	**1,224,533**	1,224,533			**–**	–

With the exception of certain of the joint holdings, all of the above were beneficial interests.

Of the jointly held shares, H.W. Bovill had a non-beneficial interest in 1,099,533 of the shares (2002: 1,099,533). W.G. Bovill had a beneficial interest in 225,000 shares (2002: 225,000) and a reversionary life interest in 250,000 shares (2002: 250,000). Additional information on the interests of W.G. Bovill and H.W. Bovill is provided on page 13 under Substantial Shareholders.

Key to Shares under Option:

(a) Options granted under the Treatt Executive Share Option Scheme No. II
(b) Options granted under the Treatt Executive Share Option Scheme No. I

There have been no changes between 1 October 2003 and 28 November 2003, the latest date practicable to obtain the information prior to publication of this document.

Substantial Shareholders

The Company has been notified of the following holdings of 3% or more of the issued share capital at 28 November 2003 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	1,407,500	13.68
G.R. Bovill and A.J. Bovill as Trustees of the W.G. Bovill 1985 Settlement (G.R. Bovill's Childrens Fund)	749,534	7.28
H.W. Bovill and O.M. Bovill as Trustees of the W.G. Bovill 1985 Settlement (H.W. Bovill's Childrens Fund)	749,533	7.28
Jupiter Ecology Fund	691,500	6.72
G.R. Bovill	423,649	4.12
Clydesdale Bank (Head Office) Nominees Limited DUT Account (Unit Trust)	401,000	3.90

Bovill Family Shareholdings

Based on an analysis of the shareholders' register at 30 September 2003 W.G. Bovill, H.W. Bovill and G.R. Bovill, along with their dependants were interested in 2,964,205 (2002: 2,964,205) ordinary shares representing 28.80% (2002: 28.81%) of the issued share capital. This holding is not under one beneficial holding, the interests of each individual being disclosed in either the Directors' shareholdings or substantial shareholders detailed herein.

Contracts of Significance

No Director had an interest in any contract of significance during the year.

Policy on the Payment of Creditors

The Group's policy is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The Group trade creditors' balance at the year end represents 36 days credit based on the whole year's purchases. The Holding Company had no trade creditors at the year end.

Research and development

The Group continues to invest in research and development as, in the opinion of the Directors, this is essential for the maintenance of the Groups' market share and future growth.

Going Concern

Given the comments in the Chairman's Statement and based on the plans for 2004, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted in preparing the financial statements.

Charitable Contributions

During the year the Group made charitable donations in the United Kingdom of £3,116.

Health and Safety

The Group's policy of investment in health and safety was continued during the financial year.

Environment

The Group is committed to finding new ways of reducing the impact of its operations upon the environment and continues to look for improvements in the following areas:

- Reduction of waste and improvements in waste management
- Conservation of energy and improvements in energy management

This approach was considered during the construction of our new site in Lakeland, Florida, where handling and movement of materials has been minimised by improving storage and locating materials in close proximity to their areas of operation. Increased bulk storage will also lead to a reduction in waste packaging materials.

In addition, as part of the Group's commitment to reduce energy emissions R.C. Treatt has signed an agreement with the Secretary of State to lower CO2 emissions by working towards agreed energy efficiency targets, as well as monitoring, and reporting performance, thereby reducing environmental impact.

It is believed that in many instances the Group's operational needs will align closely to our environmental initiatives, so that improvements in our environmental impact will benefit the Group in cash terms.

Report of the Directors continued

Employment Policies

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination. Applications for employment by disabled persons are given full and fair consideration for suitable vacancies, having regard to their particular aptitudes and abilities. Where a person becomes disabled while in the Group's employment a suitable position will be sought for that person within the Group.

Employee Involvement

Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Company through share option schemes (see note 16). Bonus schemes, based on the performance of the business are in place.

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at The British Racing School, Snailwell Road, Newmarket, Suffolk on 23 February 2004 accompanies this document.

Resolutions dealing with the following Special Business will be proposed at the Annual General Meeting:

a) As in previous years, shareholder approval will be sought to renew the authorities granted to the Directors to issue new shares. Resolution 11 will give the Directors authority ("the Section 80 authority") to allot ordinary shares up to an aggregate nominal value of £220,000 (representing approximately 21.4% of the existing issued ordinary share capital). Subject to the terms of the Section 80 authority, the Directors will be further authorised ("the Section 89 authority") by Resolution 12, to allot any new ordinary shares for cash pursuant to a rights issue proportionate to existing shareholdings and, in order to give the Directors a limited degree of flexibility, to allot new ordinary shares up to a maximum nominal amount of £51,400 (representing 5% of the existing issued ordinary share capital) otherwise than pro rata to existing shareholdings.

If approved, the Section 80 authority and the Section 89 authority will expire at the conclusion of the next Annual General Meeting of the Company or 22 May 2005, whichever is the earlier.

b) The Directors believe that it would be advantageous for the Company to be in a position to purchase its own ordinary shares (as permitted by Article 5.2 of the Articles of Association), under the terms of Section 162 of the Companies Act 1985. The Directors therefore request shareholders to give the Company authority to make market purchases of a proportion of its own ordinary shares, subject to the limits referred to below. Purchases will only be made on the London Stock Exchange and only in circumstances where they are, in the opinion of the Directors, in the interests of the Company and of the Group and would result in an increase in earnings per share. Such purchases will be financed out of distributable profits of the Company. It is not the Directors' current intention to stand in the market for any particular period or until any specified number of ordinary shares has been acquired.

The Directors are seeking authority (Resolution 13) to purchase up to 1,029,000 issued ordinary shares, representing approximately 10% of the present issued ordinary share capital of the Company, at a maximum price per share, exclusive of expenses, of 5% above the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase. The minimum price per ordinary share exclusive of expenses for any purchase will be 10p which is the nominal value of the ordinary shares.

The authority, if granted, will be subject to renewal on the earlier of the date of the next Annual General Meeting of the Company and 22 May 2005.

This report was approved by the Board
on 5 December 2003

R.A. Hope
Secretary

Corporate Governance Statement

There is a commitment to high standards of corporate governance throughout the Group. The Board confirms that throughout the year ended 30 September 2003 the Group has complied with the provisions set out in Section 1 of the Combined Code, except for:

- Two Executive Directors had service contracts which provided for two years notice. The Board believes this is appropriate to attract and retain key Executive Directors who possess specialist industry knowledge and is therefore in the best interests of shareholders.

- W.G. Bovill is not considered to be independent due to his shareholding in the Company. However, it is considered that this does not affect his independent judgement of matters dealt with by the various Committees on which he serves.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Combined Code (appended to the Stock Exchange Listing Rules) are applied by the Company.

Directors

During the year the Board consisted of a Chairman, E.W. Dawnay, three Non-executive Directors and four Executive Directors, of which H.W. Bovill is the Managing Director. Of the Non-executive Directors the Board considers E.W. Dawnay and P.A. Thorburn to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Neither have any significant interest in the shares of the Company and both received a fixed fee for their services.

Biographies of the Board members appear on page 11.

The Board meets at least five times each year and more frequently where business needs require. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the Senior Management of the Group. This includes matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals and appointments to subsidiary company boards.

The Board has established a number of standing Committees to which various matters are delegated according to defined terms of reference. The principal Committees are the Nomination Committee, the Remuneration Committee and the Audit Committee. The principle terms of reference for each Committee are shown below.

Nomination Committee

To consider the appointment or retirement of Directors, to review proposed nominations and make recommendations thereon to the Board.

Remuneration Committee

To determine the remuneration of the Executive Directors and the Senior Executives of the Group.

Audit Committee

To review the scope and findings of the Company's auditors, to commission any additional investigation work and to ensure the adequacy of accounting controls and procedures.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

When new members are appointed to the Board they are provided with access to an appropriate external training course and to advice from the Company's solicitors in respect of their role and duties as a public company director. Where a new Board member has significant relevant experience training may be felt to be unnecessary.

The differing roles of Chairman and Managing Director are acknowledged and defined in separate statements approved by the Board. The key functions of the Chairman are to conduct Board Meetings and Meetings of Shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions. The Managing Director is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its Shareholders.

The Senior Independent Director is E.W. Dawnay and concerns relating to the executive management of the Company or the performance of the other Non-executive Directors may be raised with him.

To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board Meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

Corporate Governance Statement continued

Appointments to the Board of both Executive and Non-executive Directors are considered by the Nomination Committee. Members of the Nomination Committee throughout the year are shown on page 9. The Nomination Committee consults with Executive Directors when considering appointments and ensures that a wide range of candidates is considered. The Remuneration Committee considers any remuneration package before it is offered to a potential appointee. The recommendations of the Nomination Committee are ultimately made to the full Board which considers them before any appointment is made.

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles so require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those in office longest since their previous re-election and this usually means that each Director retires at least every three years, although there is no absolute requirement to this effect. In order to comply with the Combined Code, but to avoid the expense of amending the Company's Articles to deal with this single point, the Board has resolved that each Director will retire at least every three years, even if this is not strictly required by the Articles.

Full details of the Directors' remuneration and a statement of the Company's remuneration policy is set out in the Report of the Board on Directors' Remuneration appearing on pages 18 to 20. Members of the Remuneration Committee throughout the year are shown on page 9 and the principal terms of reference of the Committee appear on page 15. The Managing Director attends meetings of the Remuneration Committee to discuss the performance of the other Executive Directors and make proposals as necessary, but is not present when his own position is being discussed.

Each Executive Director abstains from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package. The details of each Executive Director's individual package are fixed by the Committee in line with the policy adopted by the full Board.

Communication

The Company places a great deal of importance on communication with its shareholders. The Company mails to all shareholders half yearly results, as well as it's full report and financial statements. This information is also available on its website and, upon request, to other parties who have an interest in the Group's performance. Shareholders also have direct access to the Company and the Company responds to letters from shareholders and customers on a wide range of issues.

There is regular dialogue with individual institutional shareholders as well as presentations after the interim and preliminary results. All shareholders have the opportunity to put questions at the Company's Annual General Meeting and the Company makes a presentation at the meeting to highlight the key business developments during the financial year.

Financial and Internal Control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 17 and 21 and the statement of the Directors on going concern appears on page 13.

The Board confirms that a process for the ongoing identification, evaluation and management of significant risks faced by the Company has been in place throughout the year and to the date of approval of this report, which complies with the guidance Internal Control: Guidance for Directors on the Combined Code. The process is subject to regular review by the Board.

The Directors are responsible for the Company's system of internal control, the effectiveness of which is reviewed by them annually. In addition to monitoring reports received via the Executive Directors they consider the risks faced by the Company, whether the control systems are appropriate and consult with internal and external experts on environmental, insurance, legal and health and safety compliance. However such a system can only provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the Directors have established to provide effective internal controls are as follows:

Financial Reporting

A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board. Results for the Company and its main constituent businesses are reported monthly against the budget to the Board and revised forecasts for the year are prepared through the year.

Financial and Accounting Principles

Financial controls and accounting policies are set by the Board so as to meet appropriate levels of effective financial control. Compliance with these policies and controls is reviewed where necessary by external auditors.

Capital Investment

The Company has clearly defined guidelines for capital expenditure. These include annual budgets, appraisal and review procedures, and levels of authority. Post investment appraisals are performed for major investments.

Audit Committee

The Audit Committee on behalf of the Board has reviewed the effectiveness of the system of internal control from information provided by management and the Group's auditors. Any system of internal control can only provide reasonable and not absolute assurance of meeting the internal control objectives.

The Audit Committee keeps the scope and cost effectiveness of the external auditors under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears on page 29. The non-audit fees were paid mainly in respect of tax advice and tax compliance work, and are considered by the Committee not to affect independence or objectivity.

Risk Assessment and Information

Operational management in conjunction with the Executive Directors, who report regularly to the Board, are responsible for identification and evaluation of significant risks applicable to their area of business and design and operate suitable internal controls.

Internal Audit

The Directors continue to monitor the need for an internal audit function by considering the cost of maintaining an effective internal audit function and the risks associated with not maintaining one.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Remuneration Report

The Remuneration Committee

Members of the Remuneration Committee throughout the year are shown on page 9.

As well as complying with the provisions of the Combined Code as disclosed in the Corporate Governance Statement, the Company has applied the principles relating to Directors' remuneration as described below.

Policy on Remuneration of Executive Directors and Senior Executives

General Principles

The Remuneration Committee endeavours to offer competitive remuneration packages that are designed to attract, retain and motivate Executive Directors and Senior Executives of the highest calibre. Packages are reviewed each year to ensure that they are in line with the Group's business objectives.

The main components in determining pay are:

• Basic Salary

Salary ranges are established by reference to those in a selected group of comparable companies for executives of similar status, responsibility and skill. Basic salary for each Director takes into account performance measured by an appraisal process.

• Bonus Schemes

The Group has introduced performance-related reward policies for senior employees to provide a growing element of "at-risk" pay, which is only available when good results are achieved. In this way, shareholders and employees share in success.

Annual performance targets for Executive Directors are set for both the short and long term. Superior performance is encouraged by providing challenging goals, which must be achieved before the maximum bonus is payable. The annual bonus scheme is linked to the Group's performance in profit before tax and the return on shareholder funds.

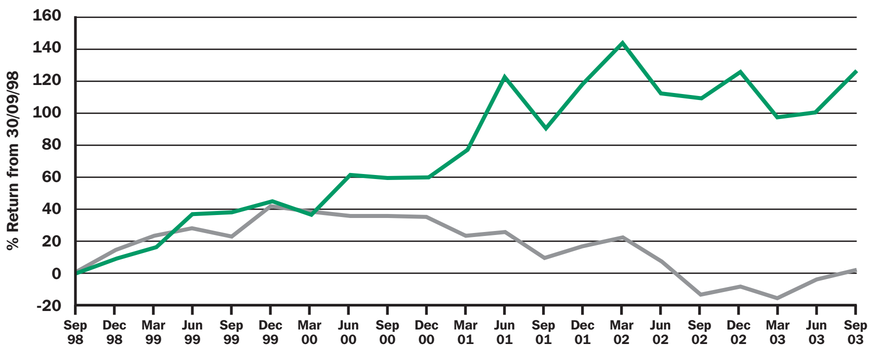
To encourage continuing improvement in the Company's performance over the longer term, targets contained in a long term bonus scheme were set in 1997 for Senior Executives who are best placed to influence such performance. The Company's growth in earnings per share relative to the Financial Times Stock Exchange ('FTSE') All Share Index is measured over three year rolling periods. The scheme provides for cash benefits on attainment of target levels of earnings per share growth in excess of the FTSE All Share earnings growth.

• Benefits

Taxable benefits provided to Executive Directors include a company car, or payment in lieu, and private medical insurance.

Performance Graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by shareholder return which has been selected by the Board as being the most appropriate measure against which to benchmark its performance.



Treatt plc *FTSE All Share*

Directors' Emoluments	Salary and fees £'000	Bonus Payments £'000	Taxable Benefits £'000	**2003 Total £'000**	2002 Total £'000
Executive Directors					
H.W. Bovill	120	5	15	**140**	164
A.J. Haines (Appointed 1 October 2002)	55	3	9	**67**	–
R.A. Hope (Appointed 12 May 2003)	31	2	4	**37**	–
R. Mears	92	4	14	**110**	138
Non-executive Directors					
E.W. Dawnay (Chairman)	22	–	–	**22**	21
D.D. Appleby	15	–	2	**17**	16
W.G. Bovill	15	–	4	**19**	19
P.A. Thorburn	19	–	–	**19**	10
	369	14	48	**431**	368

Share Option Schemes

The Company believes that share ownership by Executive Directors and Senior Executives continues to strengthen the link between their personal interests and those of the shareholders. The exercise of options under the Scheme is not dependent upon performance criteria. The value of options issued to Executive Directors under the Executive Share Option Schemes are restricted to three times salary.

The share options of the Directors are as set out below:

	Exercise Dates	Exercise Price	At 1 October 2002	**At 30 September 2003**
H.W. Bovill	Between June 2004 and June 2008	209p	20,000	**20,000**
A.J. Haines	Between June 1997 and June 2004	233p	7,000	**7,000**
	Between June 2004 and June 2011	209p	6,550	**6,550**
	Between June 2004 and June 2008	209p	3,450	**3,450**
			17,000	**17,000**
R. Mears	Between June 1997 and June 2004	233p	22,000	**22,000**
	Between June 2004 and June 2008	209p	20,000	**20,000**
			42,000	**42,000**

There have been no further changes in the interests of the Directors to subscribe for or acquire shares since the year end.

The market price of the shares at 30 September 2003 was £2.00 and the range during the financial year was £1.67 to £2.23.

Directors' Pension Policy

H.W. Bovill, R. Mears and A.J. Haines are members of the R.C. Treatt & Co. Limited Pension & Assurance Scheme. Each Director participates in this pension scheme on the same basis as all other members. The plan is a non-contributory, Inland Revenue approved, defined benefit occupational pension scheme. Its main features are:

- a normal pension age of 65 but early retirement may be permitted from age 50
- a pension at normal pension age of two thirds of final pensionable salary, subject to completion of 20 years' service for those who commenced their employment with the Group prior to 1 August 1990 and 40 years' service for all others
- life assurance cover of four times pensionable salary
- pensions payable in the event of ill health
- spouse's pension on death

Pensionable salary is the member's basic salary, excluding all bonuses. From 1 October 2003, pensionable salary increases each year will be restricted to the lower of the actual increase or the increase in the rate of inflation as measured by the RPI.

Directors' Remuneration Report continued

The pension entitlement of these Directors is as follows:

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase		Accumulated Total Pension at	
	2003	2002	**2003**	2002	**2003**	2002
	£	£	**£**	£	**£**	£
H.W. Bovill	**6,436**	1,605	**29,294**	6,285	**46,535**	39,023
A.J. Haines (Appointed 1 October 2002)	**7,953**	–	**49,131**	–	**19,358**	–
R. Mears	**1,443**	1,817	**9,643**	10,435	**42,303**	39,763

The transfer value has been calculated on the basis of actuarial advice in accordance with the Institute of Actuaries Guidance Note GN11 'Retirement Benefit Schemes – Transfer Values'. Further details of the scheme are included in note 21.

R.A. Hope received a contribution of £2,815 (2002: £Nil) towards a money purchase personal pension plan administered by Norwich Union Plc.

Directors' Permanent Health Insurance Policy

All Executive Directors are members of the R.C. Treatt & Co. Limited Permanent Health Insurance Scheme and participate in the scheme on the same basis as all other members. The scheme is underwritten by an insurance company and benefits commence after an initial period of twenty six weeks of absence and evidence of disability. The main provisions of the scheme are:

- 66 2/3% of pre-disability salary payable up to normal retirement date
- supplementary benefit payable in respect of contributions to the R.C. Treatt & Co. Limited Pension and Assurance Scheme or individual money purchase personal pension plan
- benefits in payment increased at the rate of 3% per annum

Companies Used In Comparisons

In assessing all aspects of pay and benefits, the Group compares the packages offered by similar companies that are selected on the grounds of:

- size in terms of turnover, profits and number of people employed
- the diversity and complexity of its businesses
- the geographical spread of its businesses
- its growth, expansion and change profile

Service Contracts

Each executive director has a service contract that may continue in force until their normal retirement date or agreed retirement date if earlier. These contracts do not contain provisions for a pre-determined compensation that exceeds salary and benefits in kind for the notice period.

	Date of contract	**Notice period**
H.W. Bovill	10 October 1997	2 years
A.J. Haines	24 December 2002	2 years
R.A. Hope	12 May 2003	6 months

R. Mears is engaged for a fixed term from 31 May 2002 until his retirement on 31 January 2005 under an agreement signed on 31 May 2002.

Non-executive Directors

The remuneration for Non-executive Directors consists of fees for their services in connection with Board and Board Committee meetings. In their Non-executive capacities they do not qualify for participation in any of the Company's bonus, share option or other incentive schemes. With the exception of W.G. Bovill and D.D. Appleby, who are in receipt of a pension from the R.C. Treatt & Co. Limited Pension & Assurance Scheme, Non-executive Directors are not eligible for pension scheme membership.

This report was approved by the Board
on 5 December 2003

R.A. Hope
Secretary

Independent Auditors' Report to the Shareholders of Treatt plc

We have audited the financial statements on pages 22 to 44. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report under the headings directors' emoluments, share option schemes and directors' pensions ("the auditable part").

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Statement, the Financial Summary and the Five Year Trading Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Remuneration Report.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2003 and of the Group's profit for the year then ended and the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY
Registered Auditor
Chartered Accountants
87 Guildhall Street
Bury St Edmunds IP33 1PU

5 December 2003

Group Profit and Loss Account

For the year ended 30 September 2003

	Notes	2003 £'000	2002 £'000
Turnover - continuing operations	2	**31,683**	30,740
Cost of sales		**(23,035)**	(21,662)
Gross profit		**8,648**	9,078
Distribution costs		**(1,388)**	(1,446)
Administration costs			
Exceptional items	5	**(139)**	(739)
Other administration expenses		**(4,964)**	(4,694)
		(5,103)	(5,433)
Operating Profit	3	**2,157**	2,199
Interest receivable	6	**5**	33
Interest payable	6	**(213)**	(200)
Profit on ordinary activities before taxation		**1,949**	2,032
Tax on profit on ordinary activities	7	**(545)**	(554)
Profit on ordinary activities after taxation		**1,404**	1,478
Dividends	8	**(865)**	(864)
Retained profit for the year	17	**539**	614
Earnings per share			
- Basic			
- after exceptional items	9	**13.6p**	14.6p
- before exceptional items	9	**14.6p**	19.7p
- Diluted	9	**13.6p**	14.6p

Notes 1 - 24 form part of these accounts

Group Statement of Total Recognised Gains and Losses

For the year ended 30 September 2003

	2003 **£'000**	2002 £'000
Profit for the financial year before dividends	**1,404**	1,478
Currency translation differences on foreign currency net investments	**(246)**	(235)
Total recognised gains and losses	**1,158**	1,243

Reconciliation of Movements in Group Shareholders' Funds

For the year ended 30 September 2003

	2003	2002
Profit for the financial year before dividends	**1,404**	1,478
Dividends	**(865)**	(864)
Issue of ordinary shares	**4**	195
Currency translation differences on foreign currency net investments	**(246)**	(235)
Net addition to shareholders' funds	**297**	574
Opening shareholders' funds	**16,931**	16,357
Closing shareholders' funds	**17,228**	16,931

Group Balance Sheet

As at 30 September 2003

	Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
FIXED ASSETS					
Tangible assets	10		**9,911**		9,523
CURRENT ASSETS					
Stocks		**10,987**		10,080	
Debtors	12	**5,439**		6,006	
Cash at bank - restricted	14(2)	**–**		561	
- unrestricted		**304**		156	
		304		717	
		16,730		16,803	
CREDITORS: amounts falling due within one year	13	**(6,420)**		(6,260)	
Net Current Assets			**10,310**		10,543
Total assets less current liabilities			**20,221**		20,066
CREDITORS: amounts falling due after more than one year	14(1)		**(2,631)**		(2,941)
PROVISIONS FOR LIABILITIES AND CHARGES	15		**(362)**		(194)
Net Assets			**17,228**		16,931
CAPITAL AND RESERVES					
Called up share capital	16		**1,029**		1,029
Share premium account	17		**2,143**		2,139
Profit and loss account	17		**14,056**		13,763
SHAREHOLDERS' FUNDS					
Equity interests			**17,228**		16,931

Notes 1 - 24 form part of these accounts

Approved by the Board on 5 December 2003

E.W. Dawnay }
H.W. Bovill } Directors
R.A. Hope }

Company Balance Sheet

As at 30 September 2003

	Notes	2003		2002	
		£'000	**£'000**	£'000	£'000
FIXED ASSETS					
Investments	11		**4,141**		4,141
CURRENT ASSETS					
Debtors	12	**1,535**		1,530	
Cash at bank		**10**		6	
		1,545		1,536	
CREDITORS: Amounts falling due within one year	13	**(875)**		(870)	
Net Current Assets			**670**		666
Net Assets			**4,811**		4,807
CAPITAL AND RESERVES					
Called up share capital	16		**1,029**		1,029
Share premium account	17		**2,143**		2,139
Profit and loss account	17		**1,639**		1,639
SHAREHOLDERS' FUNDS					
Equity interests			**4,811**		4,807

Notes 1 - 24 form part of these accounts

Approved by the Board on 5 December 2003

E.W. Dawnay }
H.W. Bovill } Directors
R.A. Hope }

Group Cash Flow Statement

For the year ended 30 September 2003

	Notes	2003	2002
		£'000	£'000
Cash inflow from operating activities	18	**2,263**	968
Returns on investments and servicing of finance	20	**(208)**	(167)
Taxation		**(355)**	(943)
Capital expenditure and financial investment	20	**(819)**	(1,507)
Equity dividends paid		**(860)**	(820)
Cash inflow/(outflow) before financing		**21**	(2,469)
Financing			
- Issue of shares		**4**	195
- Decrease in debt	19	**(162)**	(85)
Decrease in unrestricted funds in the year	19	**(137)**	(2,359)

Reconciliation of net cash flow to increase in debt (see note 19)

		2003	2002
Decrease in unrestricted funds in the year		**(137)**	(2,359)
Cash outflow from change in net debt		**(383)**	(1,545)
Increase in net debt resulting from cash flows		**(520)**	(3,904)
Exchange difference		**141**	168
Increase in net debt in the year		**(379)**	(3,736)
Net debt at 1 October 2002		**(4,159)**	(423)
Net debt at 30 September 2003		**(4,538)**	(4,159)

Notes to the Financial Statements

For the year ended 30 September 2003

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and are in accordance with applicable UK Accounting Standards.

In preparing these financial statements the Group has taken advantage of the transitional arrangements available under Financial Reporting Standard 17 'Retirement Benefits'.

The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in the financial statements.

The Group profit for the year includes a profit after tax and before dividends paid and payable of £865,000 (2002: £651,000) which is dealt with in the financial statements of the parent company.

Basis of consolidation

The Group accounts consolidate the accounts of Treatt plc and all of its subsidiary undertakings made up to 30 September each year.

Where a company has been accounted for using the principles for acquisition accounting, fair values are attributed to the Group's share of the net assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets the difference is recognised as goodwill.

Turnover

Turnover represents amounts receivable net of trade discounts, VAT and other sales related taxes.

Investments

Fixed asset investments are stated at cost, less provision for permanent diminution in value.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets, except freehold land and buildings in the UK, using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:

• Computer hardware and software	4 years
• Manufacturing system	7 years
• Laboratory equipment	5 years
• Motor vehicles	5 years
• Fixtures and fittings	10 years
• Plant and machinery	10 years
• Buildings (in the USA)	50 years

Impairment of fixed assets

It is the Group's practice to maintain freehold buildings in a continual state of sound repair. Accordingly, the Directors consider that the lives of these assets and their residual values, based on prices prevailing at the time of their acquisition, are such that depreciation would not be material on the UK buildings. Provision will be made should any impairment in the value of these properties occur.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Leasing commitments

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

Notes to the Financial Statements continued

For the year ended 30 September 2003

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks, which consist of finished goods and goods for resale, are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first-in, first-out basis plus attributable overheads.

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving and defective items.

Pension costs

The Group's principal subsidiary undertaking, R.C. Treatt & Co. Limited, operates a defined benefit scheme through an independently administered pension scheme. The contributions are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

R.C. Treatt & Co. Limited and Treatt USA, Inc also operate defined contribution pension schemes. The contributions for these schemes are charged to the profit and loss account in the year in which they become payable.

Research and development costs

Research and development expenditure is charged to the profit and loss account as incurred.

Deferred taxation

Deferred tax 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged forward, at the rate of exchange under related forward currency contracts. Assets and liabilities in foreign currencies are translated into sterling in the balance sheet at the year-end or contract exchange rate, as appropriate. The exchange rate of the US Dollar, the principal foreign currency, was $1.66 (2002: $1.57) at the year end.

Profits and losses of the Group's overseas subsidiary, Treatt USA, Inc, are translated into Sterling at the average rate for the year. Its balance sheet is translated at the rate ruling at the balance sheet date.

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account of an average rate are taken to reserves. All other exchange differences are taken to the profit and loss account.

2. SEGMENTAL INFORMATION

Geographical Segments	**2003**	2002
	£'000	£'000
Turnover by destination		
United Kingdom	**6,918**	7,597
Rest of Europe	**9,441**	8,044
The Americas	**7,649**	8,375
Rest of the World	**7,675**	6,724
	31,683	30,740

Analysis of turnover by origin, segmental profit before taxation and segmental net assets have not been given as, in the opinion of the Directors, this would be prejudicial to the commercial interest of the Group.

As the Group is engaged substantially in one class of business, the provision of flavour and fragrance ingredients, no analysis of turnover or profit by class of business has been provided.

3. OPERATING PROFIT is stated after charging/(crediting):	**2003**	2002
	£'000	£'000
Depreciation	**670**	480
Impairment of fixed assets	**–**	659
Loss on disposal of tangible fixed assets	**96**	2
Research and Development costs	**242**	219
Operating lease rentals		
- plant and machinery	**8**	13
- other	**85**	103
Auditors' remuneration		
- audit fees	**28**	29
- other services – UK	**17**	9
- other services – overseas	**3**	4
Net exchange (gain)/loss on trading activities	**(53)**	52
Rent receivable	**(44)**	(36)

Notes to the Financial Statements continued

For the year ended 30 September 2003

4. EMPLOYEES

(1) Number of employees
During the year the average number of staff employed by the Group, including Directors, was as follows:

	2003 Number	2002 Number
Technical and production	**81**	81
Administration and sales	**86**	84
	167	165

(2) Employment costs
The following costs were incurred in respect of the above:

	£'000	£'000
Wages and salaries	**4,172**	4,317
Social security costs	**485**	375
Other pension costs	**553**	540
	5,210	5,232

(3) Directors
In respect of the directors of Treatt plc:

	£'000	£'000
Emoluments	**431**	368
Money purchase pension contributions	**3**	–
	434	368
Compensation for loss of office	**–**	65

	Number	Number
The number of Directors to whom retirement benefits are accruing under:		
money purchase schemes	**1**	–
defined benefit schemes	**3**	4

Directors emoluments disclosed above include the following payments:

	Highest Paid Director	
	£'000	£'000
Emoluments	**140**	164
Accrued pension at year end	**47**	39

5. EXCEPTIONAL ITEMS

The operating exceptional items referred to in the Group Profit and Loss Account are categorised as follows:

	2003 £'000	2002 £'000
Reorganisation Costs	**139**	148
Impairment of fixed assets	**–**	591
	139	739

6. INTEREST

		2003 £'000	2002 £'000
(1) Interest receivable	- bank	**5**	33
(2) Interest payable	- bank overdrafts	**(80)**	(62)
	- loan	**(133)**	(138)
		(213)	(200)

7. TAXATION

	2003 £'000	2002 £'000
(a) Analysis of tax charge for the year		
Current year taxation		
UK Corporation tax	**468**	414
Overseas tax	**(13)**	248
	455	662
Deferred taxation	**103**	(31)
	558	631
Prior years		
UK Corporation tax	**(41)**	(5)
Overseas tax	**(37)**	(72)
Deferred tax	**65**	–
Tax on profit on ordinary activities	**545**	554

Notes to the Financial Statements continued

For the year ended 30 September 2003

7. TAXATION (continued)

(b) Factors affecting tax charge for the year
The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 30% (2002: 30%)	**585**	610
Effects of:		
Expenses not deductible for tax purposes	**11**	18
Capital allowances for year in excess of depreciation	**(90)**	2
Allowable expenses charged to reserves	**(34)**	(16)
Sundry timing differences	**(16)**	7
Difference in tax rates on overseas earnings	**(1)**	41
Corporation tax charge for the current year	**455**	662

8. DIVIDENDS

	2003	2002
	£'000	£'000
Interim declared of 2.7p per share (2002: 2.7p per share)	**278**	278
Final proposed of 5.7p per share (2002: 5.7p per share)	**587**	586
	865	864

9. EARNINGS PER ORDINARY SHARE

(1) Basic earnings per share
Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,290,872 (2002: 10,132,905) and earnings of:

- £1,404,000 (2002: £1,478,000), being the profit on ordinary activities after taxation and exceptional item.
- £1,501,300 (2002: £1,996,000) being the profit on ordinary activities, after taxation, excluding the net impact of exceptional items of £139,000 and tax thereon of £41,700.

(2) Diluted earnings per share
Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares, of 10,290,872 (2002: 10,135,757); and the same earnings as above.

10. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Assets under Construction £'000	Plant and Equipment £'000	**Total £'000**
Cost				
1 October 2002	4,764	2,141	8,149	15,054
Exchange adjustment	(251)	–	(14)	(265)
Reclassification	1,545	(2,141)	596	–
Additions	28	–	1,338	1,366
Disposals	–	–	(802)	(802)
30 September 2003	**6,086**	**–**	**9,267**	**15,353**
Depreciation				
1 October 2002	244	–	5,287	5,531
Exchange adjustment	(15)	–	(40)	(55)
Charge for the year	65	–	605	670
Disposals	–	–	(704)	(704)
30 September 2003	**294**	**–**	**5,148**	**5,442**
Net book value				
30 September 2003	**5,792**	**–**	**4,119**	**9,911**
30 September 2002	4,520	2,141	2,862	9,523

Analysis of land and buildings

	2003 £'000	2002 £'000
Net book value		
Freehold	**5,057**	3,785
Long leasehold	**735**	735
	5,792	4,520

Capital commitments

	2003 £'000	2002 £'000
Contracted but not provided for	**115**	239

Notes to the Financial Statements continued

For the year ended 30 September 2003

11. FIXED ASSET INVESTMENTS

	2003 £'000	2002 £'000
Company		
Subsidiary Undertakings:		
R.C. Treatt & Co. Limited - at cost		
50,000 ordinary shares of £1 each, fully paid	**2,299**	2,299
Treatt USA, Inc. (formerly Florida Treatt Inc.) - at cost		
2,975,000 common stock of US$1 each fully paid	**1,842**	1,842
	4,141	4,141

Subsidiary	Country	Holding	Principal activity
R.C. Treatt & Co. Limited	England	100%	Supply of flavour and fragrance ingredients
Treatt USA, Inc	USA	100%	Supply of flavour and fragrance ingredients

12. DEBTORS

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Trade debtors	**5,137**	5,710	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,535**	1,530
Other debtors	**52**	91	**–**	–
Prepayments	**250**	205	**–**	–
	5,439	6,006	**1,535**	1,530

Included within prepayments is £41,000 (2002: £40,000) representing contributions paid in advance to the Group's defined benefit pension scheme.

13. CREDITORS: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Loan	**150**	159	**–**	–
Bank overdrafts	**2,061**	1,776	**–**	–
Trade creditors	**2,070**	2,007	**–**	–
Corporation tax	**51**	29	**–**	–
Other taxes and social security costs	**140**	138	**–**	–
Accruals	**1,073**	1,281	**–**	–
Proposed dividends	**875**	870	**875**	870
	6,420	6,260	**875**	870

14. CREDITORS: amounts falling due after more than one year

	Group	
	2003	2002
	£'000	£'000
Loan	**2,631**	2,941

(1) Loan
The Industrial Development Loan is repayable by fixed quarterly instalments over 20 years.

Interest is payable on half of the loan at a rate which has been fixed at 3.54% for five years. Interest on the other half is currently payable at a variable rate which has historically run at approximately 67% of LIBOR.

(2) Restricted Funds
The Loan has now been fully drawn down. Previously, the unspent portion of the funds, shown in the balance sheet as Restricted Funds, was kept on deposit and had to be utilised within three years of the loan being granted. The funds were held in US Dollars and carried interest at a variable rate which had to be lower than that charged on the connected loan (see note 14(1)). The funds were available exclusively for use in connection with the purchase and upgrade for manufacturing purposes of new premises for Treatt USA, Inc.

The loan is repayable as follows:

	2003	2002
	£'000	£'000
- in one year or less	**150**	159
- in more than one year but not more than two years	**150**	159
- in more than two years but not more than five years	**450**	477
- in more than five years	**2,031**	2,305
	2,781	3,100

15. DEFERRED TAX

	2003	2002
Group	**£'000**	£'000
Accelerated capital allowances	**401**	270
Other timing differences	**(39)**	(76)
	362	194

The movement in the year represents the charge to the profit and loss account.

Notes to the Financial Statements continued

For the year ended 30 September 2003

16. SHARE CAPITAL

Company and Group	2003 Number	2002 Number
Authorised		
Ordinary shares of 10p each	**12,500,000**	12,500,000

	£'000	£'000
Called up, allotted and fully paid		
10,292,089 (2002: 10,287,247) ordinary shares of 10p each	**1,029**	1,029

During the year 4,046 share options were exercised, as noted below:

	Number	Nominal Value £	Consideration £
SAYE Share Options	4,046	405	4,208
	4,046	405	4,208

Share option schemes

Under the schemes listed below, options have been granted to subscribe for the following number of existing ordinary shares of 10p each in the capital of the Company.

The options have been allocated as follows:

	Number of shares	Option price per share	Date option exercisable
Treatt Executive Share Option Scheme No I	108,000	233p	Between June 1997 and June 2004
	62,879	209p	Between June 2004 and June 2011
Treatt Executive Share Option Scheme No II	58,121	209p	Between June 2004 and June 2008

During the year 34,354 options lapsed from the Treatt Executive Share Option Scheme No I and 5,646 options lapsed from the Treatt Executive Share Option Scheme No II.

17. RESERVES

	Share premium £'000	Profit and loss account £'000
Group		
1 October 2002	2,139	13,763
Exchange differences	–	(246)
Retained profit for the year	–	539
Issue of shares	4	–
30 September 2003	**2,143**	**14,056**
Company		
1 October 2002	2,139	1,639
Issue of shares	4	–
30 September 2003	**2,143**	**1,639**

18. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2003 £'000	2002 £'000
Operating profit	**2,157**	2,199
Depreciation charge	**670**	480
Impairment of fixed assets	**–**	659
Loss on disposals	**96**	2
Increase in stocks	**(907)**	(1,600)
Decrease/(increase) in debtors	**567**	(481)
Decrease in creditors	**(143)**	(25)
Currency translation differences on foreign currency net investments	**(177)**	(266)
Net cash inflow from operating activities	**2,263**	968

Notes to the Financial Statements continued

For the year ended 30 September 2003

19. ANALYSIS OF DEBT

	2002 £'000	Cash Flow £'000	Exchange Difference £'000	**2003 £'000**
Cash at bank				
- restricted	561	(545)	(16)	**–**
- unrestricted	156	148	–	**304**
Bank Overdraft	(1,776)	(285)	–	**(2,061)**
Debt due within 1 year	(159)	–	9	**(150)**
Debt due outside 1 year	(2,941)	162	148	**(2,631)**
Total Debt	(4,159)	**(520)**	**141**	**(4,538)**

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003 £'000	2002 £'000
Returns on investments and servicing of finance		
Interest received	**5**	33
Interest paid	**(213)**	(200)
Net cash outflow for returns on investments and servicing of finance	**(208)**	(167)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,366)**	(3,162)
Sale of tangible fixed assets	**2**	25
Restricted cash	**545**	1,630
Net cash outflow for capital expenditure and financial investment	**(819)**	(1,507)

21. PENSION SCHEME

The Group has continued to operate a defined benefit pension scheme for certain UK employees. The Scheme's assets are held separately from the assets of the Group and are administered by trustees and managed professionally. From 1 October 2001 this scheme was closed to new entrants, who are eligible to join a new Stakeholder defined contribution scheme.

The UK stakeholder and overseas defined contribution schemes are operated on behalf of certain employees. The assets are held separately from those of the Company in independently administered funds.

The pension charge for the year represents contributions payable by the Company to the schemes, amounting to:

	2003	2002
	£	£
Defined benefit scheme	**480**	502
Defined contribution schemes	**73**	38
	553	540

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in section (1) are those required by that standard. FRS 17, Retirement Benefits, was issued in November 2000 but will not be mandatory for the Group and Company until the year ended 30 September 2003, although a recent exposure draft has recommended that full implementation is deferred until the year ended 30 September 2005. Prior to this, phased transitional disclosures are required. These disclosures, which relate to the defined benefit pension scheme, to the extent not given in section (1), are set out in section (2).

(1) SSAP 24 Retirement Benefits

The latest valuation of the scheme was made at 1 January 2003 by Mr N P Hacking, Fellow of the Faculty of Actuaries. The principal methods and assumptions used and the results of the valuation are set out below:

Valuation method	Projected unit
Investment rate of return	
Pre-retirement	8.0%
Post-retirement	5.0%
Future increases in salaries	2.5%
Rate of dividend growth implied by asset valuation method	4.5%
Market value of assets	£5,046,000
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	72%

The contribution rate to the defined benefit pension scheme has increased from 19.7% to 21.5% of pensionable earnings during the year in order to meet the funding shortfall.

Notes to the Financial Statements continued

For the year ended 30 September 2003

21. PENSION SCHEME (continued)

(2) FRS 17 Retirement Benefits

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 January 2000 and updated by Mr N.P. Hacking, a Fellow of the Institute of Actuaries, to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 September 2003. Scheme assets are stated at their market value as at that date.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method		Projected unit	
	2003	**2002**	**2001**
Discount rate	5.5%	5.5%	6.0%
Inflation rate	2.4%	2.4%	2.5%
Increase to deferred benefits during deferment	2.4%	2.4%	2.5%
Increases to pensions in payment	2.4%	2.4%	2.5%
Salary increases	2.4%	4.0%	4.0%

The assets in the scheme and the expected rate of return were:

	Expected long term return	Value at 2003	Expected long term return	Value at 2002	Expected long term return	Value at 2001
		£'000		**£'000**		**£'000**
Equities	9.0%	4,390	10.0%	3,515	8.5%	4,323
Bonds	5.5%	1,061	5.5%	1,081	6.0%	685
Other	5.5%	275	5.5%	265	6.0%	403
Total market value of assets		5,726		4,861		5,411
Present value of scheme liabilities		(8,725)		(9,108)		(6,867)
Deficit in the scheme		(2,999)		(4,247)		(1,456)
Related deferred tax		900		1,274		437
Pension liability		(2,099)		(2,973)		(1,019)
Group net assets						
Net assets excluding pension liability		17,228		16,931		16,357
Pension liability		(2,099)		(2,973)		(1,019)
Net assets including pension liability		15,129		13,958		15,338
Group reserves						
Profit and loss reserve excluding pension liability		14,056		13,763		13,384
Pension liability		(2,099)		(2,973)		(1,019)
Profit and loss reserve including pension liability		11,957		10,790		12,365

21. PENSION SCHEME (continued)

	2003	2002
	£'000	£'000
Amount credited/(charged) to operating profit		
Current Service Cost (excluding employee contributions)	**(567)**	(573)
Past Service Cost	**–**	(10)
Settlement and Curtailments	**1,578**	–
Total operating income/(charge)	**1,011**	(583)
Amount (charged)/credited to other finance income		
Expected return on assets	**456**	442
Interest on scheme liabilities	**(567)**	(423)
Net (charge)/income	**(111)**	19
Amount recognised in statement of total recognised gains and losses		
Actual less expected return on assets	**236**	(1,212)
Experience (losses)/gains on liabilities	**(318)**	152
Effect of change in assumptions on liabilities	**–**	(1,615)
Total loss recognised in statement of total recognised gains and losses	**(82)**	(2,675)
Movement in deficit during the year		
Deficit in scheme at start of year	**(4,247)**	(1,456)
Current service cost (excluding employee contributions)	**(567)**	(573)
Cash contribution (excluding employee contributions)	**430**	448
Past service costs	**–**	(10)
Settlements and curtailments	**1,578**	–
Other finance (charge)/income	**(111)**	19
Actuarial loss	**(82)**	(2,675)
Deficit in scheme at end of year	**(2,999)**	(4,247)
History of experience gains and losses		
Difference between expected and actual returns on scheme assets:		
Amount	**236**	(1,212)
% of assets at end of year	**4.12%**	-24.93%
Experience gains/(losses) on scheme liabilities:		
Amount	**(318)**	152
% of liabilities at end of year	**-3.64%**	1.67%
Total actuarial gain/(loss):		
Amount	**(82)**	(2,675)
% of liabilities at end of year	**-0.94%**	-29.37%

Notes to the Financial Statements continued

For the year ended 30 September 2003

22. COMMITMENTS UNDER OPERATING LEASES

As at 30 September 2003, the Group had annual commitments under non-cancellable operating leases for plant and equipment as set out below:

	2003	2002
	£'000	£'000
Operating leases which expire:		
Within one year	**38**	40
In two to five years	**36**	30
	74	70

23. CONTINGENT LIABILITY

Company

(1) The Company has guaranteed the Industrial Development Loan of Treatt USA Inc. At the balance sheet date the liability covered by this guarantee amounted to US$4,620,000 (£2,780,787) (2002: US$4,875,000 (£3,099,962)).

(2) The Company has secured certain bank borrowings of its UK subsidiary undertaking, R.C. Treatt & Co. Limited. At the year end the liabilities covered by this guarantee amounted to £1,188,000 (2002: £471,000).

24. FINANCIAL INSTRUMENTS

(1) Maturity profile of financial liabilities

Details of the maturity profile of the US Dollar Variable Rate Demand Bonds taken out in the previous year are disclosed in note 14(1).

(2) Interest rate profile

Financial Assets	Floating Rate Financial Assets £'000
At 30 September 2003	
US Dollars	304
	304
At 30 September 2002	
US Dollars	717
	717

Financial assets comprise cash at bank of £304,000 (2002: £156,000) and restricted cash funds of £Nil (2002: £561,000) denominated in US Dollars. Interest on floating rate sterling bank deposits is based on the inter bank rate. Interest on the US Dollar bank deposit is outlined in note 14(2).

Financial liabilities	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Total £'000
At 30 September 2003			
US Dollars	–	2,781	2,781
Sterling	2,061		2,061
	2,061	**2,781**	**4,842**
At 30 September 2002			
US Dollars	–	3,100	3,100
Sterling	1,776	–	1,776
	1,776	3,100	4,876

Financial liabilities comprise the Variable Rate Demand Bonds of US$4,620,000 (see note 14(1)), and a bank overdraft of £2,061,000 (2002 - £1,776,000) denominated in sterling.

Interest on the bank overdrafts are charged at 1% above bank base rates.

(3) Fair values of financial assets and liabilities

The estimated fair values of financial assets and liabilities is not considered to be significantly different from their book values.

Notes to the Financial Statements continued

For the year ended 30 September 2003

24. FINANCIAL INSTRUMENTS (continued)

(4) Hedges

As explained in the operating and financial reviews on pages 6 to 8 the Group's policy is to hedge currency risk in times of significant currency fluctuations using forward foreign currency contracts for debtors and liabilities. At the year end there were no unrecognised or deferred gains or losses on forward foreign currency trading contracts.

(5) Currency exposure

The Group's currency exposure, ie those exposures arising from transactions the net currency gains and losses from which will be recognised in the profit and loss account, is as follows:

	Net foreign currency monetary assets		
	US Dollar £'000	**Other £'000**	**Total £'000**
At 30 September 2003	(863)	359	(504)
At 30 September 2002	(689)	835	146

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Treatt plc will be held at The British Racing School, Snailwell Road, Newmarket, Suffolk on 23 February 2004, at 11.30 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2003, together with the Report of the Directors and the Independent Auditor's Report on those accounts and the auditable part of the Directors' Remuneration Report.

2. To approve the Directors' Remuneration Report.

3. To declare a final dividend of 5.7p per share on the ordinary shares of the Company for the year ended 30 September 2003.

4. To re-elect E.W. Dawnay as a Director of the Company.

5. To re-elect W.G. Bovill as a Director of the Company.

6. To re-elect D.D. Appleby as a Director of the Company.

7. To re-elect R.A. Hope as a Director of the Company.

8. To re-appoint Baker Tilly as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.

9. To authorise the Directors to determine the remuneration of the Auditors of the Company.

10. Any other business.

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolution 11 will be proposed as an Ordinary Resolution and Resolutions 12 and 13 will be proposed as Special Resolutions.

11. THAT:

(a) In accordance with Section 80 of the Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following; namely:

(i) this authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 22 May 2005; and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £220,000 (representing approximately 21.4% of the existing issued share capital of the Company).

(b) For the purpose of sub-paragraph (a) above:

(i) the said power shall allow and enable the Directors to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and

(ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meaning herein.

12. THAT:

(a) conditionally upon the passing of Resolution 11 above and in accordance with Section 95 of the Companies Act 1985, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 11 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that:

(i) the power hereby granted shall be limited:

Notice of Annual General Meeting continued

(aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and

(bb) to the allotment (otherwise than pursuant to sub-paragraph (i)(aa) of this proviso) of equity securities up to an aggregate nominal amount of £51,400 (representing approximately 5% of the existing issued share capital of the Company);

(ii) the power hereby granted shall expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 22 May 2005;

(b) (i) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of the said power which would or might require securities to be allotted pursuant to the agreement as if the power conferred herein had not expired; and

(ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meaning herein.

13. THAT the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:

(i) the maximum number of ordinary shares authorised to be purchased is 1,029,000 (representing approximately 10% of the present issued share capital of the Company);

(ii) the minimum price (excluding stamp duty, dealing or other costs) which may be paid for an ordinary share so purchased is 10p;

(iii) the maximum price which may be paid for an ordinary share so purchased is an amount equal to 5% above the average of the middle market quotations shown for an ordinary share in The London Stock Exchange Daily Official List on the five business days immediately preceding the day on which that ordinary share is purchased;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005, unless such authority is renewed, varied or revoked prior to such time; and

(v) the Company may prior to the expiry of such authority make a contract to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board

R.A. Hope
Secretary

22 December 2003

Registered Office:

Northern Way
Bury St Edmunds
Suffolk
IP32 6NL

NOTE:
A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him or her. The proxy need not be a member of the Company. Instruments appointing proxies must be lodged with the Company's registrars not less than forty eight hours before the time fixed for the meeting.

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those members registered in the Register of Members of the Company as at 11.30 am on 21 February 2004 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at 11.30 am on 21 February 2004. Changes to entries in the Register of Members after 11.30 am on 21 February 2004 shall be disregarded in determining the rights of any person to attend or vote at this meeting.

A statement of Directors' share transactions and copies of their service contracts are available for inspection during usual business hours at the registered office of the Company from the date of this notice until the date of the Annual General Meeting (Saturdays and Sundays excluded) and will be available at the place of the meeting for fifteen minutes prior to and during the meeting.

South and Central America

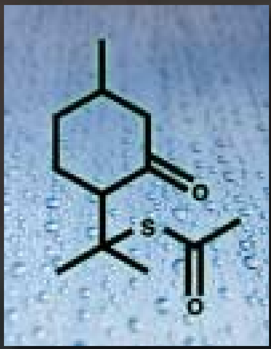
Treatt sources its raw materials from over 90 countries throughout the world. Many of its producers have had relationships with Treatt for more than three generations. Regular visits are made to suppliers, to review facilities and production methods to ensure the continuity of supply as well as to ascertain that the rules governing international labour regulations are observed.

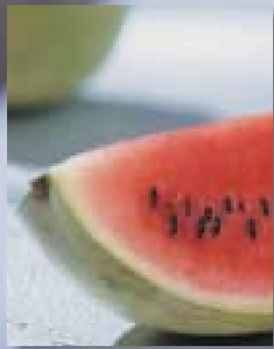
In the 1970s Treatt was one of the first to commercialise Peruvian lime oil which is produced in the north west of the country. Lime in Peru is used traditionally in a local dish Cebiche (raw fish marinated in lime juice).

The group purchases lime oil from a number of different countries within South and Central America.

Peruvian Lime Production

www.treatt.com





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