

Half-year Report



TREATT PLC

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Treatt PLC

10 May 2022

TREATT PLC HALF YEAR RESULTS SIX MONTHS ENDED 31 MARCH 2022

10 May 2022

On track to deliver full year expectations - reversion to H2 seasonality; order book up over 25%

Treatt Plc ('Treatt' or the 'Group'), the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, announces its half year results for the six months ended 31 March 2022.

FINANCIAL HIGHLIGHTS:

	Half year ended 31 March 2022	Half year ended 31 March 2021	Half year ended 31 March 2020
Revenue	£66.3m	£60.8m	£53.6m
Gross profit margin	27.5%	35.0%	26.2%
Operating profit before exceptional items	£6.6m	£10.6m	£6.1m
Profit before tax and exceptional items	£6.3m	£10.4m	£6.1m
Adjusted basic earnings per share	8.21p	12.93p	8.08p
Dividend per share	2.50p	2.00p	1.84p

HIGHLIGHTS & OUTLOOK:

- Record H1 revenue with 9% growth across the portfolio.
- As anticipated, returning to traditional H2 profit weighting:
 - H1 2021 benefitted from COVID-19 related retail channel growth and significant product launches.
 - Normal seasonality returning driven by Spring/Summer beverage consumption in Northern hemisphere.
 - Strong anticipated growth in healthier living categories expected to drive higher margins.
- H1 2022 ended strongly, and momentum has continued into H2; order book up by more than 25% compared with equivalent prior year period giving confidence in the outlook.

- Revenue growth for full year now expected to exceed 15%; on track to deliver full year PBT market consensus of £21.7m¹.
- Ongoing investment in the Group's capacity, people and innovation to deliver long-term growth.

Commenting on the results, Group CEO, Daemmon Reeve, said:

"We continue to grow our revenue and have a very strong order book going into the second half of the financial year. The momentum we have in the business underlines the importance of the significant benefits we expect to gain from both investment in our people and the increased capabilities and capacity we will unlock from our new UK facility at Skyliner Way.

"Our established business model and track record of managing the input costs of our natural products has meant that we continue to deliver outstanding service for our customers and healthy returns for our shareholders, despite supply chain and other macro headwinds.

"Branded beverages are seen as affordable luxuries, and so we are well insulated against rising inflationary pressures and our strong order book gives us confidence that we are on track to perform in line with expectations for the full year."

¹ Treatt compiled consensus of four analyst forecasts for FY22 profit before tax and exceptional items.

Analyst and investor conference call

A conference call for analysts and investors will be held at 9.00 a.m. today, 10 May 2022. For dial-in details, please contact MHP Communications at treatt@mhpc.com. A recording will be made available after the event.

In accordance with DTR 6.3.5 please find below the unedited full text of the half year results.

A copy of the half year results will be submitted to the National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>. It will also be available on the Treatt website at www.treatt.com/investor-relations.

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About the Group

Treatt is a global, independent manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the flavour, fragrance and multinational consumer product industries, particularly in the beverage sector. Renowned for its technical expertise and knowledge of ingredients, their origins and market conditions, Treatt is recognised as a leader in its field.

The Group employs over 400 staff in Europe, North America and Asia and has manufacturing facilities in the UK and US. Its international footprint enables the Group to deliver powerful and integrated solutions for the food, beverage and fragrance industries across the globe.

For further information about the Group, visit www.treatt.com.

HALF YEAR RESULTS STATEMENT

Introduction

The Group has delivered encouraging revenue growth, reporting results for the six months ended 31 March 2022 (the "Period") in line with the Board's expectations. As anticipated, and previously indicated, these results reflect a return to our normal H1/H2 profit weighting.

We saw material revenue growth in citrus, the Group's largest category by revenue, with the second and third largest categories, synthetic aroma and herbs, spices & florals, also performing particularly well. These three categories grew by a combined 17% over the comparable prior year period. This performance reflected both post-pandemic re-opening of on-trade channels together with some material new business wins.

Gross profit margins were lower in the Period (27.5% vs 35.0% in H1 2021), reflecting the COVID-19 impact on our H1/H2 weighting last year, as noted above. Alongside the growth in serving our customers' retail channels, H1 2021 also saw some very significant new product launches which further skewed the comparable prior year period's performance. As a comparison H1 2020 margins, which were more reflective of our usual weightings, were 26.2%.

As consumer appetite for natural, 'better for you' products continues, our healthier living categories (tea, health & wellness and fruit & vegetables) have driven much of the Group's growth in recent years, and it is encouraging to see the Group's other core categories reporting good performances over the Period, demonstrating the diversity and resilience across the breadth of the business.

Order books are at record levels, and we continue to win new business across a wide range of products. With distinct strategies for each of our product categories driving the ongoing investment in both our capacity and technical capabilities, the Group is well-positioned to deliver future growth and target new opportunities to meet customers' evolving needs across a number of growing addressable markets. As well as the strong H2 order book for our healthier living categories, momentum in citrus, synthetic aromas and herbs, spices & florals looks set to deliver continued growth in H2.

Strategic focus

The Group's core citrus category remains an important focus for the Group with key territories such as China offering material opportunities for growth. Importantly, we continue to see good growth in more sophisticated, higher value citrus offerings where we are providing bespoke solutions for our beverage clients, thereby continuing to drive improved margin performance in this category which we see continuing into H2 and beyond.

The sustained growth in the alcoholic and non-alcoholic 'ready-to-drink' cocktail market continues to steer our opportunity pipeline as our concerted drive towards value-add products and

nutritional-led innovation puts Treatt in a strong position to partner with customers as they seek to differentiate their brands with authentic, premium extracts.

With our focus on premiumisation in the beverage market we remain excited about the potential for our coffee category over the next few years. Whilst not material in the Period, we expect this category to be reported separately at the full year given we now have a number of new contracts which we expect will gain traction in H2.

We are pleased with the progress our new China subsidiary is making, in currently difficult circumstances. This continues to be an important strategic priority for the Group as we build a strong pipeline in the Asia Pacific region.

Further evolution of the management team

In December 2021 Wolfgang Tosch joined as our new Chief Innovation Officer to lead our investment and growth from strategic R&D over the next few years. We are also pleased to announce that Helen Pizzie will join as our new Global Technology Officer in August 2022 to augment the Group's IT strategy, ensuring that we are well placed to deliver growth both efficiently and effectively.

With Richard Hope retiring on 30 June 2022 having served as Chief Financial Officer for 19 years, we are looking forward to Ryan Govender joining us on 23 May 2022, which will allow for an appropriate transition and handover.

Environmental, Social and Corporate Governance (ESG)

We remain fully committed to creating sustainable value for all stakeholders and to improving both how we track and report progress in this area. ESG is synonymous with Treatt's values and we will be reporting on Scope 3 emissions for the first time at the full year which will enable us to put in place appropriate metrics and targets. Over 75% of our sales, and over 90% of our purchases, are of natural products and our largest product category (citrus) is entirely derived from by-products which might otherwise go to waste. We are working with experienced ESG consultants to develop our global sustainability strategy which is already being embedded at the heart of our decision-making, to positively impact our business.

Category developments

Citrus

The Group's strategy to diversify away from minimally processed citrus towards more value-added ingredients resulted in a strong performance from our largest category. Citrus represented 47% of Group revenue in the Period (H1 2021: 44%) with revenue growth of 15%. Orange oil and lime oil raw material prices reached record highs, whilst lemon oil prices were somewhat subdued. This category is expected to continue to perform well in H2.

Synthetic aroma

Whilst almost 80% of the Group's revenue in the last financial year came from natural products, the Group's important synthetic aroma category also continues to perform well. We are meeting the rapidly growing needs of consumers in a number of areas including the provision of important molecules to form flavours for alternative proteins. Revenue from aroma and speciality high impact ingredients grew by a very encouraging 20% in the Period. This is our second largest product category, representing 20% of Group revenue (H1 2021: 18%). Growth within this category has benefitted from increased partnering with key customers and also our long-standing supply partnership with Endeavour/Robinson Bros, in some cases offering an effective alternative to in-house production. Our procurement expertise and manufacturing capability provides cost, supply chain and quality advantage to our customers which will be further enhanced as we move manufacturing to our new UK state-of-the-art facility in 2022 and 2023.

Herbs, spices & florals (HSF)

The HSF category consists of a wide range of both traded and manufactured essential oils including key beverage ingredients. Many of these products suffered during the period impacted by COVID-19 as different parts of the world were impacted at differing times. The reopening of many markets, Japan being an important example, has resulted in this category performing well in the Period, with revenue growth of 23% and representing 10% of revenue in the Period (H1 2021: 9%).

Health & wellness

Our health & wellness category has shown double-digit growth for several years now and continues to perform well as demand for lower calorie beverages, in particular, continues to grow. This category represents 8% of Group revenue (H1 2021: 8%), with further growth of 10% compared with H1 2021. Our technical expertise and proven extraction capability to deliver solutions in the complex area of sugar reduction science continues to perform well.

Fruit & vegetables

Our fruit & vegetables category is a range of natural 'from the named food' extracts which lend themselves very well to a wide range of largely premium beverage applications and the demand from health-conscious consumers favouring products that promote clean-label ingredients. This category reported growth of 7% compared with H1 2021 and represented 10% of revenue in the Period (H1 2021: 10%). Mango, pineapple and kiwi were amongst the products that performed particularly strongly in the Period. H2 is likely to see further progress from this category as the Northern Hemisphere beverage season gains momentum, as evidenced by the strength of our order book for this category.

Tea

Following an incredibly strong performance in H1 2021, which included some sizeable new product launches, revenue in this category (which includes coffee until it becomes material) eased back as expected, being 41% down on the prior year. However, we anticipate a much stronger performance from this category in H2 driven by iced and hard tea consumption in North America.

Our natural and authentic tea solutions represented 6% of Group revenue in the Period (H1 2021: 11%).

Coffee

The Group's investment in premium natural coffee extracts has been driven by strong demand from existing and new customers for high quality extracts which deliver the authentic flavour and aroma of freshly brewed coffee. Whilst revenue from this category was not material in the Period, we now have contracts and orders placed totalling almost £2m.

Geographical markets

Following a strong performance in the last financial year, revenue in Europe has continued to perform very well with growth of 33% in the Period, representing 25% of Group revenue (H1 2021: 21%). Of particular note was the strong performance in established markets such as Germany and Ireland, driven by our health & wellness, citrus and synthetic aroma categories.

Revenue attributable to UK customers represented 7% of Group revenue in the Period, consistent with H1 2021 and growing by a solid 7%. Our UK business is also seeing increasing volumes from a number of strategic partnerships within our synthetic aroma category and new business wins in the 'make or buy' outsourcing arena. Citrus has also performed well in the UK during the Period.

Following the establishment of our China subsidiary, which commenced trading in July 2021, China now represents a significant geographical opportunity, contributing 5% of Group revenue with growth of 6% in the Period. This has been achieved against a difficult backdrop, with large parts of China still being significantly impacted by COVID restrictions. Our confidence in the longer-term outlook for our business in China remains undiminished.

The US represented 36% of Group revenue in the Period (H1 2021: 45%). In H1 2021, the US market benefitted from strong growth in retail demand due to COVID-19, with a higher than usual number of significant product launches. Therefore, with much of the comparative period growth having been realised in our US market, revenue in this territory fell 13% compared with H1 2021, but we expect this to rebound materially in H2 as demand for the higher margin healthier living categories takes effect.

Capital Investment Programme

We are delighted to report that having opened our new UK facility to office-based and technical staff last year, we remain on course to transition most of our manufacturing activities to the new facility over the next few weeks. The final transition to the new site, involving our most complex manufacturing processes, is on course to be completed by the middle of 2023. We now expect that the final costs incurred in relation to the UK site investment and relocation will be approximately £46m-£47m, being 5-6% higher than previously advised as a result of inflationary cost pressures and some higher than originally expected commissioning expenses. Three years post completion, we expect to be generating a 10-15% return on investment ('ROI') from this site. We believe the UK facility, along with our recently expanded US facility, will provide Treatt with the platform needed to support its ambitious growth plans.

Financial review

Revenue for the Period grew by 9.0% to a H1 record of £66.3m (H1 2021: £60.8m) with the resulting profit before tax (excluding a net exceptional gain of £2.6m; H1 2021: £0.7m expense) falling by 38.9% to £6.3m (H1 2021: £10.4m). Over the last two years, first half revenues have grown by 23.7% with growth derived from each of the Group's product categories, the breadth and relevance of our innovative range of solutions continuing to result in material new wins with both new and existing customers.

As a result of the stronger performance coming from the faster growing, higher margin value-added categories, the overall gross margin was materially higher in H1 2021 at 35.0%. In contrast, the more traditional representation of lower margin categories during 2022 H1 reflected in the gross margin of 27.5%, compared to H1 2020 gross margins of 26.2% (H1 2020 being the latest H1 period with our traditional weighting).

Operating costs increased by 8.9% to £11.7m (H1 2021: £10.7m) with almost all of this increase relating to higher payroll costs. The Group has strategically grown its employee numbers by 15% over the last year to position the business for exciting growth as our capacity in the UK comes on-stream and to leverage our recent capacity increases in the USA. Whilst there is likely to be an impact from wage inflation in future financial years, wage costs for the current financial year were set in mid-2021 and are in line with our expectations.

Exceptional items in the Period related to the gain on the disposal of our 'old' UK premises, which resulted in a net gain on disposal of £3.3m. As with last year, additional one-off costs relating to the relocation to the new UK facility that do not fall to be capitalised, including project management and parallel running costs of the new and current sites, have been incurred totalling £0.7m (H1 2021: £0.7m). These combined resulted in a net exceptional gain of £2.6m (H1 2021: £0.7m expense).

The Group has a hedging strategy in place which aims to offset the impact on gross margins caused by movements in foreign exchange rates between the original purchase of largely dollar-denominated inventory and the ultimate cash receipt from the sale to customers. The effect of movements in foreign exchange rates in the Period from this strategy was a net adverse FX impact on the half year results in the order of £0.6m (H1 2021: £0.4m favourable).

Reported profit for the Period of £7.7m represents a 6.7% increase against the comparable period last year, with basic adjusted earnings per share falling by 36.5% to 8.21p (H1 2021: 12.93p).

Cash flow

The first half of our financial year resulted in net cash outflow from operations of £6.8m (H1 2021: £4.5m inflow). During the Period £6.7m of capital expenditure was incurred, £2.9m of which related to the new UK facility.

The working capital outflow for the Period of £15.1m was a combination of an increase in trade and other receivables of £5.5m and a strategic increase in inventory of £9.7m. The receivables increase reflected a strong finish to trading for the half year whilst the increase in inventories was caused by inventory build, required to meet the strong order book in H2, and higher raw material prices for some key ingredients, in particular orange oil which is at an all-time high.

Balance sheet

Predominantly as a consequence of the working capital outflow in H1, the Group's funding position moved to a net debt balance of £19.8m as at 31 March 2022, which compare with £9.1m at the beginning of the Period. This was made up of gross cash of £4.9m, bank loans and borrowings of £24.3m and net lease liabilities of £0.4m. The Group has borrowing facilities of £5.4m which remained undrawn at the Period end, together with an undrawn accordion facility of £6.5m.

The UK final salary pension scheme, which has been closed to both new entrants and future accruals for many years, benefitted from an increase in the discount rate applied to the liabilities of the scheme. As a result, under the accounting standard IAS 19, the post-employment benefits liability in the balance sheet decreased from £6.8m to £3.9m in the Period. The Company has also reached agreement with the trustees to maintain the current level of annual contributions at £450k p.a. for the next three years.

Dividend

Consistent with our interim dividend policy in prior years, the interim dividend is determined as approximately one-third of the previous year's total dividend. Consequently, the Board has declared an increase to the interim dividend of 25.0% to 2.50 pence per share (2021 interim dividend: 2.00 pence per share) reflecting our confidence in the future, which will be payable on 11 August 2022 to all shareholders on the register at close of business on 1 July 2022.

Outlook

With the order book at record levels, being up by more than 25% as compared with a year ago, there is strong momentum building for H2. In particular, we are expecting a strong performance from our healthier living categories of tea, fruit & vegetables and health & wellness to deliver both revenue and margin growth in H2.

Consequently, the Board is confident that the pipeline of orders and opportunities will result in revenue growth for the full year now exceeding 15% and that profit before tax and exceptional items for the current financial year will be in line with the current market consensus¹ of £21.7m.

¹ Treatt compiled consensus of four analyst forecasts for FY22 profit before tax and exceptional items.

TREATT PLC
 HALF YEAR FINANCIAL STATEMENTS
 CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 March 2022

	Notes	Six months to 31 March 2022 (unaudited)			Six months to 31 March 2021 (unaudited)		
		Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	7	66,283	-	66,283	60,827	-	60,827
Cost of sales		(48,036)	-	(48,036)	(39,540)	-	(39,540)
Gross profit		18,247	-	18,247	21,287	-	21,287
Administrative expenses		(11,668)	-	(11,668)	(10,719)	-	(10,719)
Relocation expenses	8	-	(709)	(709)	-	(699)	(619)
Operating profit¹		6,579	(709)	5,870	10,568	(699)	9,869
Gain on property sale	8	-	3,323	3,323	-	-	-
Finance income		9	-	9	11	-	11
Finance costs		(250)	-	(250)	(199)	-	(199)
Profit before taxation		6,338	2,614	8,952	10,380	(699)	9,681
Taxation	9	(1,384)	109	(1,275)	(2,610)	124	(2,486)
Profit for the period attributable to owners of the Parent Company		4,954	2,723	7,677	7,770	(575)	7,195
Earnings per share attributable to equity holders of the Parent Company							
		Adjusted ²		Statutory	Adjusted ²		Statutory
Basic	11	8.21p		12.72p	12.93p		11.97p
Diluted	11	8.12p		12.59p	12.79p		11.84p

¹ Operating profit is calculated as profit before the gain made the property sales, net finance costs and taxation.

² All adjusted measures exclude exceptional items and the related tax effect, details of which are given in note 8.

Notes 1 - 12 form part of these condensed half year financial statements.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2022

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Profit for the period attributable to owners of the Parent Company	7,677	7,195
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency net investments	1,325	(2,947)
Current tax on foreign currency translation differences	7	5
Fair value movement on cash flow hedges	149	51
Deferred tax on fair value movement	(28)	(13)
	1,453	(2,904)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit pension scheme	2,729	2,333
Current tax on pension liability	-	29
Deferred tax on actuarial gain or loss	(682)	(1,029)
	2,047	1,333
Other comprehensive income/(expense) for the period	3,500	(1,571)
Total comprehensive income for the period attributable to owners of the Parent Company	11,177	5,624

Notes 1 - 12 form part of these condensed half year financial statements.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2021 (unaudited)

	Share capital £'000	Share premium account £'000	Own shares in share trusts £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
1 October 2020	1,205	23,484	(5)	123	3,554	62,759	91,120
Profit for the period	-	-	-	-	-	7,195	7,195
Exchange differences	-	-	-	-	(2,947)	-	(2,947)
Fair value movement on cash flow hedges	-	-	-	51	-	-	51
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	2,333	2,333
Taxation relating to items above	-	-	-	(13)	5	(1,000)	(1,008)
Total comprehensive income	-	-	-	38	(2,942)	8,528	5,624
Transactions with owners:							
Dividends	-	-	-	-	-	(2,501)	(2,501)
Share-based payments	-	-	-	-	-	924	924
Movement in own shares in share trusts	-	-	1	-	-	-	1
Gain on release of shares in share trusts	-	-	-	-	-	201	201
Total transactions with owners	-	-	1	-	-	(1,376)	(1,375)
As at 31 March 2021	1,205	23,484	(4)	161	612	69,911	95,369

for the six months ended 31 March 2022 (unaudited)

	Share capital £'000	Share premium account £'000	Own shares in share trusts £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
1 October 2021	1,208	23,484	(4)	(292)	1,820	80,083	106,299
Profit for the period	-	-	-	-	-	7,677	7,677
Exchange differences	-	-	-	-	1,325	-	1,325
Fair value movement on cash flow hedges	-	-	-	149	-	-	149
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	2,729	2,729
Taxation relating to items above	-	-	-	(28)	7	(682)	(703)
Total comprehensive income	-	-	-	121	1,332	9,724	11,177
Transactions with owners:							
Dividends	-	-	-	-	-	(3,322)	(3,322)
Share-based payments	-	-	-	-	-	616	616
Issue of new shares	1	-	(1)	-	-	-	-
Movement in own shares in share trusts	-	-	4	-	-	-	4
Gain on release of shares in share trusts	-	-	-	-	-	214	214
Total transactions with owners	1	-	3	-	-	(2,492)	(2,488)
As at 31 March 2022	1,209	23,484	(1)	(171)	3,152	87,315	114,988

Notes 1 - 12 form part of these condensed half year financial statements.

CONDENSED GROUP BALANCE SHEET

as at 31 March 2022

	As at 31 March 2022 (unaudited) £'000	As at 30 September 2021 (audited) £'000
ASSETS		
Non-current assets		
Intangible assets	2,826	2,424
Property, plant and equipment	65,156	61,039
Right-of-use assets	390	1,556
Deferred tax assets	104	792
	68,476	65,811
Current assets		
Inventories	57,767	47,263
Trade and other receivables	32,155	26,371
Current tax assets	734	2,701
Derivative financial instruments	33	11
Cash and bank balances	4,875	7,260
	95,564	83,606
Total assets	164,040	149,417
LIABILITIES		
Current liabilities		
Borrowings	(21,915)	(12,697)
Provisions	(291)	(143)
Trade and other payables	(17,327)	(17,027)
Lease liabilities	(75)	(96)
Current tax liabilities	(114)	-
Derivative financial instruments	(509)	(593)
	(40,231)	(30,556)
Net current assets	55,333	53,050
Non-current liabilities		
Borrowings	(2,335)	(2,624)
Post-employment benefits	(3,921)	(6,806)
Lease liabilities	(337)	(957)
Deferred tax liabilities	(2,228)	(2,175)
	(8,821)	(12,562)
Total liabilities	(49,052)	(43,118)
Net assets	114,988	106,299

CONDENSED GROUP BALANCE SHEET (continued)

as at 31 March 2022

	As at 31 March 2022 (unaudited) £'000	As at 30 September 2021 (audited) £'000
EQUITY		
Share capital	1,209	1,208
Share premium account	23,484	23,484
Own shares in share trusts	(1)	(4)
Hedging reserve	(171)	(292)
Foreign exchange reserve	3,152	1,820
Retained earnings	87,315	80,083
Total equity attributable to owners of the Parent Company	114,988	106,299

Notes 1 - 12 form part of these condensed half year financial statements.

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the six months ended 31 March 2022

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Cash flow from operating activities		
Profit before taxation including discontinued operations	8,952	9,681
Adjusted for:		
Depreciation of property, plant and equipment	1,100	973
Amortisation of intangible assets	81	28
Gain on disposal of property, plant and equipment	(3,323)	-
Net finance costs excluding pensions cost	172	107
Share-based payments	603	938
Decrease/(increase) in fair value of derivatives	43	(97)
Increase in post-employment benefit obligations	69	79
Operating cash flow before movements in working capital	7,697	11,709
Movements in working capital:		
Increase in inventories	(9,749)	(5,472)
Increase in receivables	(5,498)	(5,227)
Increase in payables	197	5,329
Cash generated from operations	(7,353)	6,339
Employer contributions to defined benefit pension scheme	(225)	(225)
Taxation received/(paid)	811	(1,631)
Net cash from operating activities	(6,767)	4,483
Cash flow from investing activities		
Proceeds on disposal of property	5,597	-
Purchase of property, plant and equipment	(6,231)	(7,504)
Purchase of intangible assets	(474)	(180)
Interest received	9	11
	(1,099)	(7,673)

CONDENSED GROUP STATEMENT OF CASH FLOWS (continued)
for the six months ended 31 March 2022

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Cash flow from financing activities		
Increase of bank loans	9,649	2,619
Repayment of bank loans	(461)	(461)
Interest paid	(181)	(120)
Repayment of lease liabilities	(33)	(5)
Dividends paid	(3,322)	(2,501)
Proceeds on issue of shares	1	-
Net sale of own shares by share trusts	217	201
	5,870	(267)
Net increase in cash and cash equivalents	(1,996)	(3,457)
Effect of foreign exchange rates	18	(194)
Movement in cash and cash equivalents in the period	(1,978)	(3,651)
Cash and cash equivalents at beginning of period	247	5,250
Cash and cash equivalents at end of period	(1,731)	1,599
Cash and cash equivalents comprise:		
Cash and bank balances	4,875	8,143
Bank overdrafts	(6,606)	(6,544)
	(1,731)	1,599

Notes 1 - 12 form part of these condensed half year financial statements.

CONDENSED GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the six months ended 31 March 2022

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Movement in cash and cash equivalents in the period	(1,978)	(3,651)
Increase of bank loans	(9,649)	(2,619)
Repayment of bank loans	461	461
Decrease/(increase) of lease liabilities	641	(7)
Cash outflow from changes in net cash in the period	(10,525)	(5,816)
Effect of foreign exchange rates	(148)	255
Movement in net cash in the period	(10,673)	(5,561)
Net (debt)/cash at beginning of period	(9,114)	427
Net debt at end of period	(19,787)	(5,134)

Notes 1 - 12 form part of these condensed half year financial statements.

Responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements for the six months ended 31 March 2022 has been prepared in accordance with IAS 34
- (b) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year)
- (c) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

RICHARD HOPE

Chief Financial Officer
9 May 2022

NOTES TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS

1. Basis of preparation

The Group has prepared its condensed half year financial statements in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the reporting requirements of IAS 34, 'Interim Financial Reporting'.

The information relating to the six months ended 31 March 2022 and 31 March 2021 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2021 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. These condensed half year financial statements for the six months ended 31 March 2022 have neither been audited nor formally reviewed by the Group's auditors.

2. Accounting policies

These condensed half year financial statements have been prepared on the basis of the same accounting policies and methods of computation as set out in the Group's 30 September 2021 annual report.

There were no new standards, or amendments to standards, which are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2022 which have had a material effect on these condensed half year financial statements.

3. Accounting estimates

The preparation of the condensed half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these condensed half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 30 September 2021.

4. Going concern

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

5. Risks and uncertainties

The Group's operations involve a series of risks and uncertainties across a range of strategic, commercial, operational and financial areas and a process is in place to identify and assess their potential impact on the Group's business, which is regularly updated. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 54 - 59 of the 2021 Annual Report and Financial Statements.

6. Russian invasion of Ukraine

The Group has considered the impact on its business of Russia's invasion of Ukraine, which commenced on 24 February 2022, and does not expect there to be any adverse consequences to its trading performance in the immediate future. On 4 March 2022 the Group suspended all offers, orders, and shipments to Russia.

7. Segmental information

Business segments

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 has been identified as the Board of Directors who are 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. The Group operates one global business segment engaging in the manufacture and supply of innovative ingredient solutions for the beverage, flavour, fragrance and consumer product industries with manufacturing sites in the UK and the US. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market for continuing operations.

Revenue by destination	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000	Year on Year Growth (unaudited) %	Year on Year Growth - constant currency (unaudited) %
United Kingdom	4,882	4,552	7.2%	7.2%
Rest of Europe				
- Germany	3,910	3,150	24.1%	24.1%
- Ireland	5,244	2,742	91.2%	91.1%
- Other	7,724	6,842	12.9%	12.8%
The Americas				
- USA	23,781	27,379	(13.1%)	(13.4%)
- Other	6,529	5,070	28.8%	28.5%
Rest of the World				
- China	3,549	3,338	6.3%	6.3%
- Other	10,664	7,754	37.5%	37.5%
	66,283	60,827	9.0%	8.8%

8. Exceptional items

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

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Disposal of Northern Way premises		
Gain on property sale	3,323	-
Less: tax effect of property sale	-	-
UK relocation project		
Relocation expenses	(709)	(699)
Less: tax effect of relocation expenses	109	124
	2,723	(575)

The exceptional items all relate to non-recurring items.

On 28 February 2022, the Group successfully disposed of its former UK premises at Northern Way, Bury St. Edmunds. The proceeds of the sale, net of selling costs were £5,597,000 and the associated

gain on disposal was £3,323,000. The gain on the sale of property is not expected to be taxable as indexation allowances are available which fully offset the taxable gain.

Following the sale of Northern Way premises, the Group leased back one building to maintain the continuity of its manufacturing capability during the transition to its new premises at Skyliner Way. The lease is expected to run for 12 months, its associated costs are recognised on a straight-line basis and are not considered to be exceptional in nature.

Relocation expenses relate to one-off costs incurred in connection with the relocation of the Group's UK operations that do not fall to be capitalised.

9. Taxation

The effective tax rate for the six months ended 31 March 2022 has been estimated at 21.8% (H1 2021: 25.1%) as a consequence of the international profit mix differing to that from the prior year.

10. Dividends

Equity dividends on ordinary shares

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Final dividend for the year ended 30 September 2021 of 5.50p per share (2020: 4.16p per share)	3,322	2,501

11. Earnings per share

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. The weighted average number of shares excludes shares held by the Treatt Employee Benefit Trust (EBT), together with shares held in respect of the Treatt Share Incentive Plan (SIP) which do not rank for dividend.

	Six months to 31 March 2022 (unaudited)	Six months to 31 March 2021 (unaudited)
Profit after taxation attributable to owners of the Parent Company (£'000)	7,677	7,195
Weighted average number of ordinary shares in issue (No: '000)	60,334	60,108
Basic earnings per share (pence)	12.72p	11.97p

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

	Six months to 31 March 2022	Six months to 31 March 2021
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	(unaudited) No ('000)	(unaudited) No ('000)
Weighted average number of shares	60,442	60,293
Weighted average number of shares held in the EBT and SIP	(108)	(185)
Weighted average number of shares for calculating basic EPS	60,334	60,108
Executive share option schemes	495	443
All-employee share options	171	218
Weighted average number of shares for calculating diluted EPS	61,000	60,769
Diluted earnings per share (pence)	12.59p	11.84p

11. Earnings per share (continued)

Adjusted earnings per share

Adjusted earnings per share measures are calculated based on profits for the year attributable to owners of the Parent Company before exceptional items as follows:

	Six months to 31 March 2022 (unaudited) £'000	Six months to 31 March 2021 (unaudited) £'000
Profit after taxation attributable to owners of the Parent Company	7,677	7,195
Adjusted for exceptional items (see note 8):		
- Gain on property sale	(3,323)	-
- Relocation costs	709	699
- Taxation thereon	(109)	(124)
Adjusted earnings from continuing operations	4,954	7,770
Adjusted basic earnings per share (pence)	8.21p	12.93p
Adjusted diluted earnings per share (pence)	8.12p	12.79p

12. Capital commitments

The Group has entered into material contracts in connection with the UK relocation project totaling £2,762,000, with a further £1,874,000 committed to capital projects in the US, all of which was unprovided for at the period end.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

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