A world of flavour, fragrance and cosmetic ingredients

Treatt plc Annual Report & Financial Statements 2012

About the Group

Treatt is a global independent manufacturer and supplier of ingredients to the flavour, fragrance and cosmetic industries. The company has manufacturing sites in the UK, USA and Kenya, sales offices in China and France, and a network of agents throughout the world. Treatt exports to over 90 countries and its customers include major global consumer product and beverage companies.

The ingredients that Treatt manufactures are historically based on essential oils, which are distilled or blended, and the Treattarome® range of natural distillates which are made 'From The Named Food'. Treatt also distributes a range of aroma chemicals to the flavour and fragrance industries. Typical products using a Treatt ingredient could range from soft drinks, alcoholic beverages, shampoos and soaps to confectionery and basic pharmaceutical products. Treatt is a world leader in the supply of essential oils and natural distillates for these uses.

There are hundreds of different essential oils extracted from many different natural 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.

Earthoil is the cosmetics ingredients division of Treatt, and specialises in pure, organic, fair trade essential and cold pressed vegetable seed oils, offering a broad spectrum of natural raw materials for cosmetic applications. The Earthoil range of products include such items as organic tea tree oil, almond oil, cocoa butter, macadamia oil, passion fruit seed oil, and pomegranate seed oil for direct use in the cosmetics industry. Earthoil supplies its organic and fair trade certified products worldwide.

Contents

Financial Summary

Revenue

£74.0m

12	**£74.0m**
11	£74.5m
10	£63.3m
09	£56.3m

Profit Before Tax

£5.1m

12	**£5.1m**
11	£6.4m
10	£4.5m
09	£3.5m

Basic Earnings Per Share

34.4p

12	**34.4p**
11	42.5p
10	30.3p
09	24.5p

Dividends Per Share*

15.5p

12	**15.5p**
11	14.5p
10	13.0p
09	12.0p

Net Assets Per Share

£2.48

12	**£2.48**
11	£2.44
10	£2.15
09	£2.17

* The interim dividend declared, together with the final dividend proposed, which are shown above for the accounting periods to which they relate, are accounted for in the subsequent accounting periods in accordance with International Financial Reporting Standards. See note 10.

Calendar

2011/12

Financial year ended	30 September 2012
Results for year announced	10 December 2012
Annual Report and Financial Statements published	21 December 2012
Final dividend for 2012 goes ‘ex-dividend’	30 January 2013
Record date for 2012 final dividend	1 February 2013
Last day for Dividend Reinvestment Plan Election	11 February 2013
Annual General Meeting	25 February 2013
Final dividend for 2012 paid	8 March 2013

2012/13

Interim results to 31 March 2013 announced	13 May 2013†
Financial year ended	30 September 2013
Interim dividend for 2013 goes ‘ex-dividend’	11 September 2013†
Record date for 2013 interim dividend	13 September 2013†
Last day for Dividend Reinvestment Plan Election	23 September 2013†
Interim dividend for 2013 paid	18 October 2013†
Results for year to 30 September 2013 announced	9 December 2013†
Final dividend for 2013 paid	7 March 2014†

† These dates are provisional and may be subject to change

Spotlight on Florida

At Treatt's manufacturing plant in Lakeland, Florida, raw materials such as fresh watermelons and strawberries are turned into all-natural products for other companies to include in the manufacture of popular natural ranges. Treatt expanded its UK operations into the USA in 1989 when it opened a plant in Haines City, Florida. It has been a success story, moving to a new facility in Lakeland, Florida in 2002 which has since increased in size and has the capacity for even further expansion.

The Lakeland plant has state-of-the-art laboratories for quality control, research and development, as well as multi-functional and specialty distillation equipment used in the production of such products. In the Application Laboratory, a new tea essence might be created; the tea leaves being selected and sourced from locations around the world such as Indonesia or Kenya and then processed to extract the flavour, eventually becoming a product developed to meet the customer's requirements. The customer is then shown how it can be used, and Treatt has made yet another contribution to the marketplace. Many of Treatt's customers are household names and a variety of their products are likely to be found on the shelves of local retail stores as well as at home.

Treatt makes a point of supporting local communities, and in Lakeland Treatt has given financial support to such organisations as Harrison School of the Arts, Pediatric Cancer Foundation, Alliance for Independence and March of Dimes.

In February 2013 Treatt will be holding another of its successful training seminars in Florida. These have been held, both in the UK and the USA, since 2006 so that Treatt's customers can gain greater knowledge and insight into the world of flavour and fragrance raw materials. Presentations are given by Treatt staff and guest speakers on sourcing, manufacturing, production and analysis. The seminars have been extremely popular, with some large global consumer goods companies being represented.

Treatt is committed to future investment and development of both its staff and its products.

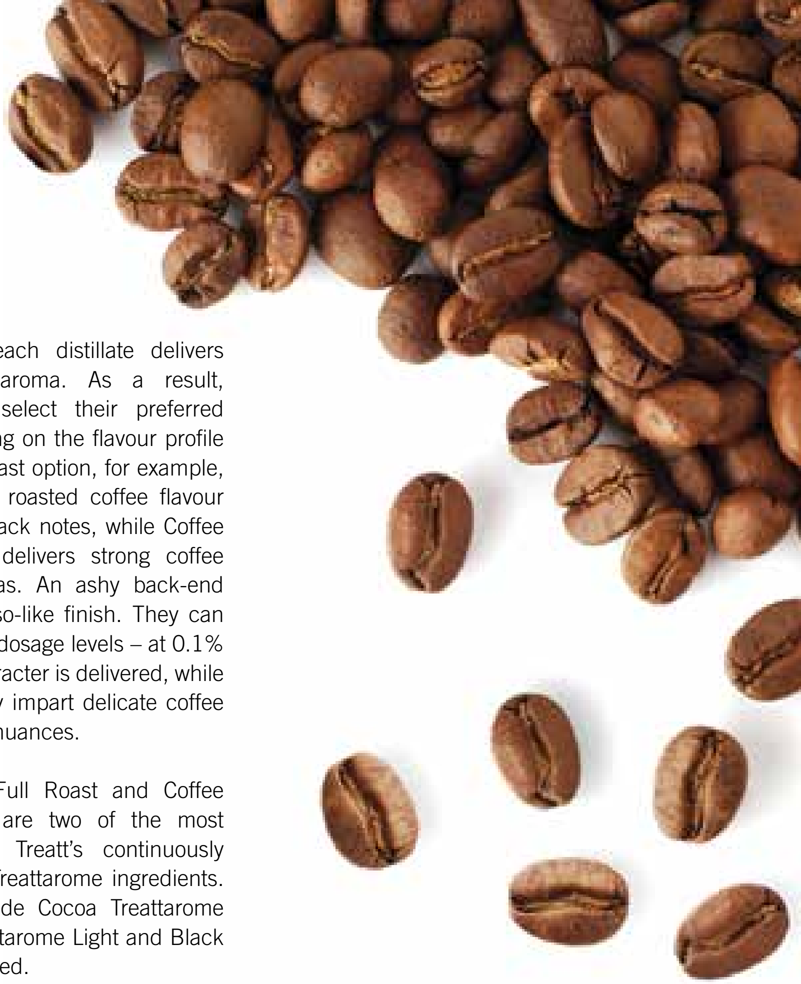
Treatt and Sigie Segoma village Tanzania

Treatt takes great pride in its unique and long-standing supplier relationships. One supplier in particular – a remote village at the foot of the Usambara Mountains in Tanzania, has been working with Treatt since 1935. The village, called Sigie Segoma, is based in an estate that was once owned by a German General called Von Brandis. Despite pouring money and resources into the plantation, Von Brandis failed to make the plantation profitable even though fruit trees had been planted on the estate as far back as 1904.

By the time Treatt's then chairman, E W Bovill, arrived more than three decades later he discovered the area had been completely overgrown. However, amidst the wild creeping foliage, he was astounded to discover more than 45,000 bitter orange trees and tonnes of fruit, simply rotting on the ground. "It went to my heart to see such a waste," the chairman said at the time. "And then I found they had a couple of hand equelles that had never been used."

The discovery was the start of Treatt's long relationship with the community of Sigie Segoma. Treatt still buys bitter orange oil from the estate and has invested in improvements designed to support the community such as donations to help build classrooms and schoolteacher's accommodation at the local village school and the provision of books and wind-up radios.

The improvement of the educational facilities has seen an increasing number of pupils moving on to secondary education. Numbers at the primary school have increased to such an extent that Treatt has recently made a further donation so that another classroom can be built to cope with the increased demand.



Coffee **Treattarome**

Treatt has expanded its portfolio of innovative 100% natural distillates with the introduction of two new Treattarome® products. Coffee Treattarome Full Roast and Coffee Treattarome Mellow have been developed to deliver an authentic roasted bean flavour in a wide variety of applications at a cost-effective price. These latest additions to Treatt's range of FTNF (From The Named Food) ingredients are wholly distilled from Coffee (Coffea Arabica). Each product is formulated using Treatt's proprietary manufacturing technology which ensures maximum flavour extraction. When used in applications, these new Coffee Treattaromes confer a full, rich coffee character. They are particularly effective when incorporated as a top note in RTD (Ready To Drink) coffee beverages, ice cream and desserts.

Coffee Treattarome Full Roast and Coffee Treattarome Mellow can be used in similar end products but each distillate delivers a subtly different aroma. As a result, manufacturers can select their preferred Treattarome depending on the flavour profile required. The Full Roast option, for example, imparts a warm, full roasted coffee flavour with rich chocolate back notes, while Coffee Treattarome Mellow delivers strong coffee and chocolate aromas. An ashy back-end also gives an espresso-like finish. They can be applied at varying dosage levels – at 0.1% an intense coffee character is delivered, while at 0.05% or less they impart delicate coffee notes with chocolate nuances.

Coffee Treattarome Full Roast and Coffee Treattarome Mellow are two of the most recent launches in Treatt's continuously expanding range of Treattarome ingredients. Other products include Cocoa Treattarome Dark, Black Tea Treattarome Light and Black Tea Treattarome Brewed.

Time for more **Tea**

Tea is currently an unstoppable force in the global beverage industry. Sales in the US are expected to grow to nearly $8 billion by 2014 from its current $6.5 billion, while in the UK, 165 million cups of tea are drunk each day. The world's second most consumed drink after water; consumers' tea tastes are becoming increasingly varied. The Tea Council in the UK estimates that there are now over 1500 varieties of the plant Camellia sinensis but it is the black and green tea varieties which remain the most popular.

Considering tea's numerous health benefits, this exceptional growth and popularity should come as no surprise. As consumers look to be more proactive about their health, they are seeking healthier, thirst quenching alternatives such as tea.

To meet these rising demands, drink manufacturers are looking for cost-effective natural ingredients to develop good-tasting tea beverages and carve their share in this dynamic market. Treatt offers a comprehensive range of tea essences, featuring both black and green tea options. They deliver an exceptional flavour and aroma and are suitable for both RTD (Ready To Drink) and food service beverages.

Treatt has recently significantly expanded its production capacity to meet this growing consumer demand for tea. In conjunction with this capacity increase, Treatt has broadened its black tea portfolio, and also rejuvenated its green tea offering, to leverage the scale and cost structure obtained by means of such capacity increase.

Alongside tea, coffee has also shown significant growth in recent years. The second biggest import in the US after oil, coffee has a broadened consumer base, thanks to the popularity of different varieties, such as iced coffee, becoming more mainstream. In light of this, Treatt is in the process of redesigning its range of coffee essences to be cost-effective while broadening the product offering to include light roast to dark roast flavour profiles.

The rapidly expanding tea market is good news for tea-lovers throughout the world, as there is a wider variety available than ever before. Treatt is rising to the occasion by continuously innovating and developing new products and expanding production supply to meet these needs.

Treatt adds extra sparkle
to sweet flavours

In 2011 Treatt launched TreattSweet, which improves the sweetness and transforms the flavour of products sweetened with Stevia and other sweeteners. This unique product is a non-caloric blend of all-natural essences that imparts desirable flavour and mouthfeel, while smoothing out the sweetness profile and undesirable lingering characteristics associated with Stevia and other sweeteners.

2012 saw the introduction of two additions to the range: TreattSweet Extra and TreattSweet Sparkling. These new products enable manufacturers to improve the sweet taste profile in an increasing number of flavour compositions and applications while continuing to deliver the key benefits of the original TreattSweet product.

Specifically developed to work in combination with high-intensity sweeteners such as Stevia, TreattSweet imparts a sweet aroma but this characteristic is not always compatible with other components of the flavour blend. TreattSweet Extra has been formulated to overcome this challenge, providing flavourists with a low odour alternative. Its subtle flavour and light, fruity notes mean it delivers less aroma intensity at levels of 100 ppm upwards. As a result, TreattSweet Extra is suitable for an even wider variety of flavour applications.

TreattSweet Sparkling tackles the issues associated with carbonation, acidulants and sugar in low-calorie beverages – all of which have a significant impact on flavour perception and sweetness. Offering a more intense flavour profile than TreattSweet Extra, TreattSweet Sparkling ensures optimum Stevia performance in carbonated beverages at low pH and at reduced sugar levels (7º Brix or lower). Its recommended dosage also starts at 100 ppm.

Each new TreattSweet product has been developed using Treatt's specialist technology which guarantees maximum flavour entrapment. They are both 'water white' making them particularly suitable for clear beverages but also for juices, waters, alcoholic drinks and dressings, plus dairy applications.

TreattSweet Extra and TreattSweet Sparkling are the latest additions to Treatt's portfolio of natural distillates developed to help formulators create sweet flavour blends without the associated calories. Other products include Sugar Treattaromes and two Honey Treattaromes.

Taking the heat out of **chilli**

Treatt has developed a new pepper Treattarome® to enhance savoury flavours without adding the fiery sensation of chilli pepper. Jalapeño Treattarome is a companion product to Habanero Treattarome, but like the natural fruit, the new Jalapeño Treattarome carries a greener, bell pepper-like note, differentiating it from the hot, tangy habanero chilli.

100% natural, this FTNF (From The Named Food) distillate delivers the complex and unique flavour of jalapeño. Jalapeño Treattarome is wholly distilled from top-grade jalapeño peppers, which are processed and distilled in a short, rapid production process which preserves the fresh character of the pepper. Using specialised technology, this new Treattarome is collected without the need for extended heat processing. The resulting clear to pale yellow extract is miscible with water, alcohol and propylene glycol. It enables the development and manufacturing of products with a reliable degree of heat in the resulting taste. Successful applications include salsa and pepper sauces where control of the capsaicin heat level is important. Furthermore, with no added preservatives or antioxidants, Jalapeño Treattarome carries a clean label to increase consumer appeal.

Taking its name from Xalapa in Veracruz state, Mexico, the jalapeño pepper is generally used in hot sauces. At a dose of 0.1%, Jalapeño Treattarome imparts a strong fresh, green and earthy flavour with warm paprika notes, but without the intense heat. At a dose of less than 0.01%, it delivers fresh, green peppery undertones.

Treatt developed the Jalapeño Treattarome in response to customer demand for new fresh, savoury and even sweet flavours. It offers the promise of creative cocktails, vegetable sauces and dips for imaginative new product development. This is the latest addition to our family of pepper Treattaromes, which now includes Jalapeño, Habanero, Green Bell and Roast Bell Peppers.

Group Five Year Trading Record

	Years ended 30 September				
	2008 £'000	2009 £'000	2010 £'000	2011 £'000	**2012** **£'000**
INCOME STATEMENT					
Revenue	49,641	56,313	63,298	74,518	**74,009**
Profit before taxation and exceptional items	3,064	3,501	4,503	6,372	**5,060**
Exceptional items	—	—	(2,432)	—	**(598)**
Profit before taxation	3,064	3,501	2,071	6,372	**4,462**
Taxation	(1,090)	(1,013)	(1,417)	(2,017)	**(1,390)**
Non-controlling interest	5	(3)	(1)	(7)	**—**
Profit for the year attributable to owners of the Parent Company	1,979	2,485	653	4,348	**3,072**
BALANCE SHEET					
Goodwill	3,763	4,272	1,051	1,192	**1,080**
Other intangible assets	336	290	250	742	**718**
Property, plant and equipment	9,461	9,847	10,250	10,120	**11,543**
Deferred tax (liability)/asset	(94)	245	(19)	(261)	**(594)**
Non-current trade and other receivables	361	586	586	586	**586**
Current assets	32,358	28,687	34,311	35,847	**38,053**
Current liabilities	(21,185)	(15,954)	(14,292)	(12,592)	**(17,345)**
Non-current trade and other payables	(178)	(789)	—	(135)	**(23)**
Non-current bank loans	(2,016)	(1,773)	(7,348)	(7,606)	**(5,469)**
Post-employment benefits	(538)	(2,000)	(1,596)	(803)	**(838)**
Derivative financial instruments	—	—	—	(864)	**(1,033)**
Redeemable loan notes (net)	(675)	(675)	(675)	(675)	**(675)**
Total equity	21,593	22,736	22,518	25,551	**26,003**
CASH FLOW					
Cash generated from operations	(951)	10,675	2,361	8,312	**1,482**
Corporation tax paid	(730)	(755)	(1,312)	(1,998)	**(1,279)**
Net interest paid	(722)	(541)	(387)	(527)	**(618)**
Dividends paid	(1,100)	(1,138)	(1,222)	(1,330)	**(1,490)**
Additions to non-current assets	(1,127)	(1,005)	(1,571)	(1,540)	**(2,787)**
Acquisition/disposal of interests in joint ventures or subsidiaries	(735)	—	(38)	(14)	**—**
Net (purchase)/sale of own shares by Share Trust	(22)	65	87	100	**(306)**
Other cash flows	(377)	(407)	(5)	(16)	**43**
(Decrease)/increase in net cash	(5,764)	6,894	(2,087)	2,987	**(4,955)**
Net borrowings	(15,788)	(8,894)	(10,981)	(7,994)	**(12,949)**
RATIOS					
Basic earnings per share before exceptional items	19.4p	24.5p	30.3p	42.5p	**34.4p**
Dividend per share*	11.2p	12.0p	13.0p	14.5p	**15.5p**
Dividend cover excluding exceptionals (times)*	1.74	2.03	2.32	2.92	**2.32**
Net assets per share	206.1p	217.0p	214.9p	243.8p	**248.0p**

* The dividend per share shown relates to the interim dividend declared and final dividend proposed, both of which are paid after the year end and, under IFRS, accounted for in the subsequent financial year.

Chairman's Statement

"Dividend growth maintained as pre-exceptional profits recover to second highest on record"

Dividends
Dividends increased by 6.9%

+6.9%

Treatt USA
Year on year US Dollar sales grew by 4.5%

+4.5%

Earthoil
Underlying like for like sales grew by 12%

+12%

Results

2012 has been a mixed year for the Group. Notwithstanding a weak start to the financial year, it is pleasing to report that results for the last year were significantly better than had been originally forecast. Pre-exceptional profits for the financial year recovered to £5.1m, being the second highest on record. Group revenue remained steady at £74.0m (2011: £74.5m). Though orange oil prices over the year fell by more than half, our adjusted* group earnings before interest, tax, depreciation and amortisation was reduced by only 14.2% to £6.9m (2011: £8.0m). Operating profits were down 18% to £5.6m (2011: £6.9m) with adjusted* profit before tax for the year lower by 21% to £5.1m (2011: £6.4m). In comparison, this year's adjusted profits exceed the profits for 2009/10 by 12% and those of 2008/9 by 45%. Adjusted* basic earnings per share were 34.4 pence (2011: 42.5 pence) per share.

The exceptional item of £0.6m reported in these results relates to compensation for loss of office in respect of the out-going Group Managing Director who was subject to a notice period of two years.

Dividends

The Board is proposing a net final dividend of 10.4 pence (2011: 9.7 pence), increasing the total dividend for the year by 6.9% to 15.5 pence (2011: 14.5 pence) per share. If approved, the final dividend will be payable on 8 March 2013 to all shareholders on the register at close of business on 1 February 2013. Shareholders who wish to participate in the dividend re-investment plan for this and future dividends should elect to do so by 11 February 2013.

Board Changes

Following my appointment as Chairman of the Board at the AGM in February this year, the Board announced the appointment of Daemmon Reeve as an Executive Director in May and subsequently as Group Chief Executive Officer in August. Daemmon has worked for the Group for over twenty years, latterly as CEO of Treatt USA where, in a relatively short space of time, he has taken the Group's US business onto a significantly more profitable footing and we have every confidence that under Daemmon's leadership the Group as a whole will enjoy sustainable long term growth in profits over the coming years.

Review of the year

The weak Q4 experienced in the preceding financial year continued into Q1 of the financial year ended 30 September 2012, particularly at R.C. Treatt, the Group's UK-based operating subsidiary. As has been the case in previous downturns, demand then steadily recovered throughout the rest of the financial year although prices for many raw materials continued to decline. Orange oil (the Group's largest product segment) fell in price by over 60% creating downward pressure on margins.

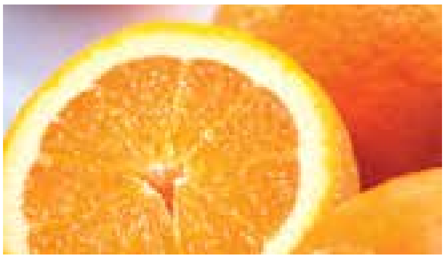
Whilst sales in the UK grew by an encouraging 12%, across the rest of Europe demand was very weak, with sales to France and Germany coming under particular pressure during the year. The Group continues to perform well across Asia and the Americas. In terms of product categories, the Group has steadily increased its focus on the beverage sectors where sales of citrus and natural ingredients are growing, while at the same time maintaining a strong foothold in the supply of aroma and specialty chemical ingredients for the flavour and fragrance industries.

As a consequence of the weak Q1, R.C. Treatt saw revenue falling by 4% to £43.5m (2011: £45.3m). The significant price volatility of orange oil impacted on R.C. Treatt's sales and contributions in the year as the Group managed its risk through strategic inventory management.

For Treatt USA, 2012 has been another good year although, in the absence of some prior year stock profits, overall contributions were lower. The underlying performance of Treatt USA continues to be strong, with some significant new business being won during the course of the year. Year on year US Dollar sales grew by 4.5%.

2012 has been a steady year for Earthoil as it made a small profit for the second year in succession. Year on year sales for Earthoil fell slightly by 3% but underlying performance was much better than this suggests as prior year sales included a substantial shipment which had been delayed from 2010. On a like for like basis sales grew by a satisfactory 12%. This growth was achieved without any increase in overheads and resulted in a 22% increase in profits, albeit from a very small base.

* Excluding exceptional item for compensation for loss of office



Prospects

The new financial year has started at a steady pace which in relative terms will mean that Q1 of the current year ending 30 September 2013 will show a significant improvement on last year. The Board is currently carrying out a thorough review of the business with the aim of taking the Group through to its next stage of growth. The UK business has gradually evolved since it began manufacturing in the 1970's and the task now is to re-focus and further modernise R.C. Treatt in order to drive future growth in the Group's profitability. Treatt USA, which predominantly serves the fast-moving North American market is continuing to progress well, with some substantial new contracts coming fully on stream over the coming year whilst Earthoil is expected to make steady progress as a niche supplier to the cosmetics industry.

Summary

Despite the weak first quarter, particularly at R.C. Treatt, the results for the last year were better than original expectations with Treatt USA continuing to perform very well. The view for the current year ending 30 September 2013 is it will be a year of steady progress as the Group re-aligns its strategy to ensure that it is well placed to grow profit sustainably over the coming decade. The world continues to eat, drink and to buy cosmetics; overall demand continues to grow in spite of economic conditions. Flavour, fragrance and cosmetics companies look to our Company to provide quality products in an efficient manner. As a truly independent and global business, Treatt remains well placed to take advantage of competitive opportunities, and through its commitment to continuous improvement, Treatt has become a supplier of choice to many large global businesses as well as national companies.

People

The most important asset of the Group is its people and, on behalf of the Board, I would like to express our sincere thanks to all colleagues throughout the globe without whose effort, dedication and skill these results would not have been possible.

TIM JONES
Chairman
7 December 2012

> "The underlying performance of Treatt USA continues to be strong"

Operating & Financial Review

> "Significant capital investment at Treatt USA completed on budget and on time"

Operating Overview
Operationally, the Group performed satisfactorily during the year with on-going focus on efficiency improvements and well-targeted capital investment. The major operational events during the year included significant capital investment at Treatt USA which has resulted in a substantial increase in manufacturing capacity with a rapid payback. In the UK, the cost base of the business was kept under constant pressure in order to deliver greater efficiencies whilst maintaining the highest levels of quality and customer service.

The last year has seen the Group investing approximately £2.7m in expanding and enhancing the Group's facilities and operational capabilities. Alongside this, and as part of the Group's focus on servicing the needs of global multi-national consumer product companies, Treatt USA, R.C. Treatt and Earthoil were successful in achieving the exacting BRC (British Retail Consortium) auditing standard with 'A' grade status at the first time of asking. Earthoil has continued to develop its in-house technical capabilities in order to improve the effectiveness of its service-offering across a range of niche cosmetic ingredients. The Group continues to place a very high level of priority on managing its inventory levels with the value of inventory standing at £22.9m at year end. Overarching control of inventories is carried out by stock teams in both the UK and US who meet frequently, and review in detail, information using a number of IT tools linked in to the ERP system. As a consequence of the work carried out in this area less than 5% of Group inventory was more than one year old at the year end.

Treatt's truly global supply chain activities resulted in materials being bought and sold in almost one hundred countries around the world. In addition, Earthoil produces organic and fair trade essential and vegetable oils in Africa. We believe that this global reach enables the Group to be especially well placed to meet the needs of major multi-national businesses that look to Treatt to seamlessly address the many complexities of importing and exporting goods to or from any corner of the world. The Group continues to be pro-active in meeting the challenges of the ever-changing regulatory landscape in order to achieve competitive advantage in supporting the needs of the Group's multi-national customer base.

The Group also continues to place significant importance on developing its business continuity plans and has put in place a highly detailed plan for both R.C. Treatt and Treatt USA in order to ensure that it is able to respond effectively should a major unforeseen event occur. Extensive stress testing of this plan is undertaken regularly. The Group benefits from the fact that there are operational synergies between the UK and US which would enable the Group to put into practice one of many contingency plans in the event of a major incident by moving activities to alternative locations. This capability is seen by global corporations as one of the many facets of Treatt's service offering which they find attractive – the fact that Treatt will be able to maintain continuity of supply in spite of experiencing an unforeseen event.

Performance & Business Overview
The main commercial and financial challenge which faced the Group during the year was the exceptional volatility in orange oil prices, the Group's most important raw material. Sales of orange oil related products represent typically around 20% of Group turnover although this can vary dependant on market prices. As expected, orange oil prices fell sharply during the year and this risk was managed effectively by minimising inventory levels of orange oil whilst maintaining appropriate risk-managed pipeline material in order to meet the needs of our customers.

R.C. Treatt
2012 proved to be one of the toughest years on record for R.C. Treatt, with the first six months being particularly difficult. After many years of top line growth but with little improvement in profitability, the performance over the last year has highlighted the need for a change in strategic direction with renewed focus on core value-added product categories such as beverages coupled with increased technical support to demonstrate the efficacy of those ingredients to their maximum potential. Revenue for the year fell by 4% with sales to the top ten customers representing just 38% of turnover, with demand from some large customers falling in line with weaker global consumption.

In spite of the aforementioned sharp fall in orange oil prices and conservative inventory management, sales of orange oil products actually held up reasonably well with volumes growing. As expected, however, contributions were significantly down on the previous year. Sales of aroma and speciality chemicals similarly remained steady but again with lower margins.

Treatt USA
Treatt USA experienced its third consecutive year of strong performance. With its origins rooted in the citrus industry it was greatly affected by the happenings in the orange oil market and therefore, in the absence of the prior year windfall gains, profits were lower. However, once the effect of these one-off fluctuations are stripped out, the underlying performance of Treatt USA continued to improve as it won major new business during the year. Specialty non-orange product sales continued to show impressive growth, supported by new long-term contracts and increased capacity.

Earthoil
The Group's niche cosmetic ingredients business, specialising in organic and fair trade, had a satisfactory year, recording its second successive year of modest profitability. Earthoil has yet to really break through to a material level of sales or profits, but with sales growing year on year, whilst the cost base remains under tight control, the Board remain committed to Earthoil delivering value for shareholders. Excluding one-off business relating to the Indian fair trade mint project, Earthoil's sales grew by an encouraging 12%. Through Earthoil Kenya, Earthoil benefits from having its own organic and fair trade vegetable oil pressing facilities which provide the business with an important competitive advantage. For further information on Earthoil's range of products visit www.earthoil.com.

Capital Investment
R.C. Treatt's capital programme in 2012 remained at modest levels as a number of projects remained on hold whilst the Board considers the most effective way to develop and grow the UK operations in order to maximise future growth potential in the most cost efficient way. Many of the projects which were implemented during the year were IT related, as the complex nature of R.C. Treatt's global activities necessitates a strong commitment to state of the art systems in order to grow successfully as a modern manufacturing business. As reported last year, Treatt USA invested $3 million in new manufacturing capacity which began to come on stream in early 2012. Earthoil did not require any significant capital investment, as the production activities in the UK and Kenya are not as capital intensive as other parts of the Group.

Personnel
Succession planning, in all disciplines, is a priority for Treatt, not only by location but also the development of Group expertise, to facilitate sharing of skills and knowledge across the business. This brings with it the added value of a team spirit, shared objectives, common goals and best practice. Both personal development and skills based training are determined on clearly defined objectives and then carefully monitored for effectiveness.

Financial Overview
Income Statement
Group revenue decreased by £0.5m (0.7%) during the year to £74.0m (2011: £74.5m). With gross margins falling during the year, this resulted in a decrease in pre-exceptional operating profit after foreign exchange translation differences of £1.2m (18%) to £5.63m (2011: £6.86m).

Earnings before interest, tax, depreciation and amortisation for the year, excluding the exceptional item, fell by 14% to £6.9m (2011: £8.0m) and pre-exceptional Group profit before tax decreased by 20.6% to £5.1m (2011: £6.4m). Profit before tax after the exceptional item for compensation for loss of office of £0.6m was £4.5m.

The total dividend for the year has been increased by 6.9% to 15.5p per share, resulting in a dividend cover of 2.3 times earnings for the year. This represents an increase of 44% over the last five years. Basic earnings per share (excluding exceptional) for the year decreased by 19% to 34.4 pence (2011: 42.5 pence). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) since they do not rank for dividend, and is based upon profit after tax.

The US Dollar (being Treatt's most significant foreign currency) remained relatively stable for most of the financial year hovering between $1.55-$1.60 to the Pound, ending the year with a closing balance sheet rate of $1.61. As explained further on in this report under 'Treasury Policies', the Group hedges its foreign exchange risk at R.C. Treatt by holding and managing US Dollar borrowings. In the short term this can result in timing differences with the Group making a small re-translation gain in the income statement of £0.3m in the year. There was a currency loss of £0.3m in 'The Statement of Comprehensive Income' in relation to the Group's investment in overseas subsidiaries, principally in respect of Treatt USA.

With higher average borrowings in the year, the Group's net finance costs increased by 15% to £0.6m. As part of the Group's risk management, in 2011 R.C. Treatt fixed $9m of US Dollar borrowings at 5.68% for ten years by way of an interest rate swap. This swap has been designated as a 'hedge' in accordance with IFRS and consequently any movements in the mark-to-market of the swap are taken directly to equity. At the balance sheet date, the fair value liability, net of deferred tax, of the swap was £0.8m. Interest cover for the year fell to 9.9 times (2011: 14.0 times).

During the year the Group continued its annual programme of offering share option saving schemes to staff in the UK and USA. Under US tax legislation, staff at Treatt USA are able to exercise options annually, whilst the UK schemes provide for three-year savings plans. As part of these programmes, options were granted over a further 52,000 shares during the year, whilst 47,000 were exercised by UK employees under the 2009 Save As You Earn scheme. The Employee Benefit Trust (EBT) currently holds 256,000 shares (2011: 203,000) acquired in the market in order to satisfy future option schemes without causing shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Balance Sheet
Group shareholders' funds grew by £0.4m in the year to £26.0m (2011: £25.6m), with net assets per share increasing by 2% to £2.48 (2011: £2.44). Over the last five years, net assets per share have grown by 27%. Net current assets now represent 80% (2011: 91%) of shareholders' funds. The Board has chosen not to avail itself of the option under IFRS to revalue land and buildings annually and therefore all the Group's land and buildings are held at historical cost, net of depreciation, in the balance sheet. It should be noted that net assets have been reduced by £0.7m (2011: £0.5m) as a result of shares held by the EBT, due to the accounting requirements for employee trusts. This impact will be reversed when these shares are used to satisfy employee share option schemes.

Operating & Financial Review

continued

Cash Flow

In 2012 Group net debt increased by £5m to £13m with the level of gearing rising from 31% to 50%. The Group has a mix of secured and unsecured borrowing facilities totalling £20.1m, of which £11.6m expire in one year or less. The Group's borrowing facilities are held with HSBC, Bank of America and Lloyds Banking Group with the majority of facilities now held on three year terms with expiry dates staggered to fall in different years. The Group continues to enjoy positive relationships with its banks and expects all facilities to be renewed without difficulty when they fall due. The movement in working capital for the year was £4.2m with increases more or less equally divided between trade receivables and inventories. Inventory levels for the Group increased to £22.9m largely due to increased holdings of orange oil as prices returned to more normal levels. As an ingredients specialist, Treatt takes many annual, and in some cases longer-term, contracts with customers as well as servicing the immediate spot needs of its diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore it is part of the Group's business model to hold significant levels of inventory.

Final Salary Pension Scheme

The three-year actuarial review was carried out in January 2012, the result of which was that the company agreed to maintain contributions at their current levels in order to eliminate the actuarial deficit by 2019.

Following consultation with members, it was agreed that the scheme will not be subject to any further accruals after 31 December 2012 and instead members of the final salary pension scheme have been offered membership of the Company's defined contribution pension plan with effect from 1 January 2013. As a consequence, a curtailment gain of £188,000 has been recognised in these financial statements.

During the year the *IAS 19, "Employee Benefits"* pension liability, net of deferred tax, remained unchanged at £0.6m.

Treasury Policies

The Group operates a conservative set of treasury policies to ensure that 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.

Firstly, the value of the foreign currency net assets of Treatt USA and the overseas Earthoil companies can fluctuate with Sterling. Currently these are not hedged as the risks are considered insufficient to justify the cost of putting the hedge in place.

Secondly, with R.C. Treatt exporting to over 90 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in three currencies in addition to Sterling, with the US Dollar being by far the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated commodity price and therefore has an impact on the Sterling gross margin. Raw materials are also mainly purchased in US Dollars and therefore US Dollar bank accounts are operated, through which US Dollar denominated sales and purchases flow. 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, US Dollar exchange movements can also have a significant effect 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. This policy will protect the Group against the worst of any short-term swings in currencies.

Group Tax Charge

The Group's current tax charge of £0.9m (2011: £1.7m) represents an effective tax rate (based on profit before tax after the exceptional item) of 20% (2011: 27%) which is a significant reduction on previous years and is significantly lower than the average rate of UK corporation tax of 25% (2011: 27%) for the year as a consequence of accelerated capital allowances in the US. The overall tax charge of £1.4m (2011: £2.0m) has decreased in line with Group profits and remains at an average total tax rate of 31% (2011: 32%). There were no significant adjustments required to the previous year's tax estimates.

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 2012.

Principal Activity
The Group's principal activity is the supply of conventional, organic and fair trade flavour, fragrance and cosmetic ingredients. This involves blending and distilling essential oils, the marketing of aroma chemicals and the production of vegetable oils and natural distillates for the flavour, fragrance and cosmetic industries.

Comments on the Group's activities, position at year end, and its outlook for the future are given in the Chairman's Statement and Operating & Financial Review (OFR) on pages 6 to 10.

Results and Dividends
The results of the Group for the year are set out on page 5. Profit before tax for the year excluding exceptional items was £5,060,000 (2011: £6,372,000).

The Directors recommend a final dividend of 10.4p (2011: 9.7p) per ordinary share.

This, when taken with the interim dividend of 5.1p (2011: 4.8p) per share paid on 19 October 2012, gives a total dividend of 15.5p (2011: 14.5p) per share for the year ended 30 September 2012.

Business Review
The Group is required to produce a business review complying with the requirements of section 417 of the Companies Act 2006. The Group has complied with this requirement in the Chairman's Statement on pages 6 to 7 and the OFR on pages 8 to 10. This incorporates a review of the Group's activities, its business performance and developments during the year and an indication of likely future developments. The Group's strategy and business model (further details of which can also be found in the Chairman's Statement and OFR) is to build long term shareholder value by delivering steady growth through continuous improvement and by focussing primarily on the products, customers and territories where the Group has built its reputation over many years.

Key Performance Indicators (KPIs)
KPIs have been set at Group level, having been devised to allow the Board and shareholders to monitor the Group as a whole, as well as operating businesses within the Group. The Group has financial KPIs which it monitors on a regular basis at Board level and, where relevant, at operational executive management meetings as follows:

	2012	2011
Group revenue	**£74.0m**	£74.5m
Group profit before tax[1]	**£5.1m**	£6.4m
Group earnings per share (basic)[1]	**34.4p**	42.5p
Group return on capital employed[1,2]	**19.5%**	24.9%

[1] Excluding exceptional items

[2] Capital employed is defined as total equity

Risks and Uncertainties
The Group has provided in the Chairman's Statement, OFR and the notes to the financial statements details of various risks and uncertainties it faces, which include:

- foreign exchange risk, particularly with regard to the US Dollar, as the Group trades with approximately one hundred countries around the globe;
- credit risk in ensuring payments from customers are received in full and on a timely basis;
- legislative and regulatory risk as new requirements are being imposed on business and the industries with which the Group are involved, for example the European REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) legislation;
- movements in commodity and essential oil prices often caused by unpredictable weather patterns or other sudden changes in supply or demand, for example the impact of the 2004 Florida hurricanes on grapefruit oil prices, the 2008 movement in lemon oil prices, and the sharp rise and fall in orange oil prices between 2010 and 2012.

The Group has taken appropriate steps to manage and control these risks, which include:

- the implementation of a foreign exchange risk management policy as explained in the OFR;
- agreeing appropriate payment terms with customers including, where necessary, payment in advance or by securing payment through bank letters of credit;
- taking a pro-active and leading role in ensuring the Group's systems and procedures are adapted to ensure compliance with new or changing legislative or regulatory requirements;
- ensuring that Group purchases of raw materials are based upon a well researched understanding of the risks involved and ensuring that appropriate inventory balances are held in order to meet future demand, whilst not holding excessive levels which may expose the Group to unnecessary levels of risk.

Group risk is regularly reviewed at Board level to ensure that risk management is being implemented and monitored effectively.

The Group regularly reviews its commercial insurance programme and maintains an appropriate and adequate portfolio of insurance policies in line with the nature, size and complexity of the business.

The Group also has in place a 'Business Continuity' team whose on-going responsibility is to assess the issues which the Group would face should it experience a major and unforeseen disaster and to put in place a clear action plan as to how the Group would continue to operate successfully in such an event.

Corporate Governance
The Corporate Governance Statement on pages 16 to 17 forms part of this Directors' Report.

Market Value of Land and Buildings
The Directors are of the opinion that the market value of properties at 30 September 2012 would exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the Group's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

Directors
The Directors of the Parent Company are shown on page 12.

Appointment and replacement of directors
Rules about the appointment and replacement of Directors are set out in the Parent Company's Articles of Association. Further details are provided in the Corporate Governance Statement on page 16.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 20. The Executive Directors' contracts are terminable by the Group giving the required notice periods which vary between one and two years.

In accordance with the Parent Company's Articles of Association and as reported in the Corporate Governance Statement on page 16, in recognition of Provision B.7.1 of the 2010 UK Corporate Governance Code Ian Neil retires by rotation and Tim Jones and Daemmon Reeve retire, having been appointed during the year. Peter Thorburn is retiring from the Board. All Directors, other than Peter Thorburn, being eligible, offer themselves for re-election. The Nomination Committee confirms that the individuals' performances continue to be effective and to demonstrate commitment to the role, including commitment of time for Board and Committee meetings and any other duties.

Executive Directors

Daemmon Reeve
Group CEO

Daemmon Reeve has extensive industry experience and knowledge, having been employed at R. C. Treatt & Co. Limited, the Group's UK operating subsidiary, from 1991 to 2010. During this time he gained widespread experience in Technical, Operational, Sales and Purchasing disciplines. Daemmon was appointed CEO of Treatt USA in July 2010 and Group CEO in August 2012.

Anita Haines
Group HR Director

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

Richard Hope
Group Finance Director

Richard Hope was appointed Group Finance Director 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.

Non-Executive Directors

Tim Jones

Tim Jones was appointed a Non-executive Director and Chairman of the Board in February 2012. He currently holds the position of CEO and Secretary of the social finance charity Allia and its Enterprise Agency offshoot, Future Business, having gained board experience as Managing Director of Strategic Trade & Distribution in Belgrade (1996-2002) and Fraser-Milne (1990-1996). Tim is a non-executive Director and Trustee of SkillsBridge. Tim started his career in the insurance industry, later moving into investment management.

Dr David Johnston

Dr. David Johnston was appointed to the Board in May 2011. David has a PhD in Biochemistry and worked for Firmenich, one of the leading global flavour and fragrance companies for over 13 years in a variety of roles, most recently as Vice President of Innovation and Design. David was also a member of the flavour executive team at Firmenich and held the position of Vice President of the European Flavour Association. David is currently part owner of Natural Taste Consulting.

Peter 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.

Ian Neil

Ian Neil was appointed to the Board in December 2009. He was with IFF for 25 years in a variety of international management roles, including Vice President Europe, Africa and Middle East ("EAME") Flavors. Ian is currently the UK Director of Perfotec BV, a Laser Micro Perforation provider for the fresh produce packaging industry.

Directors' Interests in Shares

The Directors who held office at 30 September 2012 had the following interests in the shares of the Parent Company:

	10p ordinary shares fully paid		Options to acquire 10p ordinary shares	
	2012	2011	**2012**	2011
Daemmon Reeve	**8,897**	—	**1,088**	—
Anita Haines	**8,839**	6,918	**1,297**	4,067
Richard Hope	**10,971**	8,337	**3,359**	4,067
Tim Jones	**10,751**	—	**—**	—
Peter Thorburn	**1,000**	1,000	**—**	—

There have been no changes between 1 October 2012 and 6 December 2012, the latest date practicable to obtain the information prior to publication of this document, other than an additional 122 shares received by Richard Hope under a dividend reinvestment plan.

Substantial Shareholders

In accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Services Authority, the Parent Company has been notified of the following holdings of 3% or more of the voting rights at 6 December 2012 (the latest practicable reporting date prior to publication of this document).

	Number	%
Rights and Issues Investment Trust Plc	1,150,000	11.25
H.W. Bovill	774,284	7.57
G.R. & A.J. Bovill's Childrens' Trust	749,534	7.33
H.W. & O.M. Bovill's Childrens' Trust	749,533	7.33
G.R. Bovill	699,640	6.84
Discretionary Unit Trust	425,000	4.16
Bjornstad and Jendal A/S	338,453	3.31
Barclayshare Nominees	331,271	3.24

Contracts of Significance

No Director had an interest in any contract of significance during the year. The Group has granted rolling indemnities to the Directors, limited in amount, in relation to certain losses and liabilities which they may incur in the course of acting as Directors of the Parent Company or its subsidiaries.

Directors' and Officers' Liability Insurance

The Group purchases liability insurance covering the Directors and Officers of the Parent Company and its subsidiaries.

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 34 (2011: 33) days credit based on the whole year's purchases. The Parent Company had no trade creditors at the year end.

Research and Development

The main research and development activities undertaken by the Group are new product development and enhancing the technical capabilities in areas such as the detection and reduction of agricultural residues and industrial contaminants. In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Financial Instruments

Information on the Group's financial risk management objectives and policies and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 28 of the financial statements.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 6 to 7 and the OFR on pages 8 to 10.

In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review also included the financial position of the Group, its cash flows, and borrowing facilities.

The key factors considered by the Directors were:

- the implications of the challenging economic environment and future uncertainties on the Group revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- the Group has access to overdraft facilities and committed bank facilities to meet day-to-day working capital requirements. During the period all the Group's banking facilities have been renewed on either existing or improved terms, with a further £3.25 million of committed facilities having been converted from a short term one year facility, to a longer term three year facility. The Group also has in place a ten year fixed interest rate swap for $9m in order to protect (hedge) the Group against possible future increases in interest rates.

As at the date of this report, the Directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Report of the Directors

continued

Charitable Contributions

During the year the Group made charitable donations of £13,000 (2011: £8,000) to local causes.

Social and community issues

The Group endeavours to impact positively on the communities in which it operates. Earthoil is an example of this where the company focuses on fair trade, ensuring farmers are traded with on equitable terms.

Earthoil's KOOFA (Kenyan Organic Oil Farmers Association) is situated in the Mount Kenya area and initially began with just 90 farmers growing borage — a pressed seed oil crop. The project has now moved on to tea tree oil and has since expanded to over 450 growers. Through this and other projects Earthoil has passed on valuable farming skills that help these farmers ensure successful crops and therefore, valuable income. The farmers can call on Earthoil-employed agronomists and field officers for help and guidance as they learn the required skills.

Health and Safety

The health and safety of employees is the Group's number one priority. In addition, the Group similarly seeks to ensure the safety of all visitors, customers, suppliers, contractors etc. As part of its comprehensive health and safety policies, managed by health and safety professionals employed by the Group, a range of key indicators are maintained and reported at every Board meeting. The Group promotes a positive in-house health and safety culture through regular health and safety committee meetings, internal safety audits and extensive employee training, all of which lead to continuous improvement. Particular emphasis is placed upon the recording and assessment of 'near misses' and the resultant implementation of preventative measures. Employee health and well-being is monitored through confidential on-site occupational health provision. The Group's policy of investment in health and safety was continued during the financial year.

Environment

The Group is committed to good environmental practice, it places importance on the impact of its operations on the environment and on ensuring that it operates and adopts responsible practices. Recent investment in the environmental function allows the Group to monitor legislation and act upon it where necessary ensuring regular review of the Group's environmental policies.

The Group continuously evaluates ways of reducing its impact on the environment by means of:

- reduction of waste and improvements in waste management;
- increased recycling and the use of recycled products where possible;
- conservation of energy and improvements in energy management & efficiency; and
- the use of video conferencing facilities, thereby reducing carbon footprint through reduced travel.

Treatt USA has replaced its closed loop cooling water circuit with direct cooling from deep well water on all still condensers. This well water is then recycled back into the aquifer via a second deep well. The system will provide significant local environmental benefits as well as reduced energy usage. Treatt USA is entering into an agreement for "single stream recycling" of its refuse. Approximately 90% of its rubbish will go into one container which will be picked up by a recycle company and separated into different recycle types. The remaining 10% composed of restroom and canteen rubbish will continue to be collected by the local authority as required by law. Programmable thermostats were added to reduce heating and air conditioning requirements during out of office hours in all labs and offices. Energy efficient light fixtures have been installed to reduce energy costs throughout the facility.

During the year, R.C. Treatt appointed certain employees throughout the business as waste champions with additional responsibility for the reduction and efficient use of waste streams in their areas. All waste streams in the UK have now been reviewed and assessed as part of a move towards a zero land fill waste strategy. In addition, R.C. Treatt's waste oil with a calorific value is sent for use as biomass, thereby further reducing the Company's carbon footprint and eliminating disposal costs. Investigations are also underway to enable disposal of waste glass in the same manner.

Group performance and risk reviews are undertaken and monitored on a regular basis and reported to the Board.

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 where practical.

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 Group through share option schemes (see note 24). In particular, Executive Directors make half yearly results presentations to all employees and encourage questions and dialogue on any matters pertaining to the performance or activities within the Group. In addition, the Information Exchange Committee (IEC) at R.C. Treatt exists in order to encourage a further exchange of ideas and information between the Company and its employees. The IEC is chaired by the Human Resources Director and the members of the committee are all employees below management level who represent all departments and areas of the business in the UK. Board members make a point of visiting all Group affiliates and regularly carry out site visits and tours, and thereby engage in meaningful discussions with employees at all levels within the organisation. Bonus schemes, based on the performance of the business, remain in place.

Structure of share capital

As at 30 September 2012, the Parent Company's share capital comprises ordinary shares with a nominal value of 10 pence each. All of the Parent Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Articles, a copy of which can be obtained on request from the Company Secretary.

Details of the issued ordinary share capital of the Parent Company and movements during the year are set out in note 23 of the financial statements. During both the current and prior period, the Parent Company did not issue any new shares.

Restrictions on transfer of securities

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Parent Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Parent Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers.

Rights and obligations of ordinary shares

On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Subject to the relevant statutory provisions and the Articles, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes.

Articles of Association

The powers of the Directors are conferred on them by UK legislation and the Articles. Changes to the Articles must be approved by shareholders passing a special resolution at a general meeting.

Powers of the directors and purchase of own shares

The Directors' authority to effect purchases of the Parent Company's shares on its behalf is conferred by resolution of shareholders and is renewed annually at the Parent Company's Annual General Meeting. At the date of this report, no shares have been purchased under the authority granted at the Annual General Meeting in 2012, to make market purchases up to a further 10% of the Parent Company's shares. At the forthcoming Annual General Meeting in 2013, the Parent Company will be seeking authority again to purchase up to 10% of its ordinary shares, although at present the Directors have no plans to buy back any further shares. It is, however, considered prudent to have the authority in place in order that the Parent Company is able to act at short notice if circumstances warrant. At the Annual General Meeting held in February 2012, the Directors were given the power to issue new shares up to an amount of 33% of the existing issued share capital, of which 5% of the existing issued share capital can be issued by disapplying pre-emption rights.

This power will expire at the conclusion of the Annual General Meeting 2013. Accordingly, a resolution will be proposed to renew the Parent Company's authority to issue further new shares. In accordance with the latest institutional guidelines issued by the Association of British Insurers (ABI), the proposed new authority will again allow the Directors to allot ordinary shares equal to an amount of up to one third of the Parent Company's existing issued ordinary share capital.

Treatt Employee Benefit Trust (the 'EBT')

The EBT holds ordinary shares in the Parent Company (acquired in the market) in order to meet obligations under the Group's employee share option schemes. 100,000 shares were purchased by the EBT during the year ended 30 September 2012. The trustees have waived their voting rights and their right to receive dividends (other than 0.001 pence per share) in respect of the ordinary shares held by the trust.

Annual General Meeting and restrictions on voting deadlines

The Annual General Meeting of the Parent Company will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 25 February 2013. The Notice of Meeting and explanatory notes are given on pages 58 to 63. The notice of any general meeting will specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at a general meeting. The number of proxy votes for, against or withheld in respect of each resolution are announced and published on the Treatt website after the meeting.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. On the recommendation of the Audit Committee, resolutions are to be proposed at the Annual General Meeting for the re-appointment of Baker Tilly UK Audit LLP as auditors of the Parent Company and its subsidiaries, and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 September 2012 is fully disclosed in note 5 to the financial statements.

Statement as to Disclosure of Information to Auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

This report was approved by the Board on 7 December 2012.

ANITA STEER
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 2012 the Group has complied with the provisions set out in the 2010 UK Corporate Governance Code[1], except for clause D1.5 in that one Executive Director (who has recently announced their intention to retire from the Board) has a service contract which provides for two years notice. In addition, and as explained in the Directors' Remuneration Report, the Board does not fully comply with D2.2, in that the remuneration of Group senior managers is determined by the Executive Directors as the Remuneration Committee believe that they are best placed to make this decision. However, remuneration proposals in respect of senior managers are reviewed by the Remuneration Committee. The bonuses of all senior managers in the Group are approved by the Remuneration Committee.

The Board is accountable to the Parent Company's shareholders for good governance and the statement set out below describes how the principles identified in the 2010 UK Corporate Governance Code are applied by the Group.

Directors

Details of the Directors who served during the year, the positions they hold, and the committees of which they are members are shown on page 17. The Board consists of four Non-executive Directors, of which Tim Jones succeeded James Grace as chairman on 27 February 2012, and three Executive Directors, of which Daemmon Reeve was appointed to the Board on 18 May 2012 and succeeded Hugo Bovill as Chief Executive Officer on 15 August 2012. Anita Haines has given notice of her intention to retire from the Board with effect from February 2014. The Board considers that all the Non-executive Directors are independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. None of them have any significant interest in the shares of the Parent Company and all receive a fixed fee for their services. The Board is satisfied that the Chairman's other commitments do not detract from the extent or the quality of the time which he is able to devote to the Group.

Biographies of the current Board members appear on page 12.

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. These include matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals and appointments to subsidiary company boards.

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.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Group'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 Group's solicitors in respect of their role and duties as a public company director. Where they have significant relevant experience for the role, training may be felt to be unnecessary. In addition all new Directors receive an induction to acquaint them with the Group. This takes the form of site tours, meetings with other Board members and senior management and the provision of an induction pack, which contains general information about the Group, its structure and key personnel, together with copies of relevant policies and procedures, financial information and briefings on Directors' responsibilities and corporate governance.

The differing roles of Chairman and Chief Executive Officer are acknowledged and defined in separate statements approved by the Board. The key functions of the Chairman are to conduct board meetings, 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 Chief Executive Officer is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its shareholders.

Board Committees

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 principal terms of reference for each Committee are as follows:

Nomination Committee

The Nomination Committee's principal remit is to consider the appointment or retirement of Directors, to review proposed nominations and make recommendations thereon to the Board.

The Nomination Committee is also responsible for the annual evaluation of the Board, its committees and its Directors. During the year an evaluation of the Board, its committees and each individual Director was carried out. This evaluation was conducted internally as the Board believe they have the appropriate resources and experience to undertake the reviews. The internal Board and committee reviews were conducted under the supervision of the appropriate Chairmen. The performance of individual Directors, both Executive and Non-executive, was evaluated by the Chairmen, in conjunction with the Chief Executive Officer in the case of other Executive Directors. The Board is satisfied with the evidence the Nomination Committee provided about the balance and the effectiveness of the Board and its committees and the effectiveness and commitment of each Director. As a result of this review, the Board confirms that each of the Directors who is proposed for re-election at the AGM, continues to demonstrate the necessary commitment and to be a fully effective member of the Board. The Chairman also meets with the Non-executive Directors at least annually without the Executive Directors present. All of the Non-executive Directors attended the meeting during the year. The Senior Independent Director is Peter Thorburn and concerns relating to the executive management of the Group or the performance of the other Non-executive Directors may be raised with him. Upon Peter Thorburn's retirement from the Board in February 2013, he will be succeeded as Senior Independent Director by Ian Neil.

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 65. The Nomination Committee consults with Executive Directors when considering appointments and ensures that a wide range of candidates are considered. The recommendations of the Nomination Committee are ultimately made to the full Board which considers them before any appointment is made. The Remuneration Committee considers any remuneration package before it is offered to a potential appointee.

Any Director appointed during the year is required, under the provisions of the Parent Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General

[1] A copy of the 2010 UK Corporate Governance Code can be obtained from www.frc.org.uk

Meeting provided always that all directors must be subject to re-election at intervals of no more than three years. Any Non-executive Director who has been in post for nine years or more is subject to annual re-election in accordance with provision B.7.1 of the 2010 UK Corporate Governance Code. The Directors required to retire are those in office longest since their previous re-election.

Remuneration Committee
The Remuneration Committee's primary responsibility is to determine the remuneration of the Executive Directors of the Group.

Full details of the Directors' remuneration and a statement of the Group's remuneration policy are set out in the Directors' Remuneration Report appearing on pages 19 to 22. Members of the Remuneration Committee throughout the year are shown on page 65. The Chief Executive Officer 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.

Audit Committee
The terms of reference of the Audit Committee are as follows:

The Audit Committee, on behalf of the Board, reviews 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 but 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 in note 5. The non-audit fees were paid mainly in respect of tax compliance services. The current level of non-audit fees is considered by the Committee not to affect independence or objectivity.

In accordance with C.3.4 of the 2010 UK Corporate Governance Code, the Audit Committee is responsible for ensuring that procedures are in place whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The members of the Board during the year and its committees, together with their attendance, are shown below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in year	**5**	**1**	**4**	**5**
Daemmon Reeve (Appointed on 18 May 2012, Chief Executive Officer from 15 August 2012)	2	N/A	—	N/A
Anita Haines Human Resources Director	5	N/A	N/A	N/A
Richard Hope Finance Director	5	N/A	N/A	N/A
Tim Jones Non-executive Director and Chairman from 27 February 2012	4 Chairman	—	3 Chairman	4
David Johnston Non-executive Director	5	1	4	4
Ian Neil Non-executive Director	5	1 Chairman	4	5 Chairman (1)
Peter Thorburn Non-executive Director	5	1	4	5 Chairman (4)
Hugo Bovill Managing Director until 14 August 2012	4	N/A	2	N/A
James Grace Non-executive Director and Chairman until 27 February 2012	1 Chairman	1	1 Chairman	1

As permitted by the Parent Company's Articles of Association, Directors may participate in the minuted decisions via telephone or video communication where it is impractical for them to attend in person.

Communication
The Group places a great deal of importance on communication with its shareholders. The Parent Company mails to all shareholders its full annual report and financial statements. This information, together with the quarterly interim management statements, half yearly statements and other financial announcements, is also available on the Group's website and, upon request, to other parties who have an interest in the Group's performance.

There is regular dialogue with individual institutional shareholders as well as presentations after the half year and preliminary results. The views of major shareholders are communicated and discussed at Board meetings and Non-executive Directors may request meetings with major shareholders should they wish to do so and vice versa. All shareholders have the opportunity to put questions at the Parent Company's Annual General Meeting.

Financial and Internal Control
The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 18 and 23 and the statement of the Directors on going concern appears on page 13.

The Board confirms that a process for the on-going identification, evaluation and management of significant risks faced by the Group has been in place throughout the year and to the date of approval of this report, which complies with the guidance 'Internal Control: Guidance to Directors' ("the Turnbull guidance"). The process is subject to regular review by the Board and there were no significant internal control issues identified during the year.

The Directors are responsible for the Group's system of internal control, the effectiveness of which is reviewed by them annually. This covers all controls including those in relation to financial reporting processes (including the preparation of consolidated accounts). In addition to monitoring reports received via the Executive Directors they consider the risks faced by the Group, 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 Group 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. The Group uses a standardised consolidation system for the preparation of the Group's monthly management accounts, Half Year and Annual Consolidated Financial Statements, which is subject to review by senior management throughout the consolidation process.

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.

Information Technology
The Group operates on a common centrally managed computer platform. This provides common reporting and control systems and the ability to manage and interrogate businesses remotely. However, there are associated risks, such as IT security, access rights and business continuity, with having all the group IT systems on a common platform. These risks are mitigated by an increased focus on IT security through a process of investment in IT facilities to maintain separacy and redundancy for the hardware and communications infrastructure.

Capital Investment
The Group 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.

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. Details of the principal risks associated with the Group's activities are given in the Business Review section of the Directors' Report on page 11.

Internal Audit
The Audit Committee considers annually the possible need for an internal audit function by taking into account a number of considerations including the cost of maintaining an effective internal audit function and the risks associated with not maintaining one. The Audit Committee do not currently believe that an internal audit function can be justified.

This report was approved by the Board on 7 December 2012.

ANITA STEER
Secretary

Statement Of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. The Directors are required under the listing rules of the Financial Services Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Parent Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law, and IFRS adopted by the EU, to present fairly the financial position of the Group and the Parent Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit of the Group for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed in the Directors' Report, confirms that, to the best of their knowledge:

a. the financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group and Parent Company and the undertakings included in the consolidation taken as a whole; and

b. the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

This statement was approved by the Board on 7 December 2012.

ANITA STEER
Secretary

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Paragraph 421 of the Companies Act 2006 ('the Act'). This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company on 25 February 2013 at which the financial statements will be laid before members. The Act requires the auditors to report to the Parent Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. This report has therefore been divided into separate sections for unaudited and audited information.

Unaudited Information

The Remuneration Committee

Members of the Remuneration Committee throughout the year are shown on page 65.

As well as complying with the provisions of the 2010 UK Corporate Governance Code as disclosed in the Corporate Governance Statement, the Group has applied the principles relating to Directors' remuneration as described below.

Policy on Remuneration of Executive Directors and Senior Management

General Principles

The Remuneration Committee endeavours to offer competitive remuneration packages that are designed to attract, retain and motivate Executive Directors and Senior Managers of the highest calibre. Packages are reviewed each year to ensure that they are in line with the Group's business objectives. The Group Human Resources Director, Anita Haines, provided the Remuneration Committee with details of pay and employment conditions of employees of the Group which were taken into consideration by the Remuneration Committee when determining Directors' remuneration.

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 in place performance-related reward policies for senior employees to provide an element of "at-risk" pay, which is only available when good results are achieved. In this way, shareholders and employees share in success. Executive Directors participate in an annual bonus scheme which is linked to the level (if any) by which profit before tax exceeds a minimum level. The Remuneration Committee retains the right to make discretionary adjustments to these bonuses.

• Benefits

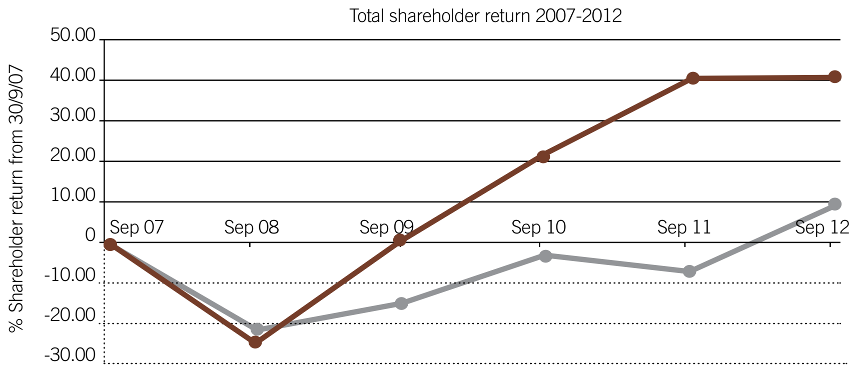
Taxable benefits provided to Executive Directors include a Company car, or payment in lieu, and private medical insurance. Other non-taxable benefits such as life insurance and permanent health insurance, or their US equivalents are also provided.

The remuneration of Group senior management is determined by the Executive Directors. Whilst this is not in accordance with clause D2.2 of the 2010 UK Corporate Governance Code the Board believe that the Executive Directors are best placed to make this decision. However, remuneration proposals in respect of senior managers are reviewed by the Remuneration Committee. The bonuses of all senior managers in the Group are approved by the Remuneration Committee.

Performance Graph

This performance graph shows the Parent Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index, also measured by total 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



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 business;
- the geographical spread of its business;
- its growth, expansion and change profile.

Directors' Remuneration Report
continued

Directors' Contracts
The Executive Directors' 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
Daemmon Reeve	30 October 2012	12 months
Anita Haines	24 December 2002	2 years
Richard Hope	12 May 2003	12 months

Hugo Bovill, who left the Board during the year, was subject to a two year notice period.

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 Group's bonus, share option or other incentive schemes, and they are not eligible for pension scheme membership. The terms and conditions of appointment of Non-executive Directors are available for inspection at the Parent Company's registered office during normal business hours.

Audited Information
(a) Directors' Emoluments
The following table shows an analysis of the salary, benefits and bonus elements of remuneration for the individual directors who held office during the year ended 30 September 2012 along with comparatives for the previous year (all of which relate to short-term employee benefits). Taxable benefits provided to Executive Directors include a Company car, or payment in lieu, and private medical insurance. Interests under the Parent Company's share option schemes and pension entitlements are shown in paragraphs (b) and (c) which follow this one.

	Salary and Fees £'000	Bonus Payments £'000	Taxable Benefits £'000	Termination Benefits £'000	**2012 Total £'000**	2011 Total £'000
Executive Directors						
Daemmon Reeve (From 18 May 2012)	66	54	4	—	**124**	—
Anita Haines	119	78	20	—	**217**	266
Richard Hope	138	78	21	—	**237**	285
Hugo Bovill (Until 14 August 2012)	163	—	12	586	**761**	385
Non-executive Directors						
Tim Jones (From 27 February 2012)	18	—	—	—	**18**	—
James Grace (Until 27 February 2012)	13	—	—	—	**13**	30
David Johnston	29	—	—	—	**29**	11
Ian Neil	29	—	—	—	**29**	28
Peter Thorburn*	31	—	—	—	**31**	28
	606	210	57	586	**1,459**	1,033

* Included in the salary and fees paid to Peter Thorburn was £1,900 (2011: £600) in relation to fees for additional time spent supporting local management in the US.

The proportion of fixed and variable pay, exclusive of pension and benefits, is shown below for the Executive Directors (other than Hugo Bovill who received emoluments as shown above):

	Basic Salary		Annual Bonus	
	2012	2011	**2012**	2011
Daemmon Reeve (From 18 May 2012)	**55%**	—	**45%**	—
Anita Haines	**60%**	46%	**40%**	54%
Richard Hope	**64%**	50%	**36%**	50%

(b) Share Option Schemes

The Group 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 SAYE share options is not dependent upon performance criteria as these are available to all employees in the UK on the same terms. No options to Executive Directors under the Executive Share Option Schemes have been granted since 2001.

The share options of the Directors in office during the year are as set out below:

	Exercise Dates	Exercise Price	At 1 October 2011[1]	Granted During the Year	Exercised During the Year	Expired During the Year	**At 30 September 2012**
Daemmon Reeve	Between Sept 2012 and March 2013	170p	1,921	—	(1,921)	—	**—**
	July 2013	284p	—	1,088	—	—	**1,088**
			1,921	1,088	(1,921)	—	**1,088**
Anita Haines	Between Sept 2012 and March 2013	170p	1,921	—	(1,921)	—	**—**
	Between Sept 2013 and March 2014	222p	1,297	—	—	—	**1,297**
	Between Sept 2014 and March 2015	340p	849	—	—	(849)	**—**
			4,067	—	(1,921)	(849)	**1,297**
Richard Hope	Between Sept 2012 and March 2013	170p	1,921	—	(1,921)	—	**—**
	Between Sept 2013 and March 2014	222p	1,297	—	—	—	**1,297**
	Between Sept 2014 and March 2015	340p	849	—	—	—	**849**
	Between Sept 2015 and March 2016	267p	—	1,213	—	—	**1,213**
			4,067	1,213	(1,921)	—	**3,359**
Hugo Bovill[2]	Between Sept 2012 and March 2013	170p	1,921	—	(1,921)	—	**—**
	Between Sept 2013 and March 2014	222p	1,297	—	—	—	**1,297**
	Between Sept 2014 and March 2015	340p	849	—	—	—	**849**
	Between Sept 2015 and March 2016	267p	—	1,213	—	—	**1,213**
			4,067	1,213	(1,921)	—	**3,359**

[1] Or date of appointment for Daemmon Reeve, being 18 May 2012.
[2] Hugo Bovill's share options have lapsed since the year end.

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £13,000 (2011: £9,000).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares between 1 October 2012 and 6 December 2012, the latest date practicable to obtain the information prior to publication of this document, other than those relating to Hugo Bovill which have now all lapsed.

The market price of the shares at 30 September 2012 was £3.45 and the range during the financial year was £3.05 to £3.915.

(c) Directors' Pension Policy

Certain Executive Directors are members of the R.C. Treatt & Co. Limited Pension & Assurance Scheme. The plan is a non-contributory, H.M. Revenue & Customs approved, defined benefit occupational pension scheme. Its main features are:

- a normal pension age of 65 but early retirement may be permitted from age 55;
- a pension at normal pension age of two thirds of final pensionable salary, subject to completion of 20 years' service;
- life assurance cover of four times basic annual salary;
- spouse's pension on death.

Pensionable salary is the member's basic salary, excluding all bonuses. From 1 October 2004, pensionable salary has been restricted to the lower of actual salary and salary as at 1 January 2004 as adjusted for the cumulative increase in inflation until retirement. As disclosed in note 25 the scheme will not be subject to any further accruals after 31 December 2012.

The pension entitlement of these Directors is as follows:

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Including and Excluding Inflation)		Accumulated Total Pension at	
	2012 £	2011 £	**2012 £**	2011 £	**2012 £**	2011 £
Daemmon Reeve[1]	**975**	—	**5,457**	—	**19,680**	17,777
Anita Haines	**1,499**	1,810	**21,637**	22,729	**42,293**	38,770
Hugo Bovil[2]	**2,563**	2,971	**27,669**	27,812	**95,369**	88,202

The following table sets out the transfer value of these Directors' accrued benefits under the scheme:

	Transfer value 30 September 2011 £	Increase in transfer value in the year £	**Transfer value 30 September 2012 £**
Daemmon Reeve[1]	87,749	26,169	**113,918**
Anita Haines	585,563	170,408	**755,971**
Hugo Bovil[2]	902,336	265,597	**1,167,933**

[1] All 2011 accumulated total pension and transfer values for Daemmon Reeve are as at the beginning of the financial year rather than at the date of his appointment to the Board.
[2] All 2012 figures for Hugo Bovill reflect pensionable service to 30 September 2012.

The transfer values have 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 25.

Richard Hope received a contribution of £12,000 (2011: £12,000) towards a money purchase personal pension plan administered by Aviva Plc.

This report was approved by the Board and signed on its behalf on 7 December 2012.

ANITA STEER
Secretary

Independent Auditor's Report to the Members of Treatt PLC

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 24 to 57. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 13, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Parent Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review;
- certain elements of the report to shareholders by the board on Directors' remuneration.

CHARLES FRAY (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants
Abbotsgate House
Hollow Road
Bury St. Edmunds
Suffolk IP32 7FA

7 December 2012

Group Income Statement
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	2012 £'000	2011 £'000
Revenue	4	**74,009**	74,518
Cost of sales		**(57,319)**	(56,700)
Gross profit		**16,690**	17,818
Administrative expenses		**(11,320)**	(10,694)
Operating profit before foreign exchange gain/(loss)	5	**5,370**	7,124
Foreign exchange gain/(loss)	5	**258**	(260)
Operating profit after foreign exchange gain/(loss)	5	**5,628**	6,864
Finance revenue	7	**108**	88
Finance costs	7	**(676)**	(580)
Profit before taxation and exceptional item		**5,060**	6,372
Exceptional item	8	**(598)**	—
Profit before taxation		**4,462**	6,372
Taxation	9	**(1,390)**	(2,017)
Profit for the period		**3,072**	4,355
Attributable to:			
Owners of the Parent Company		**3,072**	4,348
Non-controlling interests		**—**	7
		3,072	4,355
Earnings per share			
Basic before exceptional item	11	**34.4p**	42.5p
Basic after exceptional item	11	**30.0p**	42.5p
Diluted after exceptional item	11	**29.9p**	42.3p

All amounts relate to continuing operations
Notes 1 – 29 form part of these financial statements

Group Statement of Comprehensive Income
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	**2012 £'000**	2011 £'000
Profit for the period		**3,072**	4,355
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investment		**(339)**	94
Current taxation on foreign currency translation differences	9	**9**	(4)
Deferred taxation on foreign currency translation differences	9	**(12)**	7
Fair value movement on cash flow hedge	28	**(169)**	(864)
Deferred tax on fair value movement	16	**30**	207
Actuarial (loss)/gain on defined benefit pension scheme	25	**(478)**	599
Deferred taxation on actuarial (loss)/gain	16	**110**	(144)
Other comprehensive expense for the period		**(849)**	(105)
Total comprehensive income for the period		**2,223**	4,250
Attributable to:			
Owners of the Parent Company		**2,223**	4,243
Non-controlling interests		**—**	7
		2,223	4,250

Notes 1 – 29 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Group	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
1 October 2010	1,048	2,757	(602)	—	880	18,435	**22,518**	—	**22,518**
Net profit for the period	—	—	—	—	—	4,348	**4,348**	7	**4,355**
Other comprehensive income/(expense):									
Exchange differences net of tax	—	—	—	—	94	3	**97**	—	**97**
Fair value movement on cash flow hedge net of tax	—	—	—	(864)	—	207	**(657)**	—	**(657)**
Actuarial gain on defined benefit pension scheme net of tax	—	—	—	—	—	455	**455**	—	**455**
Total comprehensive income	—	—	—	(864)	94	5,013	**4,243**	7	**4,250**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,330)	**(1,330)**	—	**(1,330)**
Share-based payments	—	—	—	—	—	20	**20**	—	**20**
Movement in own shares in share trust	—	—	117	—	—	—	**117**	—	**117**
Loss on release of shares in share trust	—	—	—	—	—	(17)	**(17)**	—	**(17)**
Purchase of shares from non-controlling Interest	—	—	—	—	—	—	**—**	(7)	**(7)**
1 October 2011	1,048	2,757	(485)	(864)	974	22,121	**25,551**	—	**25,551**
Net profit for the period	—	—	—	—	—	3,072	**3,072**	—	**3,072**
Other comprehensive income/(expense):									
Exchange differences net of tax	—	—	—	—	(339)	(3)	**(342)**	—	**(342)**
Fair value movement on cash flow hedge net of tax	—	—	—	(169)	—	30	**(139)**	—	**(139)**
Actuarial loss on defined benefit pension scheme net of tax	—	—	—	—	—	(368)	**(368)**	—	**(368)**
Total comprehensive income	—	—	—	(169)	(339)	2,731	**2,223**	—	**2,223**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,490)	**(1,490)**	—	**(1,490)**
Share-based payments	—	—	—	—	—	25	**25**	—	**25**
Movement in own shares in share trust	—	—	(251)	—	—	—	**(251)**	—	**(251)**
Loss on release of shares in share trust	—	—	—	—	—	(55)	**(55)**	—	**(55)**
30 September 2012	**1,048**	**2,757**	**(736)**	**(1,033)**	**635**	**23,332**	**26,003**	**—**	**26,003**

Group and Parent Company Statements of Changes in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Parent Company	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Retained earnings £'000	**Total equity £'000**
1 October 2010	1,048	2,757	(602)	1,393	**4,596**
Net profit for the period	—	—	—	1,285	**1,285**
Total comprehensive income	—	—	—	1,285	**1,285**
Transactions with owners:					
Dividends	—	—	—	(1,330)	**(1,330)**
Movement in own shares in share trust	—	—	117	—	**117**
Loss on release of shares in share trust	—	—	—	(18)	**(18)**
1 October 2011	1,048	2,757	(485)	1,330	**4,650**
Net profit for the period	—	—	—	2,058	**2,058**
Total comprehensive income		—	—	2,058	**2,058**
Transactions with owners:					
Dividends	—	—	—	(1,490)	**(1,490)**
Movement in own shares in share trust	—	—	(251)	—	**(251)**
Loss on release of shares in share trust	—	—	—	(55)	**(55)**
30 September 2012	**1,048**	**2,757**	**(736)**	**1,843**	**4,912**

Notes 1 – 29 form part of these financial statements

Group and Parent Company Balance Sheets

AS AT 30 SEPTEMBER 2012

Registered Number: 1568937

	Notes	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
ASSETS					
Non-current assets					
Goodwill	12	**1,080**	1,192	**—**	—
Other intangible assets	13	**718**	742	**—**	—
Property, plant and equipment	14	**11,543**	10,120	**—**	—
Investment in subsidiaries	15	**—**	—	**5,216**	5,328
Deferred tax assets	16	**286**	271	**—**	—
Trade and other receivables	18	**586**	586	**586**	586
Redeemable loan notes receivable	28	**—**	—	**1,350**	1,350
		14,213	12,911	**7,152**	7,264
Current assets					
Inventories	17	**22,915**	20,338	**—**	—
Trade and other receivables	18	**13,959**	11,854	**58**	230
Current tax assets		**252**	121	**—**	—
Cash and cash equivalents	19	**927**	3,534	**—**	—
		38,053	35,847	**58**	230
Total assets		**52,266**	48,758	**7,210**	7,494
LIABILITIES					
Current liabilities					
Borrowings	20	**(8,407)**	(3,922)	**(1,566)**	(1,844)
Provisions	21	**—**	(79)	**—**	—
Trade and other payables	22	**(8,938)**	(8,363)	**(34)**	(190)
Current tax liabilities		**—**	(228)	**—**	—
		(17,345)	(12,592)	**(1,600)**	(2,034)
Net current assets/(liabilities)		**20,708**	23,255	**(1,542)**	(1,804)
Non-current liabilities					
Deferred tax liabilities	16	**(880)**	(532)	**—**	—
Borrowings	20	**(5,469)**	(7,606)	**—**	—
Trade and other payables	22	**(23)**	(135)	**(23)**	(135)
Post-employment benefits	25	**(838)**	(803)	**—**	—
Derivative financial instruments	28	**(1,033)**	(864)	**—**	—
Redeemable loan notes payable	28	**(675)**	(675)	**(675)**	(675)
		(8,918)	(10,615)	**(698)**	(810)
Total liabilities		**(26,263)**	(23,207)	**(2,309)**	(2,844)
Net assets		**26,003**	25,551	**4,912**	4,650
EQUITY					
Share capital	23	**1,048**	1,048	**1,048**	1,048
Share premium account		**2,757**	2,757	**2,757**	2,757
Own shares in share trust		**(736)**	(485)	**(736)**	(485)
Hedging reserve		**(1,033)**	(864)	**—**	—
Foreign exchange reserve		**635**	974	**—**	—
Retained earnings		**23,332**	22,121	**1,843**	1,330
Total equity attributable to owners of the Parent Company		**26,003**	25,551	**4,912**	4,650

Notes 1 – 29 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2012 and were signed on its behalf by:

Tim Jones
Chairman

Richard Hope
Finance Director

Group and Parent Company Statement of Cash Flows
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
Cash flow from operating activities					
Profit before taxation		**4,462**	6,372	**2,033**	1,267
Adjusted for:					
Foreign exchange (gain)/loss		**(258)**	111	**—**	—
Depreciation of property, plant and equipment	14	**1,104**	1,043	**—**	—
Amortisation of intangible assets	13	**159**	125	**—**	—
Loss on disposal of property, plant and equipment	14	**—**	8	**—**	—
Net interest payable	7	**618**	527	**66**	47
Share-based payments	24	**25**	20	**—**	—
Decrease in post employment benefit obligation	25	**(443)**	(194)	**—**	—
Operating cash flow before movements in working capital		**5,667**	8,012	**2,099**	1,314
Changes in working capital:					
Increase in inventories	17	**(2,578)**	(164)	**—**	—
(Increase)/decrease in trade and other receivables	18	**(2,104)**	649	**173**	(17)
Increase/(decrease) in trade and other payables, and Provisions	21,22	**497**	(185)	**(156)**	65
Cash generated from operations		**1,482**	8,312	**2,116**	1,362
Taxation (paid)/received	9	**(1,279)**	(1,998)	**24**	18
Net cash from operating activities		**203**	6,314	**2,140**	1,380
Cash flow from investing activities					
Disposal or acquisition of investments in subsidiaries	15	**—**	(14)	**—**	—
Purchase of property, plant and equipment	14	**(2,651)**	(1,265)	**—**	—
Purchase of intangible assets	13	**(136)**	(275)	**—**	—
Interest received	7	**58**	53	**37**	70
		(2,729)	(1,501)	**37**	70
Cash flow from financing activities					
Increase in bank loans	20	**692**	285	**—**	—
Amounts converted to non-current borrowings	20	**3,158**	—	**—**	—
Interest paid	7	**(676)**	(580)	**(103)**	(117)
Dividends paid	10	**(1,490)**	(1,330)	**(1,490)**	(1,330)
Net (purchase)/sale of own shares by share trust		**(306)**	100	**(306)**	99
		1,378	(1,525)	**(1,899)**	(1,348)
Net (decrease)/increase in cash and cash equivalents		**(1,148)**	3,288	**278**	102
Cash and cash equivalents at beginning of period		**(178)**	(3,471)	**(1,844)**	(1,946)
Effect of foreign exchange rates		**(15)**	5	**—**	—
Cash and cash equivalents at end of period	19,20	**(1,341)**	(178)	**(1,566)**	(1,844)
Cash and cash equivalents comprise:					
Cash and cash equivalents	19	**927**	3,534		
Bank borrowings	20	**(2,268)**	(3,712)	**(1,566)**	(1,844)
		(1,341)	(178)	**(1,566)**	(1,844)

Notes 1 – 29 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	2012 £'000	2011 £'000
(Decrease)/increase in cash and cash equivalents	19	**(1,163)**	3,293
Increase in bank loans	20	**(692)**	(285)
Amounts converted from current borrowings	20	**(3,158)**	—
Cash (outflow)/inflow from change in net debt in the period		**(5,013)**	3,008
Effect of foreign exchange rates		**58**	(21)
Movement in net debt in the period		**(4,955)**	2,987
Net debt at start of the period		**(7,994)**	(10,981)
Net debt at end of the period		**(12,949)**	(7,994)

Notes 1 – 29 form part of these financial statements

Notes to the Financial Statements
FOR THE YEAR ENDED 30 SEPTEMBER 2012

1. GENERAL INFORMATION

Treatt plc ('the Parent Company') is a public limited company incorporated in the United Kingdom and domiciled in England and Wales. The Parent Company's shares are traded on the London Stock Exchange. The address of the registered office is included within the Parent Company Information section on page 65. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 11.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amended accounting standards
The following new standards and amendments to standards, none of which have a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2012:

- Annual improvements 2010 – published May 2010
- IFRS 7 Financial instruments: Disclosures – Transfer of financial assets – published October 2010
- IAS 24 Related party transactions – revised definition of related parties – published November 2009
- IFRIC[2] 14 Prepayments of a minimum funding requirement – published November 2009

Accounting standards in issue but not yet effective
At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements and which are considered potentially relevant, were in issue but not yet effective:

Annual improvements 2009-2011 – published May 2012

[1]IAS 1	Presentation of financial statements – amendments to revise presentation of other comprehensive income – published June 2011
[1]IAS 19	Employee benefits – amendments from post-employment benefits project – published June 2011
IAS 27	Separate financial statements – published May 2011
IAS 28	Investments in associates and joint ventures – published May 2011
IAS 32	Financial instruments: Presentation – Offsetting of assets and liabilities – published December 2011
IFRS 7	Financial instruments: Disclosures – Offsetting of assets and liabilities – published December 2011
IFRS 9	Financial instruments: Classification and measurement of assets and liabilities – published November 2009, reissued October 2010. Reissued for deferral of effective date December 2011
IFRS 10	Consolidated financial statements – published May 2011 and amended June 2012 and October 2012
IFRS 11	Joint arrangements – published May 2011 and amended June 2012
IFRS 12	Disclosure of interests in other entities – published May 2011 and amended June 2012 and October 2012
IFRS 13	Fair value measurement – published May 2011

[1] EU endorsed
[2] International Financial Reporting Interpretations Committee

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group or the Parent Company when the relevant standards and interpretations come into effect.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been used in the preparation of these financial statements are set out below.

Accounting convention
The Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union. The Parent Company has also prepared its own financial statements in accordance with IFRS as adopted by the European Union. The financial statements have also been prepared under the historical cost convention (unless a fair value basis is required by IFRS) and are in accordance with the Companies Act 2006 applicable for companies reporting under IFRS.

Of the profit for the financial year, £2.1m (2011: £1.3m) has been dealt with in the accounts of the Parent Company. The Parent Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

Basis of consolidation
The Group accounts consolidate the accounts of Treatt plc and all of its subsidiaries (entities controlled by the Parent Company) made up to 30 September each year. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Parent Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 13.

Presentation of financial statements
The primary statements within the financial information contained in this document have been presented in accordance with IAS 1, "Presentation of Financial Statements".

Investments in subsidiaries
Investments in subsidiaries in the Parent Company balance sheet are stated at cost, less any provision for impairment.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

The accounting policy for goodwill is shown later in this note under intangible assets.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue recognition
Revenue represents amounts receivable net of trade discounts, VAT and other sales related taxes. Revenue is recognised in these financial statements when goods are physically despatched from the Group and/or Parent Company's premises or other storage depots, irrespective of the terms of trade.

Effect of changes in foreign exchange rates
Transactions in currencies other than Pounds Sterling 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 Pounds 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 $1.61 (2011: $1.56) at the year end.

Income and expense items of the Group's overseas subsidiaries are translated into Pounds Sterling at the average rate for the year. Their balance sheets are 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 subsidiaries and from translating the income statement at an average rate are taken to reserves. Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", these cumulative translation differences which are recognised in the Statement of Comprehensive Income are separately accounted for within reserves and are transferred from equity to the income statement in the event of the disposal of a foreign operation. All other exchange differences are taken to the income statement.

Research and development expenditure
Expenditure on research activities is recognised as an expense and charged to the income statement in the period in which it is incurred.

Expenditure arising from any specific development is recognised as an asset only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Development expenditure meeting these conditions is amortised on a straight line basis over its useful life. Where these conditions for capitalising development expenditure have not been met, the related expenditure is recognised as an expense in the period in which it is incurred.

Leases
Rentals receivable under operating leases are credited to income on a straight-line basis over the term of the lease and are recognised in the income statement as and when they fall due.

Rentals payable under operating leases, where substantially all of the benefit and risks of ownership remain with the lessor, are charged against profits on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax attributable to current profits.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantially enacted by the balance sheet date. Where the Group and/or Parent Company have a net current tax asset in one legal jurisdiction and a liability in another, and consequently have no legal right of set off, then these assets and liabilities will be shown separately on the balance sheet as required by IAS 12, "Income Taxes".

Current tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the current tax is also dealt with in equity.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. As the Group is in fact in a position to control the timing of the reversal of the temporary differences arising from its investments in subsidiaries it is not required to recognise a deferred tax liability. In view of the variety of ways in which these temporary differences may reverse, and the complexity of the tax laws, it is not possible to accurately compute the temporary differences arising from such investments. The Group provides for deferred tax liabilities on the undistributed earnings of its subsidiaries only when dividend distributions are planned.

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 substantively enacted by the balance sheet date.

Where the Group and/or Parent Company have a net deferred tax asset in one legal jurisdiction and a liability in another, and consequently have no legal right of set off, then these assets and liabilities will be shown separately on the balance sheet as required by IAS 12, "Income Taxes".

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Post balance sheet events and dividends

IAS 10, "Events after the Balance Sheet Date" requires that final dividends proposed after the balance sheet date should not be recognised as a liability at that balance sheet date, as the liability does not represent a present obligation as defined by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Consequently, final dividends are only recognised as a liability once formally approved at the Annual General Meeting and interim dividends are not recognised until paid.

Cash flow

The Statement of Cash Flows explains the movement in cash and cash equivalents and short term borrowings.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation.

Depreciation is provided on all property, plant and equipment, except freehold and long leasehold land, using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:

- Plant and machinery: 4-10 years
- Buildings: 50 years

3. SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets
(a) Other intangible assets
Amortisation (which is included within administrative expenses) is provided on all intangible assets using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:

- Software licenses: 4 years
- Lease premium: 85 years

(b) Goodwill
Goodwill arising on consolidation represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually in relation to the cash generating unit it represents. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of property, plant and equipment and intangible assets
Provision will be made should any impairment in the value of properties or other non-current assets occur.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on raw material costs plus attributable overheads.

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

Onerous contracts
Provisions for onerous contracts are recognised when the expected benefits from a contract are lower than the unavoidable costs of meeting the contract's obligations.

Financial instruments
Financial assets and financial liabilities are recognised on the Group and/or Parent Company's balance sheet when the Group and/or Parent Company have become a party to the contractual provisions of the instrument.

(a) Financial assets
Financial assets held by the Group are either classified as held for trading or are accounted for as trade receivables, loans, other receivables and cash and cash equivalents at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade and other receivables
Trade and other receivables are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

Loans receivable
All loans receivable are initially recognised at fair value. After initial recognition, interest bearing loans are measured at cost less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(b) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group or Parent Company after deducting all of its liabilities.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. All borrowing costs are recognised in the income statement in the period in which they are incurred.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Parent Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to both the financial risks of changes in foreign currency exchange rates and interest rates. From time to time the Group uses foreign exchange forward contracts and interest rate swap contracts to hedge some of these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the board. Further information on currency and interest rate management is provided in note 28, 'Financial Instruments'. Changes in the fair value of derivative financial instruments that are designated and effective as hedging instruments are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had been previously recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss for the period.

Pension costs

One of the Group's UK subsidiaries, R.C. Treatt & Co. Limited, operates a defined benefit scheme through an independently administered pension scheme.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years and updated at each balance sheet date. The post-employment benefits obligation recognised in the balance sheet represents the present value of the defined benefit pension obligations adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the scheme.

In accordance with IAS 19, "Employee Benefits", the asset or liability in the defined benefit pension scheme is recognised as an asset or liability of the Group under non-current assets or liabilities under the heading "Post-employment benefits". The deferred tax in respect of "Post-employment benefits" is netted against other deferred tax assets and liabilities relating to the same jurisdiction (see Taxation accounting policy) and included in the deferred taxation asset or liability shown under non-current assets or liabilities.

The service cost and expected return on assets, net of interest on scheme liabilities, are reflected in the income statement for the period, in place of the actual cash contribution made. All experience gains or losses on the assets and liabilities of the scheme, together with the effect of changes in assumptions are reflected as a gain or loss in the Statement of Comprehensive Income.

The Group also operates a number of defined contribution pension schemes. The contributions for these schemes are charged to the income statement in the year in which they become payable.

Share options and the employee benefit trust

Shares held by the "Treatt Employee Benefit Trust" for the purpose of fulfilling obligations in respect of various employee share plans are deducted from equity in the Group and Parent Company balance sheets. The treatment in the Parent Company balance sheet reflects the substance of the entity's control of the trust.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payments
IFRS 2, “Share-based Payments”, requires that an expense for equity instruments granted be recognised in the financial statements based on their fair value at the date of grant. The Group has adopted the Black-Scholes model for the purposes of computing fair value of options under IFRS. The fair value excludes the effect of non market-based vesting conditions. This expense, which is in relation to employee share option schemes for staff in the UK and USA, is recognised on a straight-line basis over the vesting period of the scheme, based on the Group’s estimate of the number of equity instruments that will eventually vest.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share option reserve.

Savings-related share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. Cancelled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled.

Details of share-based payments are disclosed in note 24.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements.

The key accounting judgements and sources of estimation uncertainty with a significant risk of causing a material adjustment to assets and liabilities in the next 12 months include the following:

Pensions – movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The key assumptions used to value pension assets and liabilities are set out in note 25 ‘Pension schemes’;

Useful economic life and residual value estimates – the Group reviews the useful economic lives and residual values attributed to assets on an on-going basis to ensure they are appropriate. Changes in economic lives or residual values could impact the carrying value and charges to the income statement in future periods;

Provisions – using information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required. Further information received after the balance sheet date may impact the level of provision required;

Share-based payments – in accordance with IFRS 2 ‘Share-based payments’, share options and other share awards are measured at fair value at the date of grant. The fair value determined is then expensed in the income statement on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of the options is measured using the Black-Scholes option pricing model. The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised. Details of the assumptions made in respect of each of the share-based payment schemes are disclosed in note 24 ‘Share-based payments’. Changes in these assumptions could lead to changes in the income statement expense in future periods;

Goodwill – Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash- generating unit and a suitable discount rate in order to calculate present value. Goodwill can also include an estimate of deferred consideration payable using assumptions which are consistent with those used to determine the carrying value of goodwill. Revisions to the estimate of deferred consideration will impact the carrying value of goodwill, and therefore could impact on its impairment. Movements in deferred consideration do not directly impact upon the income statement. Future changes in performance or disposals could also impact the value of goodwill. Details of the assumptions made in respect of goodwill and deferred consideration are disclosed in note 12. These estimates could change materially in future years in line with actual and expected future performance.

Description of the nature and purpose of each reserve within equity
Own shares in share trust – own shares in share trust relate to shares held in the Treatt Employee Benefit Trust (the ‘EBT’). The shares held in the EBT are all held to meet options to be exercised by employees. The number of shares held by the EBT, together with the net acquisition costs, are shown in the Statement of Changes in Equity. Dividends on these shares have been waived except for 0.001p per share. The market value of the shares held by the EBT at 30 September 2012 was £884,000 (2011: £732,000).

Share premium account – the share premium account represents amounts received in excess of the nominal value of shares on issue of new shares.

Hedging reserve – the hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign exchange reserve – the foreign exchange reserve records exchange differences arising from the translation of the financial statements of overseas subsidiaries.

Retained earnings – retained earnings comprises the Group’s annual profits and losses, actuarial gains and losses on the defined benefit pension schemes and dividend payments, combined with the employee share option reserve which represents the equity component of share based payment arrangements.

Non-controlling interest – the non-controlling interest reserve relates to third party shareholdings in Group subsidiaries.

4. SEGMENTAL INFORMATION

Group

IFRS 8 requires operating segments to be identified on the basis of internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Chief Executive Officer who is primarily responsible for the allocation of resources to the segments and for assessing their performance. The disclosure in the Group accounts of segmental information is consistent with the information used by the CODM in order to assess profit performance from the Group's operations.

(1) Business segments

The Group has identified two operating segments as follows:

Segment	*Major product category*
Manufacturing	Distilled, extracted, and other manufactured essential and vegetable oils; natural distillates.
Aromatic chemicals & other products	Aroma and specialty chemicals, standardised essential oils, concretes, absolutes, oleoresins & isolates.

These reportable segments were identified as they are managed separately as the products supplied, and the processes used in order to produce the products, differ.

A significant proportion of the Group's resources, assets and liabilities are shared by both business segments and therefore, necessarily, the segment profit before tax, assets and liabilities shown below include apportionments in relation to each segment's contribution to Group profits. This is considered the most reasonable basis upon which to present business segmental information.

Year ended 30 September 2012	**Manufacturing £'000**	**Aroma chemicals & other £'000**	**Unallocated £'000**	**Total £'000**
Revenue	38,877	35,132	—	74,009
Segment profit	3,948	1,680	—	5,628
Exceptional item (see note 8)	—	—	(598)	(598)
Net finance costs (see note 7)	—	—	(568)	(568)
Profit before taxation	3,948	1,680	(1,166)	4,462
Taxation	—	—	(1,390)	(1,390)
Profit after taxation	**3,948**	**1,680**	**(2,556)**	**3,072**
Segment assets	30,945	21,321	—	52,266
Segment liabilities	(12,107)	(13,318)	(838)	(26,263)
Net segment assets	**18,838**	**8,003**	**(838)**	**26,003**
Segment capital expenditure	**2,319**	**468**	**—**	**2,787**
Segment depreciation and amortisation	**771**	**492**	**—**	**1,263**

Year ended 30 September 2011	**Manufacturing £'000**	**Aroma chemicals & other £'000**	**Unallocated £'000**	**Total £'000**
Revenue	39,623	34,895	—	74,518
Segment profit	5,051	1,813	—	6,864
Net finance costs (see note 7)	—	—	(492)	(492)
Profit before taxation	5,051	1,813	(492)	6,372
Taxation	—	—	(2,017)	(2,017)
Profit after taxation	**5,051**	**1,813**	**(2,509)**	**4,355**
Segment assets	29,511	19,247	—	48,758
Segment liabilities	(11,275)	(11,129)	(803)	(23,207)
Net segment assets	**18,236**	**8,118**	**(803)**	**25,551**
Segment capital expenditure	**1,105**	**440**	**—**	**1,545**
Segment depreciation and amortisation	**737**	**431**	**—**	**1,168**

4. SEGMENTAL INFORMATION continued

(2) Geographical segments
The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	2012 £'000	2011 £'000
Revenue by destination		
United Kingdom	**9,764**	8,755
Rest of Europe	**17,830**	20,949
The Americas	**28,792**	27,909
Rest of the World	**17,623**	16,905
	74,009	74,518

All Group revenue is in respect of the sale of goods, other than property rental income of £16,000 (2011: £16,000).

Non-current assets by country have not been disclosed as the costs of developing this information, particularly in respect of 'goodwill' and 'trade and other receivables', would be excessive.

5. OPERATING PROFIT is stated after charging/(crediting):

Group	2012 £'000	2011 £'000
Depreciation of property, plant & equipment	**1,104**	1,043
Amortisation of intangible assets (included in administrative expenses)	**159**	125
Loss on disposal of property, plant & equipment	**—**	8
Research and development costs	**512**	514
Operating leases		
– plant & machinery	**32**	32
– land & buildings	**49**	49
Net exchange (gain)/loss on trading activities	**(258)**	260
Rent receivable	**(16)**	(16)
Cost of inventories recognised as expense	**48,337**	47,443
The analysis of auditor's remuneration is as follows:		
Fees payable to the Parent Company's auditors for the audit of the Parent Company and Group accounts	**29**	27
Fees payable to the Parent Company's auditors and their associates for other services to the Group:		
– audit of the Parent Company' s subsidiaries pursuant to legislation	**58**	54
Total audit fees	**87**	81
– tax compliance services	**12**	13
– tax advisory services	**1**	—
Total non-audit fees	**13**	13

6. EMPLOYEES

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

	2012 Number	2011 Number
Technical and production	**151**	152
Administration and sales	**134**	124
	285	276

6. EMPLOYEES continued

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

	2012 £'000	2011 £'000
Wages and salaries	**9,223**	8,879
Social security costs	**877**	853
Pension costs (see note 25)	**629**	801
Share-based payments (see note 24)	**25**	20
	10,754	10,553

(3) Directors
The information on Directors' emoluments and share options set out on pages 19 to 22 form part of these financial statements.

7. NET FINANCE COSTS

Group		2012 £'000	2011 £'000
(1) Finance revenue	– bank interest received	**58**	53
	– pension finance income (see note 25)	**50**	35
		108	88
(2) Finance costs	– bank overdraft interest paid	**(517)**	(442)
	– other interest paid	**(46)**	(53)
	– loan interest paid	**(103)**	(75)
	– loan note interest paid	**(10)**	(10)
		(676)	(580)

8. EXCEPTIONAL ITEM

The exceptional item referred to in the income statement can be categorised as follows:

	2012 £'000	2011 £'000
Compensation for loss of office	**598**	—

9. TAXATION

Group	2012 £'000	2011 £'000
(a) Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**206**	665
Adjustments to UK tax in respect of previous periods	**(12)**	(2)
Overseas tax for the period	**700**	1,038
Adjustments to overseas tax in respect of previous periods	**7**	11
Total current tax	**901**	1,712
Deferred tax:		
Origination and reversal of temporary differences	**533**	216
Adjustments in respect of previous periods	**(44)**	(40)
Change in manner of recovery of fixed assets	**—**	129
Total deferred tax (see note 16)	**489**	305
Tax on profit on ordinary activities	**1,390**	2,017

9. TAXATION continued

Current tax of £9,000 was credited (2011: £4,000 debited), and deferred tax of £12,000 was debited (2011: £7,000 credited), to equity in respect of foreign currency translation differences. Deferred tax of £110,000 was credited (2011: £144,000 debited) to equity in respect of post-employment benefit obligations and £30,000 (2011: £207,000) of deferred tax was credited to equity in relation to fair value movements on hedged items.

(b) Factors affecting tax charge for the year

The tax assessed for the year is different from that calculated at the standard rate of corporation tax in the UK of 25% (2011: 27%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 25% (2011: 27%)	**1,116**	1,720
Effects of:		
Expenses not deductible in determining taxable profit and other items	**92**	72
Difference in tax rates on overseas earnings	**231**	256
Adjustments to tax charge in respect of prior years	**(49)**	(31)
Total tax charge for the year	**1,390**	2,017

The adjustments in respect of prior years relate to the finalisation of previous year's tax computations.

10. DIVIDENDS

Parent Company and Group	**2012 £'000**	2011 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2010 – 4.1p per share	**—**	419
Final dividend for year ended 30 September 2010 – 8.9p per share	**—**	911
Interim dividend for year ended 30 September 2011 – 4.8p per share	**493**	—
Final dividend for year ended 30 September 2011 – 9.7p per share	**997**	—
	1,490	1,330

The declared interim dividend for the year ended 30 September 2012 of 5.1 pence was approved by the Board on 18 May 2012 and was paid on 19 October 2012. Accordingly it has not been included as a deduction from equity at 30 September 2012. The proposed final dividend for the year ended 30 September 2012 of 10.4 pence will be voted on at the Annual General Meeting on 25 February 2013. Both dividends will therefore be accounted for in the financial statements for the year ended 30 September 2013.

11. EARNINGS PER 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 10,227,473 (2011: 10,238,837).

Basic earnings per share has been shown both before and after the exceptional item of £598,000 net of tax thereon of £150,000. The earnings used to calculate basic earnings per share before and after the exceptional item are earnings of £3,521,000 and £3,072,000 respectively (2011: £4,355,000).

The weighted average number of shares excludes shares held by the "Treatt Employee Benefit Trust".

(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 10,263,239 (2011: 10,285,902), and earnings (after exceptional item) of £3,072,000 (2011: £4,355,000).

11. EARNINGS PER SHARE continued

The number of shares used to calculate earnings per share (EPS) have been derived as follows:

Parent Company and Group	2012 No ('000)	2011 No ('000)
Weighted average number of shares	**10,481**	10,481
Weighted average number of shares held in employee benefit trust	**(254)**	(242)
Weighted average number of shares used for calculating basic EPS	**10,227**	10,239
Savings-related share options	**36**	47
Weighted average number of shares used for calculating diluted EPS	**10,263**	10,286

12. GOODWILL

Group	Goodwill £'000
Cost	
1 October 2010	*3,483*
Increase in estimated deferred consideration	*135*
Goodwill on purchase of shares from non-controlling interest	*6*
1 October 2011	3,624
Decrease in estimated deferred consideration	(112)
30 September 2012	**3,512**
Accumulated impairment losses	
1 October 2010	*2,432*
Impairment loss for the year	*—*
1 October 2011	2,432
Impairment loss for the year	—
30 September 2012	**2,432**
Carrying amount	
30 September 2012	**1,080**
30 September 2011	1,192

In March 2007 the Parent Company acquired 50% of Earthoil Plantations Limited and Earthoil Kenya EPZ Pty Limited (collectively known as 'Earthoil') and in the financial year ending 30 September 2008 the remaining 50% of Earthoil was acquired. The consideration for the second 50% is entirely based upon an earn-out formula in relation to the profits of Earthoil in the calendar years 2010 and 2011. Deferred consideration of £23,000 (2011: £135,000) has been included in goodwill in relation to the earnout notice which has been issued but not yet settled as it is the subject of an on-going dispute (see note 27). The dispute is at an early stage, such that the costs of resolving the dispute are currently unknown.

The goodwill arising on the acquisition of Earthoil is attributable to the anticipated profitability of Earthoil's products in new and rapidly growing existing markets and the anticipated future operating synergies from the combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill arising on the acquisition of Earthoil is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue and overhead growth rates, and perpetuity growth rate. Management estimates discount rates using pre-tax rates that reflect market assessments of the time value of money and the risks specific to Earthoil. In 2010 the Group impaired the goodwill of Earthoil by £2,432,000. As at the year ended 30 September 2012, the impairment review has concluded that the value in use of Earthoil now significantly exceeds its carrying value. In performing this impairment review, the Group has prepared cash flow forecasts derived from the most recent financial budgets approved by the Board, and then estimates revenue growth for the following four years at 6.25% (2011: 6.25%) per annum, with overheads assumed to increase at 5% (2011: 5%) per annum. Thereafter, a growth rate for pre-tax profit of 2% (2011: 2%) per annum is assumed into perpetuity. A rate of 12.5% (2011: 12.5%) has been used to discount the forecast cash flows. The key assumptions are based on past experience adjusted for expected changes in future conditions.

Based upon this impairment review the recoverable amount of Earthoil exceeds its carrying amount by £6m (2011: £7.8m). The recoverable amount is most sensitive to changes in the discount rate and sales growth. A 1% change in the discount rate would affect the recoverable amount by £0.8m and a 1% change in sales growth would also change the recoverable amount by £0.8m.

13. OTHER INTANGIBLE ASSETS

Group	Lease premium £'000	Software licences £'000	Total £'000
Cost			
1 October 2010	*—*	*1,249*	*1,249*
Reclassification	*343*	*—*	*343*
Additions	*—*	*275*	*275*
Disposals	*—*	*(895)*	*(895)*
1 October 2011	343	629	972
Exchange adjustment	—	(1)	(1)
Additions	—	136	136
30 September 2012	**343**	**764**	**1,107**
Amortisation			
1 October 2010	*—*	*999*	*999*
Reclassification	*1*	*—*	*1*
Charge for period	*4*	*121*	*125*
Disposals	*—*	*(895)*	*(895)*
1 October 2011	5	225	230
Charge for period	4	155	159
30 September 2012	**9**	**380**	**389**
Net book value			
30 September 2012	**334**	**384**	**718**
30 September 2011	338	404	742

Intangible assets with a net book value of £2,000 (2011: £5,000) have been pledged as security in relation to the Industrial Development Loan detailed in note 20.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2010	*6,677*	*9,485*	*16,162*
Exchange adjustment	*36*	*(12)*	*24*
Reclassification	*(343)*	*—*	*(343)*
Additions	*9*	*1,261*	*1,270*
Disposals	*—*	*(1,745)*	*(1,745)*
1 October 2011	6,379	8,989	15,368
Exchange adjustment	(120)	(118)	(238)
Additions	—	2,651	2,651
Disposals	—	(10)	(10)
30 September 2012	**6,259**	**11,512**	**17,771**
Depreciation			
1 October 2010	*558*	*5,354*	*5,912*
Exchange adjustment	*8*	*18*	*26*
Reclassification	*(1)*	*—*	*(1)*
Charge for period	*145*	*898*	*1,043*
Disposals	*—*	*(1,732)*	*(1,732)*
1 October 2011	710	4,538	5,248
Exchange adjustment	(23)	(91)	(114)
Charge for period	139	965	1,104
Disposals	—	(10)	(10)
30 September 2012	**826**	**5,402**	**6,228**
Net book value			
30 September 2012	**5,433**	**6,110**	**11,543**
30 September 2011	5,669	4,451	10,120

Analysis of land and buildings	2012 £'000	2011 £'000
Net book value		
Freehold	**4,662**	4,882
Long Leasehold	**771**	787
	5,433	5,669

Included in plant and machinery are assets in the course of construction totalling £354,000 (2011: £789,000).

Property, plant and equipment with a net book value of £5.5m (2011: £4.1m) has been pledged as security in relation to the Industrial Development Loan and Equipment Financing Loan detailed in note 20.

Capital commitments	2012 £'000	2011 £'000
Contracted but not provided for	**304**	1,289

15. INVESTMENTS IN SUBSIDIARIES

Parent Company	Total £'000
Cost	
1 October 2010	*5,192*
Increase in estimated deferred consideration	*136*
1 October 2011	5,328
Decrease in estimated deferred consideration	(112)
30 September 2012	**5,216**

Parent Company	2012 £'000	2011 £'000
Subsidiary:		
R.C. Treatt & Co. Limited – at cost 50,000 ordinary shares of £1 each, fully paid	**2,299**	2,299
Treatt USA Inc. – at cost 2,975,000 common stock of US$1 each, fully paid	**1,842**	1,842
Earthoil Plantations Limited 4,051,000 ordinary shares of 50p each, fully paid	**923**	979
Earthoil Kenya Pty Limited 2,500 'A' ordinary shares of KES20 each, fully paid 2,500 'B' ordinary shares of KES20 each, fully paid	**152**	208
	5,216	5,328

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
Earthoil Plantations Limited	England	100%	Supply of natural cosmetic ingredients, specialising in organic and fair trade
Earthoil Kenya EPZ Pty Limited	Kenya	100%	Supply of organic and fair trade vegetable oils
Earthoil Extracts Limited	Kenya	100%	Supply of organic and fair trade essential oils
Earthoil India Private Limited	India	100%	Supply of organic and fair trade essential oils

16. DEFERRED TAXATION

Group	2012 £'000	2011 £'000
UK deferred tax asset	**286**	271
Overseas deferred tax liability	**(880)**	(532)
Net deferred tax liability	**(594)**	(261)

A reconciliation of the net deferred liability is shown below:

	UK Deferred Tax				Overseas Deferred Tax		
Group	Post-employment benefits £'000	Fixed assets £'000	Cash flow hedge £'000	Other temporary differences £'000	Fixed assets £'000	Other temporary differences £'000	Total £'000
1 October 2010	*383*	*(145)*	*—*	*180*	*(514)*	*77*	*(19)*
Exchange differences	*—*	*—*	*—*	*—*	*(9)*	*2*	*(7)*
(Charge)/credit to income statement	*(46)*	*(115)*	*—*	*(56)*	*(108)*	*20*	*(305)*
(Charge)/credit to equity	*(144)*	*—*	*207*	*7*	*—*	*—*	*70*
1 October 2011	193	(260)	207	131	(631)	99	(261)
Exchange differences	—	—	—	—	32	(4)	28
(Charge)/credit to income statement	(111)	194	1	(197)	(401)	25	(489)
(Charge)/credit to equity	110	—	30	(12)	—	—	128
30 September 2012	**192**	**(66)**	**238**	**(78)**	**(1,000)**	**120**	**(594)**

Included in 'Other temporary differences' is deferred tax in relation to unused tax losses. At the balance sheet date, Earthoil Plantations Limited had unused tax losses of £224,000 (2011: £548,000) available for offset against its future profits. The deferred tax asset for Earthoil Plantations has been recognised as the projections for the company demonstrate that it is expected to trade profitably in the future. At the balance sheet date, R.C. Treatt & Co Limited had a deferred tax asset in relation to its pension liability. R.C. Treatt & Co Limited have a specific plan in place to reverse the deficit and so this deferred tax asset has also been recognised.

The deferred tax rate applied to UK companies within the Group is 23% (2011: 24%) as legislation has been substantively enacted which reduces the main rate of UK corporation tax from 24% for the 2012/13 tax year to 23% in 2013/14.

17. INVENTORIES

Group	2012 £'000	2011 £'000
Raw materials	**11,887**	9,200
Work in progress	**5,631**	4,826
Finished goods	**5,397**	6,312
	22,915	20,338

Inventory with a carrying value of £8.2m (2011: £6.6m) has been pledged as security in relation to the Industrial Development Loan detailed in note 20.

18. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
Current	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Trade receivables	**12,368**	10,598	**—**	—
Amounts owed by subsidiaries	**—**	—	**45**	203
Other receivables	**851**	576	**13**	27
Prepayments	**740**	680	**—**	—
	13,959	11,854	**58**	230

	Group		Parent Company	
Non-current	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Other receivables	**586**	586	**586**	586

The Group's principal financial assets are trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. Before accepting any new customer, the Group uses a range of information, including credit reports, industry data and other publicly or privately available information in order to assess the potential customer's credit quality and defines credit limits by customer, and where appropriate will only accept orders on the basis of cash in advance, or if secured through a bank letter of credit. Processes are in place to manage trade receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of any specific changes in circumstances. The average credit period taken for trade receivables is 57 days (2011: 53 days). An impairment review has been undertaken at the balance sheet date to assess whether the carrying amount of financial assets is deemed recoverable. The primary credit risk relates to customers which have amounts due outside of their credit period. A provision for impairment is made when there is objective evidence of impairment which is usually indicated by a delay in the expected cash flows or non-payment from customers. The amounts presented in the balance sheet are net of amounts that are individually determined to be impaired of £0.1m (2011: £0.1m), estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's top five customers represent 23% (2011: 23%) of the Group's turnover. These customers have favourable credit ratings and consequently reduce the credit risk of the Group's overall trade receivables. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group holds no collateral against these receivables at the balance sheet date.

The ageing profile of trade receivables which are past their due date but not impaired is as follows:

	Number of days past the due date		
Group	**1-30 £'000**	**31-60 £'000**	**Over 60 £'000**
2012	**1,471**	**780**	**285**
2011	954	375	—

The ageing profile of impaired trade receivables is as follows:

		Number of days past the due date		
Group	**Current £'000**	**1-30 £'000**	**31-60 £'000**	**Over 60 £'000**
2012	**35**	**6**	**4**	**104**
2011	49	22	24	38

At 30 September 2012 £3.1m (2011: £3.1m) of trade receivables were denominated in Sterling, £8m (2011: £5.9m) in US Dollars and £1.2m (2011: £1.2m) in Euros. The currency risk in respect of trade receivables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 28 and the OFR on pages 8 to 10.

Trade receivables with a carrying value of £2.8m (2011: £1.9m) have been pledged as security in relation to the Industrial Development Loan detailed in note 20.

There is no credit risk associated with non-current other receivables of £0.6m (2011: £0.6m) as these amounts are contractually fully recoverable against loan notes payable of £0.7m (2011: £0.7m) when they fall due, and are recoverable at an earlier date if deferred consideration in respect of Earthoil becomes payable.

19. CASH AND CASH EQUIVALENTS

Group

Cash and cash equivalents of £927,000 (2011: £3,534,000) comprise cash held by the Group and short term deposits with an original maturity of one month or less. The carrying amount of these assets approximates to their fair value.

A detailed analysis of cash balances by currency is shown in note 28. All material cash balances are held with the Group's main banks, being Lloyds Banking Group, HSBC and Bank of America. The credit ratings of these banks are considered to be satisfactory.

20. BORROWINGS

	Group		Parent Company	
Current	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
US term loans	**566**	210	**—**	—
UK revolving credit facilities	**5,573**	—	**—**	—
Bank borrowings	**2,268**	3,712	**1,566**	1,844
	8,407	3,922	**1,566**	1,844

	Group	
Non-current	**2012 £'000**	2011 £'000
US term loans	**2,311**	1,829
UK revolving credit facilities	**3,158**	5,777
	5,469	7,606

US loans and borrowings

US term loans include an industrial development loan of £1,440,000 (2011: £1,656,000) and an equipment financing loan of £1,438,000 (2011: £382,000). The industrial development loan is repayable by fixed quarterly instalments over 20 years ending on 1 July 2021. The rate of interest payable has been fixed at 3.66% for ten years ending on 1 July 2021 by way of an interest rate swap which covers the full term of the loan. The fair value of this interest rate swap at the year end was £196,000 (2011: £220,000) based on year end exchange rates. The fair values of the US interest rate swap is not included on the balance sheet or through the income statement as the amount involved is not material. Similarly, the Directors do not apply hedge accounting in respect of US borrowings due to the lack of materiality of the items involved. The equipment financing loan is repayable by fixed monthly instalments over five years until 30 March 2017, with a fixed interest rate of 4.36%.

The US Dollar overdraft facility ('line of credit') of $4 million is a three year facility expiring in 2014. The US term loans and line of credit, both held by Treatt USA Inc., are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

Other borrowings

The Group's UK overdraft facilities are unsecured. UK borrowings of $9m are held on a three year revolving credit facility which expires in 2013. During the year, a one year £6.5m committed facility was converted to £3.25m of overdraft expiring in 2013 and a £3.25m three year revolving credit facility which expires in 2015. The rate of interest on $9m of UK revolving credit facilities has been fixed for ten years at a rate of 5.68% through an interest rate swap. Hedge accounting has been applied to the fair value of this swap, details of which are provided in note 28.

Borrowings are repayable as follows:

	2012 £'000	2011 £'000
– in one year or less	**6,139**	210
– in more than one year but not more than two years	**436**	5,955
– in more than two years but not more than five years	**4,383**	728
– in more than five years	**650**	923
	11,608	7,816

Further information on Group borrowing facilities is given in notes 27 and 28, including a detailed analysis of cash balances by currency.

Borrowing facilities

At 30 September 2012, the Group had total borrowing facilities of £20.1m (2011: £19.8m) of which £11.6m (2011: £9.4m) expire in one year or less and £7.2m (2011: £11.8m) were undrawn.

21. PROVISIONS

Group	2012 £'000	2011 £'000
Onerous contract provision:		
At start of year	**79**	415
Utilised in year	**(79)**	(415)
Additional provision in year	**—**	79
Balance at end of year	**—**	79

Onerous contract provisions relate to losses which are or were expected to materialise in the following twelve months on fixed price contracts as a result of significant increases in certain raw material prices.

22. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	**5,275**	5,026	**—**	—
Amounts owed to subsidiaries	**—**	—	**27**	187
Other taxes and social security costs	**580**	637	**3**	3
Accruals	**3,083**	2,700	**4**	—
	8,938	8,363	**34**	190

	Group		Parent Company	
Non-current	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Other creditors and accruals	**23**	135	**23**	135

Trade payables principally comprise amounts for trade purchases and on-going costs. The average credit period taken for trade payables is 34 days (2011: 33 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

At 30 September 2012 £1.2m (2011: £1.2m) of trade payables were denominated in Sterling, £2.5m (2011: £2.6m) in US Dollars and £0.5m (2011: £0.4m) in Euros. The currency risk in respect of trade payables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 28 and the OFR on pages 8 to 10.

Non-current other creditors and accruals relates to the deferred consideration payable to the vendors in relation to the acquisition of Earthoil.

23. SHARE CAPITAL

Parent Company and Group Called up, allotted and fully paid	2012 £'000	2012 Number	2011 £'000	2011 Number
At start and end of period	**1,048**	**10,481,034**	1,048	10,481,034

The Parent Company has one class of ordinary shares, with a nominal value of 10p each, which carry no right to fixed income.

24. SHARE-BASED PAYMENTS

Group

The Group has applied the requirements of IFRS2 "Share-based payments".

The Group operates executive share option schemes for Directors and senior management within the Group in addition to issuing UK and US approved savings-related share options for employees of certain subsidiaries. Options are granted with a fixed exercise price and will lapse when an employee leaves the Group subject to certain 'good leaver' provisions.

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 Parent Company. All share options are expected to be settled via the transfer of shares out of the "Treatt Employee Benefit Trust".

The options outstanding at 30 September 2012 for which a share-based payment charge of £25,000 (2011: £20,000) has been made are as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
R. C. Treatt Employee Save As You Earn Share Scheme 2010 "SAYE 2010"	35,903	—	222.0p	Between September 2013 and March 2014
R. C. Treatt Employee Save As You Earn Share Scheme 2011 "SAYE 2011"	24,717	—	340.0p	Between September 2014 and March 2015
R. C. Treatt Employee Save As You Earn Share Scheme 2012 "SAYE 2012"	44,625	—	267.0p	Between September 2015 and March 2016
Treatt USA Employee Stock Purchase Plan 2012 "TUSA 2012"	7,514	—	284.0p	July 2013

The fair value per option granted using the "Black-Scholes" model, and the assumptions used in the share-based payments calculations, are as follows:

	SAYE 2010	SAYE 2011	SAYE 2012	TUSA 2012
Share price at date of grant	299.5p	422.5p	316.5p	316.5p
Contractual life	3.5 years	3.5 years	3.5 years	1 year
Expected life	3 years	3 years	3 years	1 year
Expected volatility	21.7%	21.8%	21.1%	23.4%
Risk free interest rate	2.08%	1.83%	0.57%	0.57%
Dividend yield	4.1%	3.2%	4.7%	4.7%
Expected cancellations	15.0%	15.0%	10.0%	10.0%
Expected forfeitures	15.0%	15.0%	10.0%	10.0%
Fair value per option at date of grant	58.9p	76.5p	40.6p	34.4p

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period equivalent to the vesting period of the respective options prior to their date of grant.

The risk-free interest rate was based on the simple average of the historical daily gilt yields quoted for five year benchmark gilts during the month in which a grant of options is made.

24. SHARE-BASED PAYMENTS continued

Details of movements in share options during the year were as follows:

	2012 No of options	2012 Weighted average exercise price	2011 No of options	2011 Weighted average exercise price
Outstanding at start of period	**120,283**	**£2.37**	142,343	£1.96
Granted during the period	**52,139**	**£2.69**	35,059	£3.45
Forfeited during the period	**(3,038)**	**£3.09**	(3,648)	£1.90
Exercised during the period	**(46,531)**	**£1.70**	(49,109)	£2.03
Expired during the period	**(6,628)**	**£3.64**	(1,098)	£2.58
Cancelled during the period	**(3,466)**	**£2.50**	(3,264)	£1.83
Outstanding at end of period	**112,759**	**£2.70**	120,283	£2.37
Exercisable at end of period	**—**	**—**	—	—

Forfeiture arises when the employee is no longer entitled to participate in the savings-related share option scheme as a consequence of leaving the Group whereas cancellation arises when a participant voluntarily chooses to cease their membership of a scheme within the vesting period.

The options outstanding had a weighted average remaining contractual period of 2.4 years (2011: 2.2 years). The weighted average actual market share price on date of exercise for share options exercised during the year was 342.5 pence (2011: 383.3 pence) and the weighted average fair value of options granted during the year was 39.7 pence (2011: 72.8 pence).

25. PENSION SCHEMES

Group

The Group has continued to operate a wholly-funded 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 stakeholder defined contribution scheme. Pensionable salary for the remaining members of the scheme is based upon the lower of their actual salary upon retirement or leaving the Group and their 2003 salary as increased by inflation. Following consultation with members, they have agreed that the scheme will not be subject to any further accruals after 31 December 2012 and instead members of the final salary pension scheme have been offered membership of the Company's defined contribution pension plan with effect from 1 January 2013. As a consequence, a curtailment gain of £188,000 has been recognised in these financial statements.

Defined contribution schemes are operated on behalf of eligible employees, the assets of which are held separately from those of the Group in independently administered funds.

The pension charge for the year principally represents contributions payable to the defined contribution schemes, together with the current service cost for the year in relation to the defined benefit pension scheme, amounting to:

	2012 £'000	2011 £'000
Defined benefit scheme – current service cost	**481**	527
Defined contribution schemes	**312**	251
Curtailment gain	**(188)**	—
Other pension costs	**24**	24
	629	802

25. PENSION SCHEMES continued

The Group accounts for pensions in accordance with IAS 19, "Employee Benefits", details of which are as follows:

The valuation used for IAS 19 disclosures in respect of the defined benefit pension scheme ("the scheme") has been based on the most recent actuarial valuation at 1 January 2012 carried out by Barnett Waddingham and updated by Mr N.P. Hacking, a Fellow of the Institute of Actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2012. Scheme assets are stated at their market value as at that date.

The financial assumptions used to calculate scheme liabilities and assets under IAS 19 are:

	2012	2011
Discount rate	**4.60%**	5.50%
Expected return on scheme assets	**5.23%**	6.11%
Rate of increase in salaries	**N/A**	2.75%
Rate of increase in pensions in payment – CPI 5%	**1.60%**	2.00%
Rate of increase in pensions in payment – CPI 2.5%	**1.50%**	1.80%
Rate of increase in pensions in deferment	**1.60%**	2.00%
Rate of inflation	**2.60%**	2.75%
Mortality table	**100% of S1PxA table with CMI_2011 projections with a long term average rate of improvement of 1% pa**	2000 series table with long cohort mortality min of 1.0% p.a. improvements with 110% scaling of mortality rates
Life expectancy for current 65 year old male	**22.0**	21.9
Life expectancy for male aged 65 in 10 years time	**22.6**	23.1
Commutation allowance	**20%**	20%

The expected return on individual classes of pension scheme assets are determined by reference to external indices and after taking advice from external advisers. The overall expected rate of return shown above is the weighted average of the returns allowing for anticipated balances held in each asset class according to the scheme's investment strategy. The actual return on scheme assets was a gain of £1.85m (2011: loss of £0.25m). The Group expects to make on-going contributions of approximately £389,000 to its defined benefit pension scheme in 2013 (2012: £695,000).

	2012 £'000	2011 £'000
Scheme assets:		
Equities	**9,011**	8,189
Bonds	**5,560**	4,573
Other	**1,027**	912
Fair value of scheme assets	**15,598**	13,674
Present value of funded obligations (scheme liabilities)	**(16,436)**	(14,477)
Deficit in the scheme recognised in the balance sheet	**(838)**	(803)
Related deferred tax	**192**	193
Net pension liability	**(646)**	(610)
Changes in scheme liabilities		
Balance at start of period	**(14,477)**	(15,333)
Current service cost	**(481)**	(527)
Interest cost	**(788)**	(817)
Curtailment	**188**	—
Benefits paid	**612**	502
Actuarial (loss)/gain	**(1,490)**	1,698
Balance at end of period	**(16,436)**	(14,477)
Changes in scheme assets		
Balance at start of period	**13,674**	13,737
Expected return on scheme assets	**838**	852
Employer contributions	**686**	686
Benefits paid	**(612)**	(502)
Actuarial gain/(loss)	**1,012**	(1,099)
Balance at end of period	**15,598**	13,674

25. PENSION SCHEMES continued

	2012 £'000	2011 £'000
Amount charged to operating profit		
Current service cost	**(481)**	(527)
Curtailment	**188**	—
Total operating charge	**(293)**	(527)
Amount credited to finance revenue		
Expected return on assets	**838**	852
Interest on scheme liabilities	**(788)**	(817)
Net finance revenue	**50**	35
Net expense recognised in income statement	**(243)**	(492)
Amount recognised in statement of comprehensive income		
Actual less expected return on assets	**1,012**	(1,099)
Experience gains on liabilities	**41**	20
Effect of change in assumptions on liabilities	**(1,531)**	1,678
Total (loss)/gain recognised in statement of comprehensive income	**(478)**	599
Actual return on scheme assets	**1,850**	(247)
Statement of comprehensive income		
Actuarial gain/(loss) from assets	**1,012**	(1,099)
Actuarial (loss)/gain from liabilities	**(1,490)**	1,698
Actuarial (loss)/gain recognised in statement of comprehensive income	**(478)**	599
Cumulative actuarial loss recognised in statement of comprehensive income	**(1,285)**	(807)
Movement in balance sheet net liability during the period		
Net liability at start of period	**(803)**	(1,596)
Current service cost	**(481)**	(527)
Curtailment	**188**	—
Cash contribution	**686**	686
Other finance income	**50**	35
Actuarial (loss)/gain	**(478)**	599
Net liability at end of period	**(838)**	(803)

History of scheme assets, liabilities, experience gains and losses:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Scheme assets	**15,598**	13,674	13,737	12,427	10,489
Scheme liabilities	**(16,436)**	(14,477)	(15,333)	(14,427)	(11,027)
Net liability	**(838)**	(803)	(1,596)	(2,000)	(538)
Difference between expected and actual returns on scheme assets:	**1,012**	(1,099)	151	544	(2,989)
Experience gains/(losses) on scheme liabilities:	**41**	20	110	(190)	1
Total actuarial (loss)/gain:	**(478)**	599	172	(1,821)	(1,011)

26. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2012, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 £'000	2011 £'000
Within one year	**40**	65
Within one to two years	**18**	55
In two to five years	**31**	38
	89	158

The Group as lessor

As at 30 September 2012, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2012 £'000	2011 £'000
Within one year	**8**	8

27. CONTINGENT LIABILITIES

Parent Company

The Parent Company has guaranteed the Industrial Development Loan and 'Line of Credit' for Treatt USA Inc. At the balance sheet date the liability covered by this guarantee amounted to US$2,325,000 (£1,440,000) (2011: US$2,580,000 (£1,656,000)).

The Parent Company has also guaranteed certain bank borrowings of its UK subsidiaries R.C. Treatt & Co. Limited and Earthoil Plantations Limited. At the year end the liabilities covered by this guarantee amounted to £9,089,000 (2011: £7,568,000).

The sellers of the Earthoil Group, which was acquired by the Company in April 2008, have filed a claim in the Chancery Division of the High Court against the Company for £1.8m. The claim relates to various matters in respect of the earn-out, being the deferred consideration payable to the sellers in respect of the acquisition of the Earthoil Group. The Company will defend the claim vigorously as the Board considers that no sums are due to the sellers in relation to this claim.

28. FINANCIAL INSTRUMENTS

Group and Parent Company

Capital risk management

The Group and Parent Company manage their capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt and equity shareholders' funds. The Group is not subject to any externally imposed capital requirements. Board policy is to operate with a mix of short and medium term borrowings, and during the year £3.25m of committed one year borrowings was converted into a three year revolving credit facility having converted a $4m line of credit facility in the US and $9m of overdraft in the UK into three year facilities in the preceding two financial years. The Group's net debt position is monitored daily and reviewed by management on a weekly basis. Further details of the Group's capital management are given in the Chairman's Statement and OFR on pages 6 to 10.

Categories of financial instruments

	Group		**Parent Company**	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Financial assets				
Redeemable loan notes receivable from subsidiaries	**—**	—	**1,350**	1,350
Trade receivables	**12,368**	10,598	**—**	—
Cash and cash equivalents	**927**	3,534	**—**	—
	13,295	14,132	**1,350**	1,350

28. FINANCIAL INSTRUMENTS continued

Categories of financial instruments (continued)

	Group		Parent Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Financial liabilities				
Redeemable loan notes payable	**675**	675	**675**	675
Trade payables	**5,275**	5,026	**—**	—
Bank borrowings	**2,268**	3,712	**1,566**	1,844
UK revolving credit facilities	**8,731**	5,777	**—**	—
US term loans	**2,878**	1,656	**—**	—
Derivative financial instruments – interest rate swap	**1,033**	864	**—**	—
	20,860	17,710	**2,241**	2,519

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 carrying values.

Financial risk management objectives

The Group and Parent Company collate information from across the business and reports to the Board on key financial risks. These risks include credit risk, liquidity risk, interest rate risk and currency risk. The Group has policies in place, which have been approved by the Board, to manage these risks. The Group does not enter into traded financial instruments as the costs involved currently outweigh the risks they seek to protect against. Speculative purchases of financial instruments are not made.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Parent Company. The Group's credit risk is primarily attributable to its trade receivables and details of how this risk is managed are explained in note 18. The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies as outlined in note 19. The Directors are of the opinion that there are no significant concentrations of credit risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group and Parent Company's maximum exposure to credit risk.

The loan notes receivable by the Parent Company are made up as follows:

	2012 £'000	2011 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	**950**	950
Variable Rate Unsecured Loan Notes 2015 (B)	**400**	400
	1,350	1,350

The loan notes are redeemable in full on 31 December 2015 or from 31 March 2009 on request from the issuer. Interest is receivable at 1% above UK base rate. As disclosed in note 29, the loan notes are receivable by the Parent Company from two of its wholly-owned subsidiaries and therefore there is no credit risk attaching to them.

Further details of the Group's credit risk management are given in notes 18 and 19.

Liquidity risk management

Liquidity risk refers to the risk that the Group may not be able to fund the day to day running of the Group. Liquidity risk is reviewed by the Board at all Board meetings. The Group manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group also monitors the drawdown of debt against the available banking facilities and reviews the level of reserves. Liquidity risk management ensures sufficient debt funding is available for the Group's day to day needs. Board policy is to maintain a reasonable headroom of unused committed bank facilities.

The Group has a number of debt facilities, details of which, including their terms and maturity profile, are given in note 20.

The Board also monitors the Group's banking covenants which are calculated under IFRS. There were no breaches during the year or prior period.

Interest rate risk management

The Group is exposed to interest rate risk on short to medium term borrowings primarily with three major institutions being HSBC, Lloyds Banking Group and Bank of America. The risk is managed by maintaining borrowings with several institutions across a number of currencies, principally US Dollar and Sterling. Long term financing is primarily used to finance long term capital investment such as the facilities occupied by Treatt USA.

28. FINANCIAL INSTRUMENTS continued

Interest rate risk management (continued)

The Group hedges a portion of its interest rate risk through an interest rate swap which has the effect of fixing the interest rate on a notional principal of US$9 million of borrowings. The interest rate swap is for a period of ten years ending in 2020 and swaps variable 3 month US LIBOR for a fixed rate of 5.68%. The Group has complied with the requirements of IAS39, 'Financial Instruments: Recognition and Measurement' and designated this interest rate swap as a cash flow hedge. The hedge was 100% effective during the period and is expected to be going forward, and consequently the carrying value (which is the same as the fair value) of the interest rate swap has been taken to the hedging reserve, and the corresponding liability as at 30 September 2012 of £1,033,000 (2011: £864,000) is shown under non-current liabilities – 'Derivative Financial Instruments'. The fair value of the interest rate swap equates to the mark-to-market valuation of the swap provided by HSBC and represents the amount which the Group would need to pay in order to close the swap contract. The loss for the period of £169,000 (2011: £864,000) is shown in the 'Statement of Comprehensive Income'.

Financial instruments which are measured subsequent to initial recognition at fair value are required to be grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative financial instruments for the interest rate swap described above is classified as level 2.

Interest rate risk is further diversified by having a mix of fixed and floating rate borrowings, as well as holding borrowings in a range of currencies as follows:

Group	**Floating rate financial liabilities**		**Fixed rate financial liabilities**		**Total**	
Financial liabilities	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Bank borrowings:						
US Dollars	**6,599**	4,086	**8,309**	7,433	**14,908**	11,519
Other currencies	**578**	975	**—**	—	**578**	975
Loan notes payable:						
Sterling	**675**	675	**—**	—	**675**	675
	7,852	5,736	**8,309**	7,433	**16,161**	13,169

The Parent Company bank borrowings were all held in Sterling.

Interest on floating rate bank deposits is based on UK base rates or currency LIBOR as applicable. The terms of the loan notes receivable are shown within this note.

Fixed rate financial liabilities comprise the Industrial Development Loan of US$2,325,000 (2011: US$2,580,000), equipment financing term loan of $2,093,000 (2011: $Nil) and $9,000,000 revolving credit facility (see note 20). Interest on bank overdrafts is charged at 1.35% – 2% above bank base or currency LIBOR rates. The terms of the loan notes payable are shown within this note.

The loan notes payable by the Parent Company and Group are made up as follows:

	2012 £'000	2011 £'000
Series A Variable Rate Unsecured Loan Notes 2015	**475**	475
Series B Variable Rate Unsecured Loan Notes 2015	**200**	200
	675	675

The loan notes are redeemable in full on 31 December 2015 or at an earlier date, once 50% of the corresponding loan notes receivable have been redeemed. Interest is payable at 1% above UK base rate.

28. FINANCIAL INSTRUMENTS continued

Interest rate risk management (continued)
Interest rate sensitivity analysis has been performed on the floating rate financial liabilities to illustrate the impact on Group profits if interest rates increased or decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 bps increase or decrease has been used, comprising management's assessment of reasonably possible changes in interest rates. If interest rates had been 100 bps higher or lower, then profit before taxation for the year ended 30 September 2012 would have decreased or increased as follows:

	Group		Parent Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Impact on profit before tax of 1% interest rate movement	**146**	118	**9**	12

It has been assumed that all other variables remained the same when preparing the interest rate sensitivity analysis and that floating rate short term bank borrowings in the same currency are netted against each other for the purpose of interest rate calculation.

Foreign currency risk management
Foreign currency risk management occurs at a transactional level on revenues and purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. The Group's main foreign exchange risk is the US Dollar. Board policy is for UK businesses to mitigate US Dollar transactional exposures by holding borrowings in US Dollars. Further details of the Group's foreign currency risk management can be found in the Chairman's Statement and OFR on pages 6 to 10.

The Group's currency exposure, being those exposures arising from transactions where the net currency gains and losses will be recognised in the income statement, is as follows:

Net foreign currency financial assets/(liabilities):	**US Dollar £'000**	**Other £'000**	**Total £'000**
At 30 September 2012	**(2,772)**	**335**	**(2,437)**
At 30 September 2011	(1,490)	81	(1,409)

A currency sensitivity analysis has been performed on the financial assets and liabilities to sensitivity of a 10% increase/decrease in the pounds Sterling to US Dollar exchange rate. A 10% strengthening of the US Dollar has been used, comprising management's assessment of reasonably possible changes in US Dollar exchange rates. The impact on profit for the period in the income statement would be a loss on net monetary assets or liabilities of £308,000 (2011: £166,000).

29. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Group
Remuneration of key management personnel
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on pages 19 to 22.

	2012 £'000	2011 £'000
Salaries and other short-term employee benefits	**852**	1,023
Termination benefits	**586**	—
Employers' social security costs	**132**	141
Pension contributions to money purchase schemes	**12**	12
Share-based payments	**2**	2
	1,584	1,178

During the year three Directors (2011: two) were members of a defined benefit pension scheme. The aggregate accumulated total pension as at 30 September 2012 was £157,000 (2011: £127,000).

29. RELATED PARTY TRANSACTIONS continued

Group (continued)

Directors Loans

In 2010, two years before his appointment to the Board, Daemmon Reeve was granted an interest free loan of $50,000 (£31,000) by the Parent Company to assist with relocating to the US upon his appointment as CEO of Treatt USA. The loan is being repaid in equal monthly instalments. Having repaid $16,000 (£10,000) during the year, the balance outstanding at 30 September 2012 was $18,000 (£11,000).

Parent Company	2012 £'000	2011 £'000
Interest received from:		
Earthoil Plantations Limited	31	64
Earthoil Kenya PTY EPZ Limited	6	6
Dividends received from:		
R.C.Treatt & Co Limited	1,491	1,331
Treatt USA Inc	641	—
Redeemable loan notes receivable:		
Earthoil Plantations Limited	950	950
Earthoil Kenya PTY EPZ Limited	400	400
Amounts owed to/(by) Parent Company:		
Earthoil Plantations Limited	45	192
R.C.Treatt & Co Limited	(27)	(176)

The redeemable loan notes are redeemable in full on 31 December 2015 or from 31 March 2009 on request from the issuer. Interest is receivable at 1% above UK base rate. Amounts owed to the Parent Company are unsecured and will be settled in cash.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE YOU ARE RECOMMENDED TO CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your ordinary shares in Treatt plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Notice of the Annual General Meeting which has been convened for 25 February 2013 at 10.30 am at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and in any event not later than 48 hours (excluding weekends and public holidays) before the time appointed for holding the meeting.

Notice is hereby given that the Annual General Meeting of the Shareholders of Treatt plc (the "Company") will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 25 February 2013, at 10.30 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2012, 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 receive, adopt and approve the Directors' Remuneration Report.
3. To approve a final dividend of 10.4p per share on the ordinary shares of the Company for the year ended 30 September 2012.
4. To re-elect Daemmon Reeve as a Director of the Company.
5. To re-elect Tim Jones as a Director of the Company.
6. To re-elect Ian Neil as a Director of the Company.
7. To re-appoint Baker Tilly UK Audit LLP as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.
8. To authorise the Directors to determine the remuneration of the Auditors of the Company.

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolution 9 will be proposed as an Ordinary Resolution and Resolutions 10 and 11, will be proposed as Special Resolutions.

9. THAT:
   (a) In accordance with Section 551 of the Companies Act 2006 (the 'Act') the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (Rights) 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 24 May 2014; and
      (ii) this authority shall be limited to the allotment of shares and the granting of Rights up to an aggregate nominal amount of £345,850 (representing approximately 33 per cent 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 shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares and grant Rights 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 17 of the Act shall bear the same meaning herein.
10. THAT:
   (a) Conditionally upon the passing of Resolution 9 above and in accordance with Section 570 of the Act, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 9 above as if Section 561 of the said Act did not apply to any such allotment provided that:
      (i) the power hereby granted shall be limited:
         (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 £52,400 (representing approximately 5 per cent 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 24 May 2014;
   (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 17 of the Act shall bear the same meaning herein.

11. THAT:

The Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:

(a) the maximum number of ordinary shares authorised to be purchased is 1,048,000 (representing approximately 10 per cent of the present issued share capital of the Company);

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

(c) the maximum price which may be paid for an ordinary share so purchased is an amount equal to 5 per cent 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;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014, unless such authority is renewed, varied or revoked prior to such time; and

(e) 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	Registered Office:
Anita Steer	Northern Way
Secretary	Bury St. Edmunds
	Suffolk
21 December 2012	IP32 6NL

The note on voting procedures and general rights of shareholders, together with explanatory notes on the resolutions to be put to the meeting, which follow on pages 60 to 63 from part of this notice.

NOTE ON VOTING PROCEDURES AND GENERAL RIGHTS OF SHAREHOLDERS:

Only those persons entered in the Register of Members of the Company (the Register) as at 6.00pm on 21 February 2013 (the Record Date) shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares in the capital of the Company registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Record Date shall be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Record Date, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, to be so entitled, members must have been entered on the Register by 6.00pm two days prior to the adjourned AGM (excluding weekends and public holidays) or, if the Company gives notice of the adjourned AGM, at the time specified in such notice.

Voting at the meeting will be conducted by poll rather than on a show of hands, which the Board believes provides a more accurate reflection of shareholder views and takes into account the number of shares held by each member. Those shareholders who are unable to attend the meeting should submit a form of proxy as detailed below. Shareholders attending the meeting may also wish to vote in advance of the meeting by submitting a form of proxy. Members who have done so will not need to vote at the meeting unless they wish to change their vote or the way in which the proxy is instructed to vote.

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him or her. The proxy need not be a member of the Company. A form of proxy is provided with this notice and instructions for use are shown on the form. Additional forms of proxy can be obtained from the Company's registrars on tel no 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am to 5.30pm Monday to Friday). Instruments appointing proxies must be lodged with the Company's registrars not less than 48 hours before the time fixed for the meeting to be effective. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.

An abstention option is provided on the form of proxy to enable you to instruct your proxy to abstain on any particular resolution, however, it should be noted that an abstention in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 25 February 2013 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:

a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting details the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.Treatt.com.

As at 21 December 2012 the Company's issued share capital consists of 10,481,034 ordinary shares, The total number of voting rights in the Company as at 6 December 2012 (the latest practicable reporting date prior to publication of this document) is 10,224,726.

A statement of Directors' share transactions and copies of their service contracts and the letters of appointment of the Non-executive Directors 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, Sundays and public holidays excluded) and will be available at the place of the meeting for fifteen minutes prior to and during the meeting.

Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so using the following means:
Calling the Company Secretary on +44 1284 702500;
Emailing the Company Secretary on cosec@treatt.com; or
Writing to: The Company Secretary, Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL.

EXPLANATORY NOTES

Report and Accounts (Resolution 1)

The Directors of the Company must present the accounts to the meeting.

Directors' Remuneration Report (Resolution 2)

In line with legislation, this vote will be advisory and in respect of the overall remuneration package and not specific to individual levels of remuneration. You can find the remuneration report on page 19.

Declaration of a dividend (Resolution 3)

A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 10.4p per ordinary share is recommended by the Directors for payment to Shareholders who are on the register of members at the close of business on 1 February 2013. If approved, the date of payment of the final dividend will be 8 March 2013. An interim dividend of 5.1 pence per ordinary share was paid on 19 October 2012. This represents an increase of 1.0 pence per share, or 6.9 per cent, on the total 2011 dividend.

Re-election of Directors (Resolutions 4, 5 and 6)

In accordance with the Articles of Association, all Directors retire at least every three years and all newly appointed Directors retire at the first Annual General Meeting following their appointment. Furthermore, any Non-executive Director having been in post for nine years or more is subject to annual re-election. At this meeting, Daemmon Reeve, Tim Jones and Ian Neil will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 12. Peter Thorburn will retire from the Board at the conclusion of the Annual General Meeting. Having considered the performance of and contribution made by each of the Directors standing for re-election the Board remains satisfied that the performance of each of the relevant Directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

Reappointment and remuneration of auditors (Resolutions 7 and 8)

Resolutions 7 and 8 propose the reappointment of Baker Tilly UK Audit LLP as Auditors of the Company and authorise the Directors to set their remuneration.

Directors' authority to allot securities (Resolution 9)

Your Directors may only allot ordinary shares or grant rights over ordinary shares if authorised to do so by Shareholders. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, this resolution seeks to grant a new authority to the Directors to allot unissued share capital of the Company and grant Rights and will expire at the conclusion of the next Annual General Meeting of the Company in 2014 or, if earlier, on 24 May 2014 (the date which is 15 months after the date of passing of the resolution). There is no present intention of exercising this authority, which would give Directors authority to allot relevant securities up to an aggregate nominal value of £345,850 approximately 33 per cent of the Company's issued ordinary share capital as at 21 December 2012.

Disapplication of pre-emption rights (Resolution 10)

Under Section 561 of the Act, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing Shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing Shareholders. This cannot be done under the Act unless the Shareholders have first waived their pre-emption rights.

Resolution 10 asks the Shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £52,400 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 21 December 2012. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas Shareholders. If given, the authority will expire at the conclusion of the next Annual General Meeting of the Company in 2014 or, if earlier, 24 May 2014 (the date which is 15 months after the date of passing of the resolution).

EXPLANATORY NOTES (continued)

Authority to purchase own shares (Resolution 11)

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 11 seeks the authority from Shareholders to continue to do so. The Directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of Shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of ordinary shares that may be acquired (approximately 10 per cent of the Company's issued ordinary share capital as at 21 December 2012) and the maximum and minimum prices at which they may be bought.

The total number of options to subscribe for ordinary shares that were outstanding at 6 December 2012 (the latest practicable reporting date prior to publication of this document) was 109,400. The proportion of issued share capital that they represented at that time was 1.04 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 1.16 per cent.

Resolution 11 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next Annual General Meeting of the Company in 2014 or, if earlier, 24 May 2014 (the date which is 15 months after the date of passing of the resolution).

The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

Notes

Parent Company Information and Advisers

Current Directors and committee members are shown in bold

Directors	**Tim Jones (Chairman and Non-executive Director – Appointed 27 February 2012)** **Daemmon Reeve (Appointed – 18 May 2012, CEO from 15 August 2012)** **Anita Haines (Human Resources Director)*** **Richard Hope (Finance Director)** **David Johnston (Non-executive Director)** **Ian Neil (Non-executive Director)** **Peter Thorburn (Non-executive Director)**** James Grace (Chairman and Non-executive Director – until 27 February 2012) Hugo Bovill (Managing Director – until 14 August 2012) * Anita Haines has given notice of her intention to retire from the Board with effect from February 2014. ** Peter Thorburn has announced his retirement from the Board with effect from 25 February 2013.
Secretary	Richard Hope until 15 August 2012 Anita Steer from 15 August 2012
Registered Office	Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL. Tel: + 44 (0) 1284 702500 Email: co.sec@treatt.com Website: http://www.treatt.com
Registered Number	1568937
Audit Committee	**Ian Neil (Chairman)** **Tim Jones (From 27 February 2012)** **David Johnston** **Peter Thorburn** James Grace (Until 27 February 2012)
Remuneration Committee	**Ian Neil (Chairman from 15 August 2012)** **Peter Thorburn (Chairman until 15 August 2012)** **Tim Jones (From 27 February 2012)** **David Johnston** James Grace (Until 27 February 2012)
Nomination Committee	**Tim Jones (From 27 February 2012)** **Daemmon Reeve (From 28 September 2012)** **David Johnston** **Ian Neil** **Peter Thorburn** James Grace (Chairman – until 27 February 2012) Hugo Bovill (Until 14 August 2012)
Stockbrokers	Investec Investment Banking, 2 Gresham Street, London, EC2V 7QP.
Auditors	Baker Tilly UK Audit LLP Abbotsgate House, Hollow Road, Bury St. Edmunds, Suffolk, IP32 7FA.
Solicitors	Eversheds LLP, One Wood Street, London, EC2V 7WS. Greene and Greene, 80 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1QB.
Bankers	HSBC Bank plc, 140 Leadenhall Street, London, EC3V 4PS. Lloyds Banking Group, Black Horse House, Castle Park, Cambridge, CB3 0AR. Bank of America, 5th Floor, 101 E. Kennedy Boulevard, Tampa, FL 33602.
Registrar and Transfer Office	CAPITA REGISTRARS The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
Share Price	The Parent Company's share price is available on http://www.ft.com. Annual and interim reports are available on the Group's Website (http://www.treatt.com).

The flower of the ylang ylang tree. Earthoil visited Madagascar in June 2012 on a fact-finding tour to see the production of natural ylang ylang and other spice oils.

TREATT

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Email: enquiries@treatt.com

www.treatt.com
www.earthoil.com