Annual Report & Financial Statements 2007

Essential Innovative Natural

TREATT PLC

About the Group

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

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

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

Through its strategic investment in Earthoil, the Group also supplies organic, ethically-traded and conventional vegetable and essential oils to the flavour, fragrance and cosmetic industries.

Contents

Contents	Page

Financial Statements	Page

Treatt, celebrating over 120 years in business

1886
R.C. Treatt founded by Richard Court Treatt in Bond Street, London

1924
E.W. Bovill joins the company

1934
Treatt becomes sole agent for cinnamon leaf oil from the Seychelles

1935
Treatt appointed agent for Zanzibar clove industry

1943
Mr Lauchlan Rose of Rose's Lime Juice joins the board of R.C. Treatt

1971
R.C. Treatt moves to Bury St Edmunds, Suffolk, UK

1978
R.C. Treatt starts manufacturing by distillation

1988
Citreatt™ range of products are first launched

1989
Treatt plc formed and listed on the London Stock Exchange

Financial Summary

	2007	2006
REVENUE	**£38.07m**	£35.41m
PROFIT BEFORE TAX	**£2.83m**	£3.29m
EARNINGS PER SHARE (Basic)	**20.0p**	23.3p
DIVIDENDS PER SHARE*	**10.8p**	10.5p
NET ASSETS PER SHARE	**£1.95**	£1.76

* 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 7.

Calendar

2006/7	
Financial year ended	30 September 2007
Results for year announced	10 December 2007
Annual Report and Financial Statements published	18 December 2007
Final dividend for 2007 goes ‘ex-dividend’	30 January 2008
Record date for 2007 final dividend	1 February 2008
Last day for Dividend Reinvestment Plan Election	6 February 2008
Annual General Meeting	18 February 2008
Final dividend for 2007 paid	7 March 2008

2007/8	
Interim results to 31 March 2008 announced	27 May 2008*
Financial year ended	30 September 2008
Interim dividend for 2008 paid	3 October 2008*
Results for year announced	15 December 2008*
Final dividend for 2008 paid	6 March 2009*

* These dates are provisional and may be subject to change

1990
Florida Treatt Inc established in Haines City, Florida, USA

1996
Treattarome™ product range launched

1999
R.C. Treatt undertakes further expansion in Bury St Edmunds

2002
Treatt USA (Formerly Florida Treatt) moves to new facility in Lakeland, Florida

2004
Enterprise Resource Planning (ERP) computer system installed across Treatt

2005
Geoffrey Bovill, non-executive director retires after 57 years with the company

2006
Treatt China formed

2007
In February 2007, Treatt plc and Earthoil announced a strategic investment by Treatt in the Earthoil group of companies.
www.earthoil.com

Company Information and Advisers

Directors	Edward William Dawnay (Chairman and Non-executive Director) Hugo William Bovill (Managing Director) Anita Jane Haines (Human Resources Director) Richard Andrew Hope (Finance Director) Douglas David Appleby (Non-executive Director) Peter Alan Thorburn (Non-executive Director)	
Secretary	Richard Andrew Hope	
Registered Office	Northern Way, Bury St Edmunds, Suffolk IP32 6NL	
	Tel: + 44 (0) 1284 702500 Fax: + 44 (0) 1284 714880	E.Mail: co.sec@treatt.com Website: http://www.treatt.com
Registration Number	1568937	
Audit Committee	Edward William Dawnay (Chairman) Peter Alan Thorburn Douglas David Appleby	
Remuneration Committee	Peter Alan Thorburn (Chairman) Edward William Dawnay Douglas David Appleby	
Nomination Committee	Edward William Dawnay (Chairman) Douglas David Appleby Hugo William Bovill Peter Alan Thorburn	
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	Taylor Wessing LLP Carmellite, 50 Victoria Embankment, Blackfriars, London EC4Y ODX	
Bankers	HSBC Bank plc 140 Leadenhall Street, London EC3V 4PS	Bank of Scotland 35 Princes Street Ipswich IP1 1BR
Registrar and Transfer Office	CAPITA REGISTRARS The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU	
Share Price	The Company's share price is listed in the Financial Times and The Daily Telegraph and is also available on http://www.ft.com. Annual and interim reports are available on the Company's Website (http://www.treatt.com).	

Five Year Trading Record

	Years ended 30 September				
	2003[1] £'000	2004[1] £'000	2005[2] £'000	2006[3] £'000	**2007[3] £'000**
INCOME STATEMENT					
Revenue	31,683	31,809	32,521	35,411	**38,066**
Profit before exceptional items	2,088	2,307	3,406	3,288	**2,828**
Exceptional items	(139)	61	–	–	**–**
Profit before taxation	1,949	2,368	3,406	3,288	**2,828**
Taxation	(545)	(669)	(1,070)	(956)	**(801)**
Profit for the year attributable to equity shareholders	1,404	1,699	2,336	2,332	**2,027**
BALANCE SHEET					
Property, plant and equipment	9,911	9,536	8,650	8,484	**8,456**
Intangible assets	n/a	n/a	724	581	**455**
Interests in joint ventures	–	–	–	–	**2,613**
Deferred tax asset/(liability)	(362)	(519)	521	457	**(474)**
Current assets	16,730	15,171	17,410	20,465	**23,075**
Current liabilities	(6,420)	(4,592)	(4,667)	(6,829)	**(12,831)**
Non-current bank loans	(2,631)	(2,271)	(2,179)	(1,927)	**(1,642)**
Post-employment benefits	n/a	n/a	(3,239)	(3,090)	**70**
Redeemable loan notes (net)	–	–	–	–	**675**
Shareholders' funds	17,228	17,325	17,220	18,141	**20,397**
CASH FLOW					
Cash generated from operating activities	2,263	4,952	2,638	341	**657**
Net interest paid	(208)	(123)	(90)	(235)	**(512)**
Dividends paid	(860)	(861)	(895)	(949)	**(1,053)**
Corporation tax paid	(355)	(312)	(812)	(1,153)	**(628)**
Additions to non-current assets	(1,364)	(646)	(862)	(816)	**(1,067)**
Acquisition of interests in joint ventures	–	–	–	–	**(1,375)**
Purchase of redeemable loan notes	–	–	–	–	**(1,350)**
Net sale/(purchase) of own shares by Share Trust	–	(278)	(347)	79	**(231)**
Shares issued	4	–	–	–	**–**
Other cash flows	141	203	(55)	122	**172**
(Decrease)/increase in net cash	(379)	2,935	(423)	(2,611)	**(5,387)**
Net borrowings	(4,538)	(1,603)	(2,026)	(4,637)	**(10,024)**
RATIOS					
Debt/equity ratio[4]	22.0%	8.3%	7.1%	13.9%	**31.7%**
Earnings per share before exceptional items (basic)	14.6p	16.0p	23.3p	23.3p	**20.0p**
Dividend per share[5]	8.4p	8.8p	9.5p	10.5p	**10.8p**
Dividend cover (times)[5]	1.62	1.90	2.46	2.21	**1.85**
Net assets per share	167.4p	168.0p	167.3p	176.3p	**194.6p**

1 As originally reported in accordance with UK GAAP.
2 As restated in accordance with International Financial Reporting Standards.
3 As reported in accordance with International Financial Reporting Standards.
4 Equity is defined as the market value of the Company's share capital as at 30 September of the corresponding year.
5 For 2005, 2006 and 2007 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.

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS were explained in note 26 of the 2006 financial statements which provided an explanation of the transition to IFRS. These are available on www.treatt.com for reference.

Chairman's Statement

"The Group had a mixed performance with sales increasing by 7.5% to £38.1m"

In 2007, Group revenue continued to grow with an increase for the year of 7.5% to £38.07m (2006: £35.41m). Group earnings before interest, tax, depreciation and amortisation decreased by 4.4% to £4.17m (2006: £4.36m) with profit before tax for the year reducing by 14% to £2.83m (2006: £3.29m). Basic earnings per share reduced to 20.0 pence (2006: 23.3 pence). The level of the Group's net debt/equity ratio* ended the year at 32% (2006: 14%).

The Board is proposing a final dividend of 7.3 pence (2006: 7.1 pence), increasing the total dividend for the year by 2.9% to 10.8 pence (2006: 10.5 pence) per share. The final dividend will be payable on 7 March 2008 to all shareholders on the register at close of business on 1 February 2008.

The performance of the Group as a whole was disappointing as a result of a poor performance in the USA, together with the UK business being affected by the significant adverse movement in the value of the US Dollar versus Sterling. Sales of orange oil products (which represent 16% of Group revenue) increased by 20% during the year whilst contribution fell by 2% as a result of product mix and exchange rate factors. The price of orange oil has remained above $2 per kilo throughout the year.

R.C. Treatt, the Group's UK operating subsidiary, continued to operate strongly with growth in both essential oils (particularly to the Middle East) and also global aroma chemical sales in spite of strong competition. The Company has continued to strengthen over the last year and is now focusing more on its own branded aroma chemicals than the distribution of major companies' products. Turnover has increased by 8% to £29.7m (2006: £27.5m), with profits remaining unchanged. The weakening of the US Dollar had a seriously negative impact on the UK business and resulted in sales (on a constant currency basis) being £1.2m lower than would otherwise have been the case. Indeed, R.C. Treatt's gross margins for the year suffered foreign exchange losses of more than £600k, which was partly offset by hedging gains totalling £300k. Without these foreign exchange losses, R.C. Treatt's profits would have shown strong growth. Margins on non-orange citrus oils were further reduced due to a major supplier default even though the materials concerned were nevertheless covered in (at higher prices) and delivered on time.

Treatt USA continues to have a challenging time but we have strengthened the sales force and remain confident of future growth. Whilst sales in US Dollars grew by more than 15%, the sales mix in the year resulted in a significant fall in the gross margin percentage. Grapefruit oil sales remain weak but there is more demand for the Company's tea products (part of the Treattarome™ product range) which are beginning to show signs of success. Overall, the growth in Treattarome™ sales continued with an increase, in US Dollars, of 13%.

With a presence in Europe, the United States and China, over the last year Treatt has continued to strengthen its position as a world leader in agricultural food science and analysis, whilst continuing to be a leading independent manufacturer of natural ingredients for the flavour and fragrance industry.

Acquisition of 50% of Earthoil

We were delighted to announce at the end of February that we had acquired 50% of Earthoil Plantations Limited, based in the UK, and 50% of Earthoil Kenya Pty EPZ Limited (together known as 'Earthoil') which is based in a tax-free zone just outside Nairobi. Earthoil manufactures and supplies organically-certified and ethically-traded essential oils and vegetable oils, mainly for the cosmetics industry. The organic market represents a new area for Treatt with high growth potential. The total consideration for the acquisition was £2.7m, being satisfied by a mix of cash, loan notes and Treatt shares. Additionally, Treatt has the option to acquire the remaining 50% of the issued share capital of Earthoil from 2012. Although, in the seven months to 30 September 2007, the Group's share of Earthoil incurred a loss of £70k these are very early days for this investment which we expect to become of significant and strategic value over the coming years.

Final Salary Pension Scheme

As previously announced, the Company made a special pension contribution of £1m in October 2006. This, together with a strong investment performance and standard changes in actuarial assumptions, has resulted in last year's liability of £3.1m turning into a small pension asset this year. For further information on this please see the Financial Review on page 9. As a result, net assets per share have increased by 10.4% to 194.6 pence per share (2006: 176.3 pence per share).

Prospects

The new financial year has got off to a solid start, with Treatt USA performing much better than in the same period last year. Over the coming year, margins are expected to remain under significant pressure as a consequence of the on-going weakness in the US Dollar. We are expecting sales growth to continue across the broad product range, with continued strong performance in the Middle East and China, whilst sales to mainland Europe are expected to perform well.

As reported last year, the industry continues to undergo change and with two of the top ten flavour and fragrance companies being taken over by others within the top ten it can make the future look uncertain for sales to these companies. On the positive side, with an increasing number of defaults from Far East suppliers, buyers are becoming more and more aware of the value of sourcing through reliable, independent, companies like Treatt.

With petroleum prices remaining high, and thereby underpinning many essential oil and aroma chemical prices, the price of the majority of raw materials used by the Group are expected to remain firm or increase. Orange oil prices are expected to remain at relatively high levels for the foreseeable future.

People

Finally, the Board would like to place on record its thanks to colleagues throughout the world, for their effort, commitment and dedication to Treatt over the last year.

EDWARD DAWNAY
Chairman
7 December 2007

* Equity is defined as the market value of the Company's share capital as at 30 September of the corresponding year.

Operating Review

"The Group's competitiveness has been enhanced through investment in increased manufacturing capacity and efficiency improvements"

The Group continued to make substantial operational improvements throughout 2007, particularly through investment in its manufacturing capabilities, with much of this investment having payback periods of less than one year. This investment will enable the Group to increase production of added–value manufactured products at the same time as reducing their production costs. In time, this should enable the Group to increase market share, whilst maintaining margins.

In addition, the Group continues to leverage its Enterprise Resource Planning (ERP) system through a process of continuous enhancement. During the year, R.C. Treatt completed the implementation of its bar coding system which has now been fully integrated with the ERP system. With the Group's relatively high levels of inventory (see Financial Review on page 9 for details), a very high priority is placed on the accuracy, management and control of inventory, such that old age and obsolescence provisions are consistently below 1% of total inventory values.

As the Group continues to grow, we are focussed on maximising the potential from our properties and are constantly seeking ways of improving our use of the resources available to us. Nevertheless, we are regularly reviewing our property requirements and if appropriate additional premises become available in suitable locations then the Board will give such property purchases their full consideration.

Treatt continue to take a leading role in the implementation process for the European REACH (Registration, Evaluation and Authorisation of Chemicals) legislation which will have a major impact on the industry over the next few years and we have already taken early steps to ensure that we are well placed to implement the requirements of this highly complex and costly legislation as and when required. Indeed, Treatt remain committed to playing an active role in debating, lobbying and implementing legislative change and we also continue to demonstrate our commitment to trade organisations throughout the industry, with the Group's Managing Director currently holding the position of President of the International Federation of Essential Oils and Aroma Trades (IFEAT).

During the course of the year, Treatt bought and sold materials in almost one hundred countries around the world and 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 address seamlessly the many complexities of importing and exporting goods to or from any corner of the world.

Trading

Group

Over the year, orange oil, an orange juice by-product which represents about 16% of Group revenue, remained at historically high levels, being consistently above $2 per kilo. In addition, the market price of orange terpenes, in turn a co-product from orange oil, has remained firm for most of the year.

R.C. Treatt

Revenue increased by 8% with sales to the top ten customers again representing just over one third of turnover. Underlying this there was a significant increase in activity levels with a 9% increase in the number of customer orders processed, resulting in a net productivity improvement of 23%. This demonstrates the fact that, without the adverse impact of foreign currency movements, the underlying performance of the UK business remains strong. As explained in the Chairman's Statement, the net impact of the weakening US Dollar has been to reduce the Company's profits by about £300,000. The overall diversity of R.C. Treatt's product range and customer base, both in terms of size and location, continues to provide a well-balanced risk profile.

Treatt USA

2007 has proved to be a difficult year for Treatt USA because although sales in US Dollars grew by 15%, margins were significantly lower due to the adverse product mix with weaker than expected revenue from added-value citrus oil products. Treattarome™ products continue to provide exciting and innovative opportunities for growth with tea products, in particular, proving to be popular.

Treatt China

Following the opening of our Shanghai office in 2006, the Board continue to review the progress of its activities in China which we consider to be an essential part of the Group's long term growth plans. On a constant currency basis, sales continued to perform well to China and Hong Kong, but again margins were adversely affected by the impact of the weakening US Dollar.

Operating Review continued

Investment for the Future

R.C. Treatt

The level of capital expenditure in 2007 of £0.9m (2006: £0.6m) was, as expected, in line with historic levels. As well as the investment in manufacturing and bar coding referred to above, the Company continued to increase the capabilities of its laboratories with state of the art analytical equipment. Over the coming year, the Company plans to continue its investment in the manufacturing area and will also need to significantly increase its expenditure in relation to regulatory matters in response to changes in both UK and European legislation. As ever, the Company will keep under constant review the facilities and logistical set up at its plant in England and will make appropriate investments as and when required.

Treatt USA

In recent months, Treatt USA has expanded its laboratories and relocated a number of administration functions to the new building which it acquired in 2005. Over the coming year the Company will continue to invest in the Treattarome™ business and plans to invest in enhancements to its principal manufacturing capabilities. In addition, there may be some purely "business driven" capital expenditure which may arise in relation to new business.

Research and Development (R&D)

Following the investment last year by R.C. Treatt in a new, multi-functional, pilot plant the Company is already reaping the rewards of this investment with new discoveries which, in themselves, have driven some of the proposals for further investment in manufacturing. Treatt USA will, over the coming year, be investing further to increase its laboratory capabilities, particularly with regard to industrial contaminant and agricultural residue detection. In addition to the on-going strengthening of our R&D capabilities, the Group will continue to invest in high calibre technical personnel in order to enhance the Group's service offering to its customers. The Group also carries out a significant amount of global research into new and changing raw materials from around the world and continues to develop close partnerships with companies in producing countries in order to develop new sources of raw materials on a financially sustainable basis.

Personnel

The Board recognises the importance of continually updating its long term personnel strategy and, as part of this succession planning, R.C. Treatt has continued to develop its Graduate Trainee Programme. As well as bringing new talent into the business this has provided a dedicated resource into specialist areas such as REACH as well as enabling the recruitment of more multi-lingual employees. In addition, an exchange programme has been implemented between R.C. Treatt and Treatt USA enabling ideas and expertise to be shared throughout the Group.

Financial Review

"R.C. Treatt's revenue increased by 8%, with net profit unchanged, despite adverse impact of weak US Dollar"

Performance Analysis

Income Statement

Group revenue increased by 7.5% during the year to £38.07m (2006: £35.41m). R.C. Treatt's sales rose by 8.1% whilst, in constant currency, sales at our USA subsidiary, Treatt USA, increased in US Dollars by 15.2%. Earnings before interest, tax, depreciation and amortisation for the year fell by 4.4% to £4.17m (2006: £4.36m) and Group profit before tax fell by 14% to £2.83m (2006: £3.29m).

The total dividend for the year has been increased by 2.9% to 10.8p per share, resulting in a dividend cover of 1.85 times earnings.

Over the last two years, the US Dollar has weakened against Sterling by more than 15% which, as explained in the Chairman's Statement, has had a significant impact on operating margins. In 2007 the US Dollar (being Treatt's most significant currency) weakened from $1.87 to $2.04, a movement of 9.1%. Sales of aromatic chemicals remained strong and Treattarome™ products continued to perform well. Revenue from orange oil products rose during the year by almost 20%, although the contribution from these products actually fell due to the adverse product mix combined with the foreign currency effect.

Gross margins of 26.8% were achieved this year (2006: 28.6%) despite the foreign exchange impact. Over the last year, Aroma Chemical margins have again remained steady despite fierce competition as customers look to Treatt not just for competitive pricing, but excellent service as well.

The Group's administrative expenses increased approximately in line with inflation, by 3.8% to £6.87m (2006: £6.62m). This follows a 6% reduction in overhead costs in the preceding year. Staff numbers across the Group increased to 188 employees, having grown by 4% on the previous year. This increase in headcount included some key appointments in sales at Treatt USA as well as growth driven increases in operations where required.

There was a substantial increase in the Group's net finance costs which more than doubled from £210,000 to £436,000. This resulted from the combined effect of increasing US and UK base rates together with the impact of higher levels of borrowing as explained below. Interest cover for the year was still a comfortable 7.5 times (2006: 16.7 times).

Basic earnings per share for the year decreased to 20.0 pence (2006: 23.3 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.

During the year the Group continued its annual programme of offering share saving schemes for 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 this programme, options were granted over a further 48,000 shares during the year, whilst 53,000 were exercised by UK employees under the 2004 Save As You Earn scheme. Following its establishment in 2004, the EBT currently holds 309,000 shares (2006: 262,000) acquired in the market in order to satisfy future option schemes without causing any shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required in order to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Interests in Joint Ventures

As explained in the Chairman's statement, in February 2007 the Group acquired 50% of 'Earthoil'. Established in 2001 and based in Lichfield, Staffordshire, and Nairobi, Kenya, Earthoil is a specialist in its field, growing, manufacturing, sourcing and trading high quality, organically-certified and ethically-traded essential oils and vegetable oils (also known as "nut" or "seed" oils) as well as other natural extracts. More information on Earthoil can be found at *www.earthoil.com*.

The organic and fair trade markets offer substantial growth opportunities in the cosmetics industry as well as in the flavour and fragrance industry. There is considerable and growing demand in international markets for organic and ethically-traded raw materials for use in food and health and beauty-related products.

The total consideration for this investment was £2.7m, comprising £1.3m in cash, £0.7m in Loan Notes, £0.64m satisfied through the issue of 188,945 Treatt Ordinary Shares at a price of 337.4 pence and £0.1m of transaction costs.

From 2012, the Group also has the option to acquire (the "Call Option") the remaining 50% of Earthoil. In addition to this, the existing Earthoil shareholders will have the option to oblige Treatt to buy (the "Put Option"), the remaining 50% of Earthoil shares (which continue to be held by the existing Earthoil shareholders) at the "Option Price". Exercise of either option is subject to Treatt shareholder approval. The existing Earthoil shareholders will not be able to enforce the Put Option unless Earthoil has met a certain level of pre-tax profit.

The Option Price will be 50% of eleven times the average pre-tax profit (for both Earthoil companies combined) of the two audited financial years ended 31 December prior to exercising the option.

Cash Flow

During the year, total borrowings of the Group increased by £5.4m to £10.0m (2006: £4.6m). The increased level of borrowings can be attributed to three main factors being the investment in Earthoil of £2.7m, a special pension contribution of £1m and a £2.3m increase in inventory balances. The Group remains committed to holding appropriate levels of inventory in order to secure supply and maintain long term delivery commitments to customers.

Capital expenditure for the year increased to £1.1m (2006: £0.8m), details of which are provided in the Operating Review.

Financial Review continued

Final Salary Pension Scheme

Following the last three-year actuarial review in January 2006, contributions to the scheme were increased in order to eliminate the actuarial deficit by 2017. In addition, over the last two years special contributions totalling £1.5m have also been made.

As a result of these additional contributions together with a £1.9m actuarial gain, the IAS 19, *"Employee Benefits"* pension deficit at the start of the year of £3.1m has become an asset of £70,000 as at 30 September 2007.

The £1.9m actuarial gain consisted of investment returns exceeding expectations by £342,000 with the balance of the gain relating mainly to changes in actuarial assumptions, the most significant of which has been the increase in the rate at which the future liabilities of the scheme have been discounted to the balance sheet date.

Following the changes made to the pension scheme in recent years (see note 23), one third of Group employees remain as members of the final salary scheme and this proportion will continue to decline over time.

Balance Sheet

Over the year, Group shareholders' funds have grown to £20,397,000 (2006: £18,141,000), with net assets per share increasing by 10% to £1.946 (2006: £1.763) largely as a result of the elimination of the pension deficit referred to above. Net current assets represent 50% (2006: 75%) of shareholders' funds and the Group's land and buildings are all held at historical cost. It should be noted, however, that net assets have been reduced by £743,000 (2006: £546,000) 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 saving schemes.

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 can fluctuate with Sterling. Currently these are not hedged, as the risks are not considered sufficient to justify the cost of putting the hedge in place.

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

As well as affecting the cash value of sales, 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 year tax charge of £383,000 (2006: £762,000) represents an effective tax rate of 14% (2006: 23%). This is significantly lower than the standard rate of UK corporation tax of 30% as a result of tax relief received in relation to cash contributions to the final salary pension scheme during the year, including a one-off payment of £1m. The overall tax charge of £801,000 (2006: £956,000) has fallen in line with profits. 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 2007.

Principal Activity

The Group's principal activity is the supply of conventional, organic and ethically-traded 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 and its outlook for the future are given in the Chairman's Statement, Operating Review and Financial Review on pages 6 to 10.

Business Review

The Directors have provided the following business review in accordance with the Companies Act. Accordingly, the Group is disclosing the main trends and factors likely to affect the future development, performance and position of the Group's business.

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:

	2007	2006
Group revenue	**£38.1m**	£35.4m
Group profit before tax	**£2.8m**	£3.3m
Group earnings per share (basic)	**20.0p**	23.3p
Group return on capital employed*	**13.9%**	18.1%

*Capital employed is defined as shareholders' equity

For discussion of these financial KPIs please refer to the Chairman's Statement at page 6, the Operating Review on pages 7 to 8 and the Financial Review on pages 9 to 10.

Risks and Uncertainties

The Company has provided in the Chairman's Statement, Operating Review, Financial Review 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 new European REACH (Registration, Evaluation and Authorisation 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 Group has taken appropriate steps to manage and control these risks, which include:

- the implementation of a foreign exchange hedging policy as explained in the Financial Review;
- 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.

Results and Dividends

The results of the Group for the year are set out on page 22 and show a profit before taxation for the year of £2,828,000 (2006: £3,288,000).

The Directors recommend a final dividend of 7.3p (2006: 7.1p) per ordinary share.

This, when taken with the interim dividend of 3.5p (2006: 3.4p) per share paid on 1 October 2007, gives a total dividend of 10.8p (2006: 10.5p) per share for the year ended 30 September 2007.

Market Value of Land and Buildings

The Directors consider the total market value of the Group's land and buildings to be in excess of the £5,245,000 shown in the balance sheet. This belief has been borne out by our property advisers, however, in the absence of a full professional valuation the excess cannot be readily quantified.

Report of the Directors continued

Directors

The Directors of the Company are shown on page 4.

In accordance with the Company's Articles of Association and as reported in the Corporate Governance Statement on page 15, in recognition of Provision A.7.1 of the Combined Code on Corporate Governance (2003) A.J. Haines and P.A. Thorburn retire by rotation and, being eligible, offer themselves for re-election. Furthermore, in line with Provision A.7.2, it is the Company's practice that any Non-executive Director having been in post for nine years or more is subject to annual re-election. Consequently, D.D. Appleby and E.W. Dawnay also 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.

Non-executive Directors

D.D. Appleby

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

E.W. Dawnay

Edward Dawnay was appointed a Non-executive Director of the Company in June 1994. He is Chairman of Dunedin Enterprise Investment Trust Plc and was appointed Chairman of the Company in February 2001.

P.A. Thorburn

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

Executive Directors

H.W. Bovill

Hugo Bovill joined R.C. Treatt & Co. Limited in 1976, becoming Marketing Director in 1982 and later Managing Director in 1987. He was appointed to the Board of Directors of the Company in 1985 and is currently President and a Director of IFEAT (International Federation of Essential Oils and Aroma Trades).

A.J. Haines

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 Company in October 2002.

R.A. Hope

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

Directors' Interests in Shares

The Directors who held office at 30 September 2007 had the following interests in the shares of the Company:

	10p ordinary shares fully paid			Options to acquire 10p ordinary shares	
	2007	2006		**2007**	2006
Hugo William Bovill	**1,518,443**	1,517,030	(a) **20,000**		
			(b) **3,621**	**23,621**	23,862
Anita Jane Haines	**1,413**	–	(b)	**3,621**	3,862
Richard Andrew Hope	**1,413**	–	(b)	**3,621**	3,862
Douglas David Appleby	**128,595**	128,595		**–**	–
Edward William Dawnay	**100**	100		**–**	–
Peter Alan Thorburn	**1,000**	1,000		**–**	–

Key to Shares under Option:

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

(b) Options granted under the Treatt Save As You Earn Schemes 2005, 2006 & 2007

There have been no changes between 1 October 2007 and 23 November 2007, the latest date practicable to obtain the information prior to publication of this document.

Substantial Shareholders

The Company has been notified of the following holdings of 3% or more of the issued share capital at 23 November 2007 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	1,000,000	9.54
G.R. Bovill and A.J. Bovill as Trustees of the W.G. Bovill 1985 Settlement (G.R. Bovill's Childrens' Fund)	749,534	7.15
G.R. Bovill	699,054	6.67
Rights and Issues Investment Trust Plc	555,000	5.30
Discretionary Unit Trust Fund Managers	550,000	5.25

Bovill Family Shareholdings

Based on an analysis of the shareholders' register at 30 September 2007 H.W. Bovill and G.R. Bovill, along with their dependants were interested in 2,967,031 (2006: 2,964,205) ordinary shares representing 28.3% (2006: 28.80%) of the issued share capital. This holding is not under one beneficial holding, the interests of each individual being disclosed in either the Directors' shareholdings or substantial shareholders detailed herein.

Contracts of Significance

No Director had an interest in any contract of significance during the year. The Company 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 Company or its subsidiaries.

Directors' and Officers' Liability Insurance

The Company purchases liability insurance covering the Directors and Officers of the 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 38 (2006: 29) days credit based on the whole year's purchases. The Parent Company had no trade creditors at the year end.

Research and Development

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

Going Concern

Given the comments in the Chairman's Statement, and based on the plans for 2008, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted in preparing the financial statements.

Charitable Contributions

During the year the Group made charitable donations of £8,618 (2006: £3,728) to local causes.

Health and Safety

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

Environment

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

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

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

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

In addition, these financial statements are printed on recycled paper.

Employment Policies

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

Employee Involvement

Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Company through share option schemes (see note 20). In addition, a new Information Exchange Committee (IEC) was created by R.C. Treatt & Co. Ltd during the year 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. Bonus schemes, based on the performance of the business, remain in place.

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 auditor.

Report of the Directors continued

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at The West Wing at Ickworth, Ickworth, Horringer, Bury St. Edmunds, Suffolk, IP29 5QE on 18 February 2008 is given on pages 49 to 53.

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

a) As in previous years, shareholder approval will be sought to renew the authorities granted to the Directors to issue new shares. Resolution 10 will give the Directors authority ("the Section 80 authority") to allot ordinary shares up to an aggregate nominal value of £201,500 (representing approximately 19.2 percent of the existing issued ordinary share capital). Subject to the terms of the Section 80 authority, the Directors will be further authorised ("the Section 89 authority") by Resolution 11, to allot any new ordinary shares for cash pursuant to a rights issue proportionate to existing shareholdings and, in order to give the Directors a limited degree of flexibility, to allot new ordinary shares up to a maximum nominal amount of £52,400 (representing 5 percent of the existing issued ordinary share capital) otherwise than pro rata to existing shareholdings.

   If approved, the Section 80 authority and the Section 89 authority will expire at the conclusion of the next Annual General Meeting of the Company or 17 May 2009, whichever is the earlier.

b) The Directors believe that it would be advantageous for the Company to be in a position to purchase its own ordinary shares (as permitted by Article 5.2 of the Articles of Association), under the terms of Section 163 of the Companies Act 1985. The Directors therefore request shareholders to give the Company authority to make market purchases of a proportion of its own ordinary shares, subject to the limits referred to below. Purchases will only be made on the London Stock Exchange and only in circumstances where they are, in the opinion of the Directors, in the interests of the Company and of the Group and would result in an increase in earnings per share. Such purchases will be financed out of distributable profits of the Company. It is not the Directors' current intention to stand in the market for any particular period or until any specified number of ordinary shares has been acquired.

   The Directors are seeking authority (Resolution 12) to purchase up to 1,048,000 issued ordinary shares, representing approximately 10 per cent of the present issued ordinary share capital of the Company, at a maximum price per share, exclusive of expenses, of 5 per cent above the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase. The minimum price per ordinary share exclusive of expenses for any purchase will be 10p which is the nominal value of the ordinary shares.

   The authority, if granted, will be subject to renewal on the earlier of the date of the next Annual General Meeting of the Company and 17 May 2009.

More detailed explanatory notes on the resolutions to be put forward at the Annual General Meeting can be found on pages 52 to 53.

Auditors

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). 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 Company and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 September 2007 is fully disclosed in note 3 to the financial statements.

This report was approved by the Board on 7 December 2007.

R.A. Hope
Secretary

Corporate Governance Statement

There is a commitment to high standards of Corporate Governance throughout the Group. The Board confirms that throughout the year ended 30 September 2007 the Group has complied with the provisions set out in Section 1 of the 2003 Combined Code on Corporate Governance, except for clause B1.6 in that two Executive Directors have service contracts which provide for two years notice. The Board believes this is appropriate to attract and retain key Executive Directors who possess specialist industry knowledge and is therefore in the best interests of shareholders.

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

Directors

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

The Nomination Committee is responsible for the annual evaluation of the Board, its committees and its Directors. The Board is satisfied with the evidence it provided about the balance and the effectiveness of the Board and its committees and the effectiveness and commitment of each Director.

Biographies of the 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.

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

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

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

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

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

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 4. 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 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 Meeting. The Directors required to retire are those in office longest since their previous re-election and this usually means that each Director retires at least every three years, although there is no absolute requirement to this effect. In order to comply with the Combined Code, but to avoid the expense of amending the Company's Articles to deal with this single point, the Board has resolved that each Director will retire at least every three years, even if this is not strictly required by the Articles. Furthermore, in line with the Combined Code on Corporate Governance (Provision A.7.2), it is the Company's practice that any Non-executive Director having been in post for nine years or more is subject to annual re-election.

Full details of the Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report appearing on pages 18 to 20. Members of the Remuneration Committee throughout the year are shown on page 4 and the principal terms of reference of the Committee appear on page 16. The Managing Director attends meetings of the Remuneration Committee to discuss the performance of the other Executive Directors and make proposals as necessary, but is not present when his own position is being discussed.

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

Corporate Governance Statement continued

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 shown below.

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

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

Audit Committee
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 on page 32. The non-audit fees were paid mainly in respect of due diligence in relation to the joint venture investment which took place during the year. The other main areas of non-audit work relate to tax advice and tax compliance work. 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 Combined Code, the Audit Committee is responsible for ensuring that procedures are in place whereby staff of the Company 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 and its committees, together with their attendance*, are shown below.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in year	8	1	2	7
Hugo William Bovill Managing Director	8	N/A	2	N/A
Anita Jane Haines Human Resources Director	8	N/A	N/A	N/A
Richard Andrew Hope Finance Director	8	N/A	N/A	N/A
Douglas David Appleby Non-executive Director	8	1	2	7
Edward William Dawnay Chairman	7 Chairman	1 Chairman	2 Chairman	6
Peter Alan Thorburn Non-executive Director	8	1	2	7 Chairman

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

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

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

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

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

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

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

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

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

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

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 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.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 ('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 18 February 2008 at which the financial statements will be laid before members. The Act requires the auditors to report to the 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 4.

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

Policy on Remuneration of Executive Directors and Senior Executives

General Principles

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

The main components in determining pay are:

- Basic Salary

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

- Bonus Schemes

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

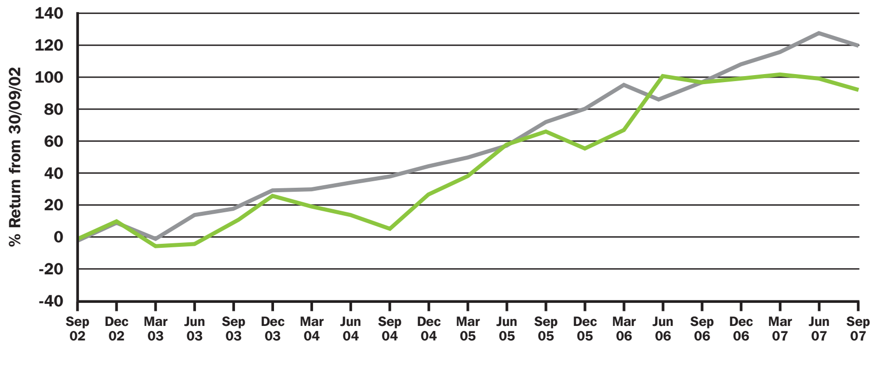
Executive Directors participate in an annual bonus scheme which is linked to the level (if any) by which profit before tax exceeds a minimum level of profit before tax. The Remuneration Committee retains the right to make discretionary adjustments to these bonuses.

- Benefits

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

Performance Graph

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



Directors' Permanent Health Insurance Policy

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

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

Companies Used In Comparisons

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

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

Service Contracts

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

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

Non-executive Directors

The remuneration for Non-executive Directors consists of fees for their services in connection with Board and Board Committee meetings. In their Non-executive capacities they do not qualify for participation in any of the Company's bonus, share option or other incentive schemes. With the exception of D.D. Appleby, who is in receipt of a pension from the R.C. Treatt & Co. Limited Pension & Assurance Scheme, Non-executive Directors are not eligible for pension scheme membership. The terms and conditions of appointment of Non-executive Directors are available for inspection at the Company's registered office during normal business hours.

AUDITED INFORMATION

Directors' Emoluments

	Salary and Fees £'000	Bonus Payments £'000	Taxable Benefits £'000	**2007 Total £'000**	2006 Total £'000
Executive Directors					
H.W. Bovill	160	29	16	**205**	227
A.J. Haines	90	20	15	**125**	138
R.A. Hope	105	20	14	**139**	150
Non-executive Directors					
E.W. Dawnay (Chairman)	27	–	–	**27**	26
D.D. Appleby	17	–	4	**21**	19
P.A. Thorburn	27	–	–	**27**	23
	426	69	49	**544**	583

Share Option Schemes

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

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

	Exercise Dates	Exercise Price	At 1 October 2006	Granted During the Year	Exercised During the Year	**At 30 September 2007**
H.W. Bovill	Between September 2007 and March 2008	160p	1,413	–	(1,413)	**–**
	Between September 2008 and March 2009	218.8p	1,039	–	–	**1,039**
	Between September 2009 and March 2010	238.6p	1,410	–	–	**1,410**
	Between September 2010 and March 2011	258p	–	1,172	–	**1,172**
	Between June 2004 and June 2008	209p	20,000	–	–	**20,000**
			23,862	1,172	(1,413)	**23,621**

Directors' Remuneration Report continued

Share Option Schemes (continued)

	Exercise Dates	Exercise Price	At 1 October 2006	Granted During the Year	Exercised During the Year	**At 30 September 2007**
A. J. Haines	Between September 2007 and March 2008	160p	1,413	–	(1,413)	**–**
	Between September 2008 and March 2009	218.8p	1,039	–	–	**1,039**
	Between September 2009 and March 2010	238.6p	1,410	–	–	**1,410**
	Between September 2010 and March 2011	258p	–	1,172	–	**1,172**
			3,862	1,172	(1,413)	**3,621**
R. A. Hope	Between September 2007 and March 2008	160p	1,413	–	(1,413)	**–**
	Between September 2008 and March 2009	218.8p	1,039	–	–	**1,039**
	Between September 2009 and March 2010	238.6p	1,410	–	–	**1,410**
	Between September 2010 and March 2011	258p	–	1,172	–	**1,172**
			3,862	1,172	(1,413)	**3,621**

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £6,210 (2006: £Nil).

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

The market price of the shares at 30 September 2007 was £3.015 and the range during the financial year was £2.985 to £3.47.

Directors' Pension Policy

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

- a normal pension age of 65 but early retirement may be permitted from age 50
- a pension at normal pension age of two thirds of final pensionable salary, subject to completion of 20 years' service
- 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 increases each year are restricted to the lower of the actual increase or the increase in the rate of inflation as measured by the RPI.

The pension entitlement of these Directors is as follows:

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Excluding Inflation)		Accumulated Total Pension at	
	2007	2006	**2007**	2006	**2007**	2006
	£	£	**£**	£	**£**	£
H.W. Bovill	**1,919**	1,676	**18,515**	15,574	**69,857**	65,358
A.J. Haines	**1,250**	1,146	**15,100**	13,595	**29,059**	26,753

The transfer value has been calculated on the basis of actuarial advice in accordance with the Institute of Actuaries Guidance Note GN11 'Retirement Benefit Schemes – Transfer Values'. Further details of the scheme are included in note 23.

R.A. Hope received a contribution of £9,338 (2006: £8,100) towards a money purchase personal pension plan administered by Norwich Union Plc.

This report was approved by the Board and signed on its behalf on 7 December 2007

R.A. Hope
Secretary

Independent Auditors' Report to the Members of Treatt plc

We have audited the Group and Parent Company financial statements on pages 22 to 48. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulations. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Operating Review, and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2007 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 September 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulations; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St. Edmunds
Suffolk IP32 7FA

7 December 2007

Group Income Statement

For the year ended 30 September 2007

	Notes	**2007 £'000**	2006 £'000
Revenue	2	**38,066**	35,411
Cost of sales		**(27,858)**	(25,292)
Gross profit		**10,208**	10,119
Administrative expenses		**(6,874)**	(6,621)
Share of results of joint ventures		**(70)**	–
Operating profit	3	**3,264**	3,498
Finance revenue	5	**136**	243
Finance costs	5	**(572)**	(453)
Profit before taxation		**2,828**	3,288
Taxation	6	**(801)**	(956)
Profit for the period attributable to equity shareholders		**2,027**	2,332
Earnings per share			
Basic	8	**20.0p**	23.3p
Diluted	8	**19.9p**	23.2p

All amounts relate to continuing operations
Notes 1 - 27 form part of these financial statements

Group Statement of Recognised Income and Expense

For the year ended 30 September 2007

	Notes	2007 £'000	2006 £'000
Profit for the period		**2,027**	2,332
Currency translation differences on foreign currency net investment	11	**(509)**	(293)
Actuarial gain/(loss) on defined benefit pension scheme	23	**1,900**	(389)
Deferred taxation on actuarial (gain)/loss	13	**(532)**	117
Total recognised net income for the period		**2,886**	1,767

Group and Company Statements of Changes in Shareholders' Equity

For the year ended 30 September 2007

		Group		Company	
	Notes	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Total recognised net income for the period		**2,886**	1,767	**1,002**	949
Dividends	7	**(1,053)**	(949)	**(1,053)**	(949)
Share-based payments	20	**21**	23	**–**	–
Increase in share capital	19	**633**	–	**633**	–
Movement in own shares in share trust	21	**(197)**	79	**(197)**	79
(Loss)/gain on release of shares in share trust	21	**(34)**	1	**(34)**	1
Increase in shareholders' equity		**2,256**	921	**351**	80
Opening shareholders' equity		**18,141**	17,220	**4,266**	4,186
Closing shareholders' equity		**20,397**	18,141	**4,617**	4,266

Notes 1 - 27 form part of these financial statements

Group and Company Balance Sheets

As at 30 September 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	**8,456**	8,484	**–**	–
Intangible assets	10	**455**	581	**–**	–
Post-employment benefits	23	**70**	–	**–**	–
Investment in subsidiary undertakings	11	**–**	–	**4,141**	4,141
Interest in joint ventures	12	**2,613**	–	**2,683**	–
Deferred tax assets	13	**–**	693	**–**	–
Redeemable loan notes receivable	26	**1,350**	–	**1,350**	–
		12,944	9,758	**8,174**	4,141
Current assets					
Inventories	14	**16,238**	13,958	**–**	–
Trade and other receivables	15	**6,785**	6,389	**67**	125
Corporation tax receivable		**52**	118	**–**	–
Cash and cash equivalents	16	**–**	–	**–**	–
		23,075	20,465	**67**	125
Total assets		**36,019**	30,223	**8,241**	4,266
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	17	**(8,382)**	(2,710)	**(2,913)**	–
Trade and other payables	18	**(4,412)**	(3,790)	**(36)**	–
Corporation tax payable		**(37)**	(329)	**–**	–
		(12,831)	(6,829)	**(2,949)**	–
Net current assets		**10,244**	13,636	**(2,882)**	125
Non-current liabilities					
Bank loans	17	**(1,642)**	(1,927)	**–**	–
Post-employment benefits	23	**–**	(3,090)	**–**	–
Deferred tax liabilities	13	**(474)**	(236)	**–**	–
Redeemable loan notes payable	26	**(675)**	–	**(675)**	–
		(2,791)	(5,253)	**(675)**	–
Total liabilities		**(15,622)**	(12,082)	**(3,624)**	–
Net assets		**20,397**	18,141	**4,617**	4,266
SHAREHOLDERS' EQUITY					
Called up share capital	19	**1,048**	1,029	**1,048**	1,029
Share premium account	21	**2,757**	2,143	**2,757**	2,143
Own shares in share trust	21	**(743)**	(546)	**(743)**	(546)
Employee share option reserve	21	**29**	34	**–**	–
Foreign exchange reserve	21	**(1,501)**	(992)	**–**	–
Retained earnings	21	**18,807**	16,473	**1,555**	1,640
Shareholders' Equity		**20,397**	18,141	**4,617**	4,266

Notes 1 - 27 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2007 and were signed on its behalf by:

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

Group and Company Cash Flow Statements

For the year ended 30 September 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Cash flow from operating activities					
Profit before taxation		**2,828**	3,288	**979**	949
Adjusted for:					
Foreign exchange gain		**(373)**	(210)	**–**	–
Depreciation of property, plant and equipment	9	**733**	685	**–**	–
Amortisation of intangible assets	10	**176**	182	**–**	–
Loss on disposal of property, plant and equipment	9	**3**	52	**–**	–
Loss on disposal of intangible assets	10	**–**	2	**–**	–
Net interest payable	5	**512**	235	**74**	1
Share-based payments	20	**21**	23	**–**	–
Share of results of joint ventures	12	**70**	–	**–**	–
Decrease in post-employment benefit obligation excluding special contribution	23	**(225)**	(73)	**–**	–
Operating cash flow before movements in working capital and special post-employment benefit contribution		**3,745**	4,184	**1,053**	950
Special post-employment benefit contribution	23	**(1,035)**	(465)	**–**	–
Changes in working capital:					
Increase in inventories	14	**(2,280)**	(2,563)	**–**	–
(Increase)/decrease in trade and other receivables	15	**(395)**	(671)	**59**	(80)
Increase/(decrease) in trade and other payables	18	**622**	(144)	**36**	–
Cash generated from operations		**657**	341	**1,148**	870
Taxation (paid)/received	6	**(628)**	(1,153)	**22**	–
Net cash from operating activities		**29**	(812)	**1,170**	870
Cash flow from investing activities					
Acquisition of investments in joint ventures	12	**(1,375)**	–	**(1,376)**	–
Purchase of property, plant and equipment	9	**(1,017)**	(775)	**–**	–
Purchase of intangible assets	10	**(50)**	(41)	**–**	–
Purchase of redeemable loan notes	26	**(1,350)**	–	**(1,350)**	–
Interest receivable	5	**60**	218	**52**	–
		(3,732)	(598)	**(2,674)**	–
Cash flow from financing activities					
Repayment of bank loans	17	**(125)**	(137)	**–**	–
Interest payable	5	**(572)**	(453)	**(125)**	–
Dividends paid	7	**(1,053)**	(949)	**(1,053)**	(949)
Net (purchase)/sale of own shares by share trust	21	**(231)**	79	**(231)**	79
		(1,981)	(1,460)	**(1,409)**	(870)
Net decrease in cash and cash equivalents	16,17	**(5,684)**	(2,870)	**(2,913)**	–
Cash and cash equivalents at beginning of period	16,17	**(2,573)**	297	**–**	–
Cash and cash equivalents at end of period	16,17	**(8,257)**	(2,573)	**(2,913)**	–
Cash and cash equivalents comprise:					
Cash and cash equivalents	16	**–**	–	**–**	–
Bank overdrafts	17	**(8,257)**	(2,573)	**(2,913)**	–
		(8,257)	(2,573)	**(2,913)**	–

Notes 1 - 27 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 30 September 2007

	Notes	**2007 £'000**	2006 £'000
Decrease in cash and cash equivalents	16	**(5,684)**	(2,870)
Repayment of borrowings	17	**125**	137
Cash outflow from change in net debt in the period		**(5,559)**	(2,733)
Effect of foreign exchange rates	22	**172**	122
Movement in net debt in the period	22	**(5,387)**	(2,611)
Net debt at start of the period	22	**(4,637)**	(2,026)
Net debt at end of the period	22	**(10,024)**	(4,637)

Notes 1 - 27 form part of these financial statements

Notes to the Financial Statements

For the year ended 30 September 2007

1. ACCOUNTING POLICIES

General information
Treatt plc ('the Parent Company') is a company incorporated in the United Kingdom under the Companies Act 1985 and is a public limited company incorporated and domiciled in England and Wales. The Parent Company's shares are listed on the London Stock Exchange. The address of the registered office is included within the Company Information section on page 4. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 11.

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. 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 1985.

Of the profit for the financial year, a profit of £1.00m (2006: £0.95m) has been dealt with in the accounts of the Parent Company. The Parent Company has taken advantage of the exemption under section 230(3) of the Companies Act 1985 and has not presented its own income statement in these financial statements.

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

IFRS 7 Financial instruments: Disclosures;
IFRS 8 Operating segments;
IAS 1 Presentation of financial statements (revised);
IAS 23 Borrowing costs (revised);
IFRIC 10* Interim financial reporting and impairment;
IFRIC 11* IFRS 2, group and treasury share transactions;
IFRIC 12* Service concession arrangements;
IFRIC 13* Customer loyalty programmes;
IFRIC 14* IAS 19, Employee benefits (revised)
* 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.

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

Basis of consolidation
The Group accounts consolidate the accounts of Treatt plc and all of its subsidiary undertakings (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.

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".

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 dispatched from the Company's premises or other storage depots, irrespective of the terms of trade.

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. Furthermore, interim dividends, in accordance with ICAEW Technical Release 57/05, are not recognised as a liability until paid.

Cash flow
The cash flow statement explains the movement in short term cash and cash equivalents.

Investments in subsidiary undertakings
Investments in subsidiary undertakings in the Parent Company balance sheet are stated at cost, less provision for diminution in value.

Interests in joint ventures
A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Group jointly controls with its fellow venturers.

Notes to the Financial Statements continued

For the year ended 30 September 2007

1. ACCOUNTING POLICIES (Continued)

Interests in joint ventures (Continued)
The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in a jointly controlled entity is carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity, less distributions received and less any impairment in value of the investment. The Group income statement reflects the Group's share of the results after tax of the jointly controlled entity. The Group statement of recognised income and expense reflects the Group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group. Where necessary, adjustments are made to those financial statements to bring the accounting policies used into line with those of the Group.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group assesses at each balance sheet date whether an investment in a jointly controlled entity is impaired. If there is objective evidence that an impairment loss has been incurred, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significant influence in the joint venture, or when the interest becomes held for sale.

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 and buildings in the UK, using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:

- Computer hardware: 4 years
- Laboratory equipment: 5 years
- Motor vehicles: 5 years
- Fixtures and fittings: 10 years
- Plant and machinery: 10 years
- Buildings (in the USA): 50 years

Intangible assets
In accordance with IAS 38, "Intangible Assets", computer software is required to be disclosed as a class of intangible assets.

Amortisation 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:

- Computer software: 4 years
- Manufacturing system: 7 years

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

The need for any 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.

Leased assets
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.

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.

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

1. ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

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

Financial liabilities and equity

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.

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 are shown within borrowings in current liabilities on the balance sheet.

Bank borrowings and borrowing costs

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. All borrowing costs are recognised in the income statement in the period in which they are incurred.

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.

Equity instruments

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

Pension costs

The Group's UK subsidiary undertaking, R.C. Treatt & Co. Limited, operates a defined benefit scheme through an independently administered pension 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 below) 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, is 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 Recognised Income and Expense.

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

Research and development costs

Research and development expenditure is charged to the income statement as incurred.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial

Notes to the Financial Statements continued

For the year ended 30 September 2007

1. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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

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.

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 $2.04 (2006: $1.87) at the year end.

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

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiary undertakings and from translating the 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 Recognised Income and Expense 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.

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.

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. This expense, which is in relation to employee share option schemes for staff in the UK and USA, is recognised over the vesting period of the scheme. IFRS 2 has been applied to all options granted after 7 November 2002 and not fully vested by 1 January 2005. The Group has adopted the Black-Scholes model for the purposes of computing fair value of options under IFRS. Details of share-based payments are disclosed in note 20.

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. It has concluded that there is no significant risk of these estimates and assumptions causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. SEGMENTAL INFORMATION

(1) Business segments
For management purposes the Group's primary operating segments are as follows:

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

A significant proportion of the Group's resources, assets and liabilities are shared by both business segments and therefore, necessarily, the segment net income, 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 2007
	Manufacturing	Aromatic chemicals & other	Un-allocated	Total
Revenue	16,541	21,525	–	38,066
Segment profit	1,612	1,722	–	3,334
Share of results of joint ventures	–	–	(70)	(70)
Operating profit	1,612	1,722	(70)	3,264
Net finance costs	–	–	(436)	(436)
Taxation	–	–	(801)	(801)
Net segment income	**1,612**	**1,722**	**(1,307)**	**2,027**
Segment assets	16,793	16,543	70	33,406
Segment liabilities	(11,675)	(3,947)	–	(15,622)
Net segment assets	**5,118**	**12,596**	**70**	**17,784**
Interests in joint ventures				2,613
Net assets				**20,397**
Segment capital expenditure	**479**	**588**	–	**1,067**
Segment depreciation and amortisation	**500**	**409**	–	**909**

				Year ended 30 September 2006
	Manufacturing	Aromatic chemicals & other	Un-allocated	Total
Revenue	16,103	19,308	–	35,411
Operating profit	1,866	1,632	–	3,498
Net finance costs	–	–	(210)	(210)
Taxation	–	–	(956)	(956)
Net segment income	**1,866**	**1,632**	**(1,166)**	**2,332**
Segment assets	15,755	14,114	–	29,869
Segment liabilities	(7,882)	(756)	(3,090)	(11,728)
Net segment assets	**7,873**	**13,358**	**(3,090)**	**18,141**
Segment capital expenditure	**446**	**370**	**–**	**816**
Segment depreciation and amortisation	**503**	**364**	**–**	**867**

Notes to the Financial Statements continued

For the year ended 30 September 2007

2. 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:

	2007 £'000	2006 £'000
Revenue by destination		
United Kingdom	**6,576**	6,460
Rest of Europe	**11,694**	10,542
The Americas	**10,263**	10,142
Rest of the World	**9,533**	8,267
	38,066	35,411

Capital expenditure on property, plant, machinery and intangible assets, and overall segment assets (excluding tax-related items) were as follows:

	2007		2006	
	£'000 Capital Ex.	£'000 Assets	£'000 Capital Ex.	£'000 Assets
United Kingdom	**931**	**22,071**	599	20,654
United States	**137**	**9,818**	217	8,757
	1,068	**31,889**	816	29,411

3. OPERATING PROFIT is stated after charging/(crediting)

	2007 £'000	2006 £'000
Depreciation of property, plant & equipment	**733**	685
Amortisation of intangible assets (included in administrative expenses)	**176**	182
Loss on disposal of property, plant & equipment	**3**	52
Loss on disposal of intangible assets	**–**	2
Research and development costs	**215**	202
Operating leases		
- plant & machinery	**21**	23
- land & buildings	**29**	30
Auditor's remuneration[1]		
- statutory audit fees[2]	**45**	44
- interim audit fees	**2**	9
- tax compliance services	**6**	5
- tax advisory services	**–**	6
Net exchange gain on trading activities	**(333)**	(129)
Rent receivable	**(43)**	(43)

1 In addition, the auditors received £28,000 in relation to corporate finance services which have been capitalised as part of 'Interests in Joint Ventures'.
2 Included in statutory audit fees is £4,000 (2006: £4,000) in relation to the Parent Company.

4. EMPLOYEES

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

	2007 Number	2006 Number
Technical and production	**96**	85
Administration and sales	**92**	95
	188	180

4. EMPLOYEES (Continued)

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

	2007 £'000	2006 £'000
Wages and salaries	**5,496**	5,369
Social security costs	**519**	523
Other pension costs (see note 23)	**633**	632
Share-based payments (see note 20)	**21**	23
	6,669	6,547

(3) Directors

The information on Directors' emoluments and share options set out on pages 19 to 20 forms part of these financial statements.

5. NET FINANCE COSTS

		2007 £'000	2006 £'000
(1) Finance revenue	- bank interest received	**8**	218
	- loan note interest received	**52**	–
	- pension finance income	**76**	25
		136	243
(2) Finance costs	- bank overdraft interest paid	**(462)**	(345)
	- other interest paid	**(1)**	–
	- loan interest paid	**(83)**	(108)
	- loan note interest paid	**(26)**	–
		(572)	(453)

6. TAXATION

(a) Analysis of tax charge for the year

	2007 £'000	2006 £'000
Current tax:		
UK Corporation tax on UK profits for period	**300**	655
Adjustments to UK tax in respect of previous periods	**13**	10
US federal and state tax on US profits for the period	**70**	133
Adjustments to US tax in respect of previous periods	**–**	(36)
Total current tax	**383**	762
Deferred tax:		
Origination and reversal of timing differences	**382**	194
Effect of reduced tax rate on opening asset or liability	**46**	–
Adjustments in respect of previous periods	**(10)**	–
Total deferred tax	**418**	194
Tax on profit on ordinary activities	**801**	956

Deferred tax of £532,000 (2006: £117,000) was charged to equity in respect of post-employment benefit obligations.

Notes to the Financial Statements continued

For the year ended 30 September 2007

6. TAXATION (Continued)

(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 (30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 30% (2006: 30%)	**848**	986
Effects of:		
Expenses not deductible for tax purposes	**19**	21
Differences between capital allowances and depreciation for year	**8**	13
Allowable expenses charged to reserves	**(60)**	(31)
Statutory share option deduction	**(24)**	(10)
Adjustment in respect of post-employment benefit scheme	**(48)**	(7)
Research and development tax credits	**(16)**	(14)
Interest in joint ventures	**21**	–
Difference in tax rates on overseas earnings	**12**	19
Adjustments to tax charge in respect of prior years	**3**	(25)
Reduced rate on opening deferred tax balance	**46**	–
Sundry timing differences	**(8)**	4
Total tax charge for the year	**801**	956

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

7. DIVIDENDS

	2007 £'000	2006 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2006 – 3.4p per share	**341**	
Final dividend for year ended 30 September 2006 – 7.1p per share	**712**	
Interim dividend for year ended 30 September 2005 – 3.1p per share		310
Final dividend for year ended 30 September 2005 – 6.4p per share		639
	1,053	949

The declared interim dividend for the year ended 30 September 2007 of 3.5 pence was approved by the Board on 18 May 2007 and was paid on 1 October 2007. Accordingly it has not been included as a deduction from equity at 30 September 2007. The proposed final dividend for the year ended 30 September 2007 of 7.3 pence will be voted on at the Annual General Meeting on 18 February 2008. Both dividends will therefore be accounted for in the results for the year ended 30 September 2008.

8. EARNINGS PER ORDINARY SHARE

(1) Basic earnings per share
Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,136,986 (2006: 9,998,572) and earnings of £2,027,000 (2006: £2,332,000), being the profit on ordinary activities after taxation.

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 10,174,314 (2006: 10,049,544), and the same earnings as above.

As explained in note 12, the Group has the option to acquire the remaining 50% of 'Earthoil' from 2012. Under the terms of this option it may satisfy up to 25% of the consideration in shares. The dilutive effect of this potential transaction cannot, therefore, be quantified.

9. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2005	*5,866*	*7,444*	*13,310*
Exchange adjustment	*(160)*	*(119)*	*(279)*
Additions	*40*	*735*	*775*
Disposals	*–*	*(2,062)*	*(2,062)*
1 October 2006	5,746	5,998	11,744
Exchange adjustment	(241)	(191)	(432)
Additions	9	1,008	1,017
Disposals	–	(4)	(4)
30 September 2007	**5,514**	**6,811**	**12,325**
Depreciation			
1 October 2005	*174*	*4,486*	*4,660*
Exchange adjustment	*(11)*	*(64)*	*(75)*
Charge for period	*65*	*620*	*685*
Disposals	*–*	*(2,010)*	*(2,010)*
1 October 2006	228	3,032	3,260
Exchange adjustment	(21)	(103)	(124)
Charge for period	62	671	733
Disposals	–	–	–
30 September 2007	**269**	**3,600**	**3,869**
Net book value			
30 September 2007	**5,245**	**3,211**	**8,456**
30 September 2006	5,518	2,966	8,484

Analysis of land & buildings

Net book value	**2007 £'000**	2006 £'000
Freehold	**4,510**	4,783
Long Leasehold	**735**	735
	5,245	5,518

Included in plant and machinery are assets in the course of construction totalling £239,000 (2006: £40,000).

Approximately 20% of the long leasehold net book value has been leased to a third party for which rents receivable in 2007 totalled £43,000 (2006: £43,000).

Property, plant and equipment with a net book value of £3.1m (2006: £3.3m) has been pledged as security in relation to the Industrial Development Loan detailed in note 17.

Capital commitments

	2007 £'000	2006 £'000
Contracted but not provided for	**135**	99

Notes to the Financial Statements continued

For the year ended 30 September 2007

10. INTANGIBLE ASSETS

	Software licences £'000
Cost	
1 October 2005	*1,168*
Exchange adjustment	*(1)*
Additions	*41*
Disposals	*(11)*
1 October 2006	1,197
Exchange adjustment	(1)
Additions	50
Disposals	–
30 September 2007	**1,246**
Amortisation	
1 October 2005	*444*
Exchange adjustment	*–*
Charge for period	*182*
Disposals	*(10)*
1 October 2006	616
Exchange adjustment	(1)
Charge for period	176
Disposals	–
30 September 2007	**791**
Net book value	
30 September 2007	**455**
30 September 2006	581

The remaining amortisation period for the manufacturing system included in software licences is three years.

Intangible assets with a net book value of £2,000 (2006: £4,000) has been pledged as security in relation to the Industrial Development Loan detailed in note 17.

11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	**2007 £'000**	2006 £'000
Subsidiary undertakings:		
R.C. Treatt & Co. Limited - at cost 50,000 ordinary shares of £1 each, fully paid	**2,299**	2,299
Treatt USA Inc. - at cost 2,975,000 common stock of US$1 each, fully paid	**1,842**	1,842
	4,141	4,141

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

12. INTERESTS IN JOINT VENTURES

Company and Group
On 1 March 2007 the Parent Company acquired the following shareholdings in jointly controlled entities:

Joint Venture	Country	Holding	Principal activity
Earthoil Plantations Limited	England & South Africa	50%	Supply of organic & ethically-traded essential & vegetable oils
Earthoil Kenya Pty EPZ Ltd	Kenya	50%	Manufacture and supply of organic & ethically-traded vegetable oils

The combined consideration for the two companies was £2.7m, comprising £1.3m of cash, £0.7m of loan notes, £0.6m of shares and £0.1m of transaction costs.

The Group's share of joint venture assets and liabilities is as follows:

Group	**2007 £'000**	2006 £'000
Non-current assets	**151**	–
Current assets	**891**	–
Current liabilities	**(450)**	–
Non-current liabilities	**(879)**	–
Share of net assets of joint ventures	**(287)**	–

The Group's share of joint venture profits or losses is as follows:

Group	**2007 £'000**	2006 £'000
Revenue	**660**	–
Net operating costs	**(695)**	–
Operating profit	**(35)**	–
Net finance costs	**(47)**	–
Profit before taxation	**(82)**	–
Taxation	**12**	–
Share of profit of joint ventures	**(70)**	–

The Group's share of the capital commitments of joint ventures in property, plant and equipment was £Nil (2006: £Nil).

From 2012, the Group also has the option to acquire (the "Call Option") the remaining 50% of Earthoil. In addition to this, the existing Earthoil shareholders will have the option to oblige Treatt to buy (the "Put Option"), the remaining 50% of Earthoil shares (which will continue to be held by the existing Earthoil shareholders) at the "Option Price". Exercise of either option is subject to Treatt shareholder approval. The existing Earthoil shareholders will not be able to enforce the Put Option unless Earthoil has met a certain level of pre-tax profit.

The Option Price will be 50% of eleven times the average pre-tax profit (for both Earthoil companies combined) of the two audited financial years ended 31 December prior to exercising the option.

Whilst the current joint venture holdings are in place, all reserves are retained within the Earthoil companies and no dividends can be paid without the written consent of Treatt Plc.

Notes to the Financial Statements continued

For the year ended 30 September 2007

13. DEFERRED TAXATION

Group	2007 £'000	2006 £'000
At 1 October 2006	**457**	521
Foreign exchange adjustment	**19**	13
Charged to income statement	**(418)**	(194)
(Charged)/credited to equity	**(532)**	117
At 30 September 2007	**(474)**	457
UK deferred tax:		
Post-employment benefits	**(20)**	927
Accelerated capital allowances	**(236)**	(240)
Other timing differences	**2**	6
	(254)	693
US deferred tax:		
Accelerated capital allowances	**(301)**	(274)
Other timing differences	**81**	38
	(220)	(236)
Total deferred tax (liability)/asset	**(474)**	457

14. INVENTORIES

Group	2007 £'000	2006 £'000
Raw materials	**9,262**	8,184
Work in progress	**5,091**	3,864
Finished goods	**1,885**	1,910
	16,238	13,958

Inventory with a carrying value of £5.4m (2006: £3.9m) has been pledged as security in relation to the Industrial Development Loan detailed in note 17.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade receivables	**5,903**	5,807	–	–
Amounts owed by subsidiary undertaking	**–**	–	**23**	125
Other receivables	**496**	244	**44**	–
Prepayments	**386**	338	**–**	–
	6,785	6,389	**67**	125

15. TRADE AND OTHER RECEIVABLES (Continued)

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful trade receivables, 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 25% 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 average credit period taken for trade receivables is 56 days (2006: 57 days).

Accounts receivable with a carrying value of £1.0m (2006: £0.9m) has been pledged as security in relation to the Industrial Development Loan detailed in note 17.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of £Nil (2006: Nil) 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.

17. BANK LOANS AND OVERDRAFTS

Current

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Industrial development loan	**125**	137	**–**	–
Bank overdraft	**8,257**	2,573	**2,913**	–
	8,382	2,710	**2,913**	–

Non-current

	Group	
	£'000 2007	£'000 2006
Industrial development loan	**1,642**	1,927

Loan

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 4.05% for ten years ending on 1 January 2012. This loan, together with a US Dollar overdraft facility ('line of credit') of US$3 million, both held by Treatt USA Inc, are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

The loan is repayable as follows:

	2007 £'000	2006 £'000
- in one year or less	**125**	137
- in more than one year but not more than two years	**125**	137
- in more than two years but not more than five years	**375**	411
- in more than five years	**1,142**	1,379
	1,767	2,064

Notes to the Financial Statements continued

For the year ended 30 September 2007

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Trade payables	**2,880**	1,963	–	–
Other taxes and social security costs	**359**	337	–	–
Accruals	**1,173**	1,490	**36**	–
	4,412	3,790	**36**	–

Trade payables principally comprise amounts for trade purchases and ongoing costs. The average credit period taken for trade payables is 38 days (2006: 36 days).

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

19. SHARE CAPITAL

Company and Group	**2007 Number**	2006 Number
Authorised		
Ordinary shares of 10p each	**12,500,000**	12,500,000

Called up, allotted and fully paid

	2007 £'000	**2007 Number**	2006 £'000	2006 Number
At start of period	**1,029**	**10,292,089**	1,029	10,292,089
Issued in period	**19**	**188,945**	–	–
At end of period	**1,048**	**10,481,034**	1,029	10,292,089

During the period, the company issued 188,945 shares (2006: Nil shares) for a consideration, net of issue costs, of £633,000 (2006: £Nil).

20. SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS2 "Share-based payments". In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

Under the schemes listed below, options have been granted to subscribe for the following number of existing ordinary shares of 10p each in the capital of the Company. All share options are expected to be settled via the transfer of shares out of the "Treatt Employee Benefit Trust".

(a) The options outstanding at 30 September 2007 for which no share-based payment charge has been made are as follows:

	Number of shares outstanding	Number exercised in a year	Exercise price per share	Date option exercisable
Treatt Executive Share Option Scheme No I	23,329	1,000	209p	Between June 2004 and June 2011
Treatt Executive Share Option Scheme No II	24,671	–	209p	Between June 2004 and June 2008

(b) The options outstanding at 30 September for which a share-based payment charge of £21,000 (2006: £23,000) has been made are as follows:

	Number of shares outstanding	Number exercised in a year	Exercise price per share	Date option exercisable
R. C. Treatt Employee Save As You Earn Share Scheme 2004 **"SAYE 2004"**	353	52,867	160p	Between September 2007 and March 2008
R. C. Treatt Employee Save As You Earn Share Scheme 2005 **"SAYE 2005"**	32,030	–	218.8p	Between September 2008 and March 2009
R. C. Treatt Employee Save As You Earn Share Scheme 2006 **"SAYE 2006"**	43,011	–	238.6p	Between September 2009 and March 2010
R. C. Treatt Employee Save As You Earn Share Scheme 2007 **"SAYE 2007"**	44,599	–	258p	Between September 2010 and March 2011
Treatt USA Employee Stock Purchase Plan 2006 **"TUSA 2006"**	–	4,148	273.3p	July 2007
Treatt USA Employee Stock Purchase Plan 2007 **"TUSA 2007"**	3,828	–	270p	July 2008

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 2004	SAYE 2005	SAYE 2006	SAYE 2007	TUSA 2006	TUSA 2007
Share price at date of grant	200.0p	273.5p	298.3p	316.5p	321.5p	316.5p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	1 year	1 year
Expected life	3 years	3 years	3 years	3 years	1 year	1 year
Expected volatility	21.2%	18.8%	18.4%	17.8%	22.8%	9.4%
Risk free interest rate	5.07%	4.17%	4.73%	5.63%	4.73%	5.63%
Dividend yield	4.2%	3.4%	3.3%	3.3%	3.0%	3.03%
Expected forfeitures	7.0%	10.0%	10.5%	7.5%	21.0%	20.0%
Fair value per option at date of grant	47.7p	64.1p	72.8p	90.2p	58.9p	50.7p

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.

Notes to the Financial Statements continued

For the year ended 30 September 2007

20. SHARE-BASED PAYMENTS (Continued)

(c) Details of movements in share options during the year was as follows:

	2007 No. of options	**2007** Weighted average exercise price	2006 No. of options	2006 Weighted average exercise price
Outstanding at start of period	**186,101**	**£2.06**	178,881	£1.96
Granted during the period	**49,159**	**£2.59**	51,077	£2.42
Forfeited during the period	**(5,424)**	**£2.43**	(6,039)	£1.98
Exercised during the period	**(58,015)**	**£1.69**	(37,818)	£2.12
Outstanding at end of period	**171,821**	**£2.32**	186,101	£2.06
Exercisable at end of period	**48,353**	**£2.09**	49,000	£2.09

Forfeiture arises when the employee leaves within the vesting period. The options outstanding had a weighted average remaining contractual period of 2.4 years (2006: 2.5 years).

The weighted average actual market share prices on date of exercise for share options exercised during the year was 307.5 pence (2006: 316.6 pence).

21. RESERVES

	No.	Own shares in share trust £'000	Share premium £'000	Retained earnings £'000	Foreign exchange reserve £'000	Employee share option reserve £'000	Total £'000
Group							
1 October 2005	*300*	*(625)*	*2,143*	*15,358*	*(699)*	*14*	*16,191*
Net profit for the period	–	–	–	*2,332*	–	–	*2,332*
Dividends	–	–	–	*(949)*	–	–	*(949)*
Shares disposed of in the period	*(38)*	*79*	–	–	–	–	*79*
Gain on release of shares in share trust	–	–	–	*1*	–	–	*1*
Share–based payments	–	–	–	–	–	*23*	*23*
Exercise of options previously charged	–	–	–	*3*	–	*(3)*	–
Exchange differences	–	–	–	–	*(293)*	–	*(293)*
Actuarial loss on defined benefit pension scheme net of deferred tax	–	–	–	*(272)*	–	–	*(272)*
1 October 2006	262	(546)	2,143	16,473	(992)	34	17,112
Net profit for the period	–	–	–	2,027	–	–	2,027
Dividends	–	–	–	(1,053)	–	–	(1,053)
Shares acquired in the period	105	(328)	–	–	–	–	(328)
Shares disposed of in the period	(58)	131	–	–	–	–	131
Premium arising on issue of equity shares	–	–	614	–	–	–	614
Loss on release of shares in share trust	–	–	–	(34)	–	–	(34)
Share-based payments	–	–	–	–	–	21	21
Exercise of options previously charged	–	–	–	26	–	(26)	–
Exchange differences	–	–	–	–	(509)	–	(509)
Actuarial gain on defined benefit pension scheme net of deferred tax	–	–	–	1,368	–	–	1,368
30 September 2007	**309**	**(743)**	**2,757**	**18,807**	**(1,501)**	**29**	**19,349**
Company							
1 October 2005	*300*	*(625)*	*2,143*	*1,639*	–	–	*3,157*
Shares disposed of in the period	*(38)*	*79*	–	–	–	–	*79*
Gain on release of shares in share trust	–	–	–	*1*	–	–	*1*
1 October 2006	262	(546)	2,143	1,640	–	–	3,237
Net profit for the year	–	–	–	1,002	–	–	1,002
Dividends	–	–	–	(1,053)	–	–	(1,053)
Shares acquired in the period	105	(328)	–	–	–	–	(328)
Shares disposed of in the period	(58)	131	–	–	–	–	131
Premium arising on issue of equity shares	–	–	614	–	–	–	614
Loss on release of shares in share trust	–	–	–	(34)	–	–	(34)
30 September 2007	**309**	**(743)**	**2,757**	**1,555**	**–**	**–**	**3,569**

21. RESERVES (Continued)

Employee Benefit Trust
The shares held in the Treatt Employee Benefit Trust ('the Trust') are all held to meet options to be exercised by employees. The number of shares held by the Trust, together with the net acquisition costs, are shown above. Dividends on these shares have been waived except for 0.001p per share.

The market value of the shares held by the Trust at 30 September 2007 was £933,000 (2006: £847,000).

22. ANALYSIS OF NET DEBT

	2006 £'000	Cash flow £'000	Exchange difference £'000	**2007** **£'000**
Bank overdrafts	(2,573)	(5,733)	49	**(8,257)**
Bank loans due in one year	(137)	–	12	**(125)**
Bank loans due after more than one year	(1,927)	125	160	**(1,642)**
	(4,637)	(5,608)	221	**(10,024)**

23. PENSION SCHEMES

The Group has continued to operate a defined benefit pension scheme for certain UK employees. The scheme's assets are held separately from the assets of the Group and are administered by trustees and managed professionally. From 1 October 2001 this scheme was closed to new entrants, who are eligible to join a stakeholder defined contribution scheme. Similarly, a defined contribution scheme (known as a 401k scheme) is operated for employees of Treatt USA Inc.

The defined contribution schemes are operated on behalf of these employees and assets 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:

	2007 **£'000**	2006 £'000
Defined benefit scheme – current service cost	**484**	495
UK Stakeholder defined contribution scheme	**90**	74
USA 401k defined contribution scheme	**43**	44
Other pension costs	**16**	19
	633	632

The Group now 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 2006 and updated by Mr NP 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 2007. 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:

	2007	2006
Discount rate	6.00%	5.25%
Inflation rate	3.30%	3.00%
Increase to deferred benefits during deferment	3.30%	3.00%
Increases to pensions in payment	3.10%	3.00%
Salary increases	3.30%	3.00%
Expected return on scheme assets*	7.80%	7.31%
Mortality table	PCXL00 lc average birth year 110% scaling with min of 1.5% p.a. improvements	PA92C2020 mc (PA92C2010 mc for current pensioners)

* The assumption for the expected return on the scheme's assets is derived as a weighted average of the expected returns on each asset class, recognising the proportions of the assets invested in each.

The Group expects to make on-going contributions of approximately £600,000 to its defined benefit pension scheme in 2008 (2007: £633,000).

Notes to the Financial Statements continued

For the year ended 30 September 2007

23. PENSION SCHEMES (Continued)

	Long term rate of return expected at 30/9/2007	**Value at 30/9/2007 £'000**	Long term rate of return expected at 30/9/2006	Value at 30/9/2006 £'000
The assets in the scheme and the expected rate of return were:				
Equities	**8.50%**	**8,674**	8.00%	7,109
Bonds	**6.00%**	**2,589**	5.25%	1,875
Other	**6.00%**	**829**	5.25%	537
Fair value of scheme assets		**12,092**		9,521
Present value of funded obligations (scheme liabilities)		**(12,022)**		(12,611)
Surplus/(deficit) in the scheme recognised in the balance sheet		**70**		(3,090)
Related deferred tax		**(20)**		927
Net pension asset/(liability)		**50**		(2,163)

Changes in scheme liabilities

Balance at start of period	**(12,611)**	(11,220)
Current service cost	**(484)**	(495)
Interest cost	**(670)**	(587)
Benefits paid	**185**	346
Actuarial gains/(losses)	**1,558**	(655)
Balance at end of period	**(12,022)**	(12,611)

Changes in scheme assets

Balance at start of period	**9,521**	7,981
Expected return on scheme assets	**746**	612
Employer contributions	**1,668**	1,008
Benefits paid	**(185)**	(346)
Actuarial gains	**342**	266
Balance at end of period	**12,092**	9,521

23. PENSION SCHEMES (Continued)

	2007 £'000	2006 £'000
Amount charged to operating profit		
Current service cost (excluding employee contributions)	**(484)**	(495)
Total operating charge	**(484)**	(495)
Amount credited/(charged) to finance revenue/(costs)		
Expected return on assets	**746**	612
Interest on scheme liabilities	**(670)**	(587)
Net income	**76**	25
Net expense recognised in income statement	**(408)**	(470)
Amount recognised in statement of recognised income and expense		
Actual less expected return on assets	**342**	266
Experience gains on liabilities	**112**	932
Effect of change in assumptions on liabilities	**1,446**	(1,587)
Total gain/(loss) recognised in statement of recognised income and expense	**1,900**	(389)
Actual return on scheme assets	**1,088**	878
Statement of recognised income and expense		
Actuarial gain from assets	**342**	266
Actuarial gain/(loss) from liabilities	**1,558**	(655)
Actuarial gain/(loss) recognised in statement of recognised income and expense	**1,900**	(389)
Cumulative actuarial gain/(loss) recognised in statement of recognised income and expense	**1,254**	(646)
Movement in balance sheet net asset/(liability) during the period		
Net liability at start of period	**(3,090)**	(3,239)
Current service cost (excluding employee contributions)	**(484)**	(495)
Cash contribution (excluding employee contributions)	**1,668**	1,008
Other finance income	**76**	25
Actuarial gain/(loss)	**1,900**	(389)
Net asset/(liability) at end of period	**70**	(3,090)

Notes to the Financial Statements continued

For the year ended 30 September 2007

23. PENSION SCHEMES (Continued)

History of scheme assets, liabilities, experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Scheme assets	**12,092**	9,521	7,981	6,525	5,726
Scheme liabilities	**(12,022)**	(12,611)	(11,220)	(9,469)	(8,725)
Difference between expected and actual returns on scheme assets:	**342**	266	964	202	236
Experience gains/(losses) on scheme liabilities:	**112**	932	(138)	(18)	(318)
Total actuarial gain/(loss):	**1,900**	(389)	(257)	107	(82)

24. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee
As at 30 September 2007, the Group had total commitments for future minimum lease payments under non–cancellable operating leases which fall due as follows:

	2007 £'000	2006 £'000
Within one year	**51**	40
In two to five years	**62**	47
	113	87

The Group as lessor
As at 30 September 2007, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2007 £'000	2006 £'000
Within one year	**21**	43
In two to five years	**–**	21
	21	64

25. CONTINGENT LIABILITIES

Company
The Company has guaranteed the Industrial Development Loan of Treatt USA Inc. At the balance sheet date the liability covered by this guarantee amounted to US$3,600,000 (£1,767,000) (2006: US$3,855,000 (£2,064,000)).

The Company has also guaranteed certain bank borrowings of its UK subsidiary undertaking, R.C. Treatt & Co. Limited. At the year end the liabilities covered by this guarantee amounted to £5,049,583 (2006: £5,753,849).

26. FINANCIAL INSTRUMENTS

(1) Maturity profile and terms of financial instruments

Details of the maturity profile and terms of the US Dollar Industrial Development Loan are disclosed in note 17.

The loan notes payable are made up as follows:	**2007 £'000**	2006 £'000
Series A Variable Rate Unsecured Loan Notes 2015	**475**	–
Series B Variable Rate Unsecured Loan Notes 2015	**200**	–
	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.

The loan notes receivable are made up as follows:

	2007 £'000	2006 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	**950**	–
Variable Rate Unsecured Loan Notes 2015 (B)	**400**	–
	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.

(2) The Group's exposure to interest rate risk is diversified as follows:

Financial assets	**2007 £'000**	2006 £'000
Bank balances:		
US Dollar	**108**	–
Sterling	**41**	2,756
Other currencies	**458**	10
Loan notes receivable:		
Sterling	**1,350**	–
	1,957	2,766

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 above.

	Floating rate financial liabilities		**Fixed rate financial liabilities**		**Total**	
Financial liabilities	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Bank balances:						
US Dollars	**4,964**	5,339	**1,767**	2,064	**6,731**	7,403
Sterling	**3,900**	–	**–**	–	**3,900**	–
Other currencies	**–**	–	**–**	–	**–**	–
Loan notes payable:						
Sterling	**675**	–	**–**	–	**675**	–
	9,539	5,339	**1,767**	2,064	**11,306**	7,403

Fixed rate financial liabilities comprise the Industrial Development Loan of US$3,600,000 (see note 17) (2006: US$3,855,000).

Interest on bank overdrafts is charged at between 1% and 1.25% above bank base or currency LIBOR rates. The terms of the loan notes payable are shown above.

Notes to the Financial Statements continued

For the year ended 30 September 2007

26. FINANCIAL INSTRUMENTS (Continued)

(3) Fair values of financial assets and liabilities

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

(4) Hedges

As explained in the operating and financial reviews on pages 7 to 10 the Group's policy is to hedge currency risk in times of significant currency fluctuations using forward foreign currency contracts for debtors and liabilities. At the year end there were no unrecognised or deferred gains or losses on forward foreign currency trading contracts.

(5) Currency exposure

The Group's currency exposure, i.e. 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 2007	**(3,231)**	**1,129**	**(2,102)**
At 30 September 2006	(3,596)	673	(2,923)

(6) Borrowing Facilities

At 30 September 2007, the Group had undrawn, committed borrowing facilities of £4.104m (2006: £9.566m) expiring in 2008. Total facilities of £12.445m (2006: £12.177m) expire in one year or less.

27. RELATED PARTY TRANSACTIONS

Following the investment in the Earthoil companies (see note 12), Treatt Plc entered into the following material transactions with joint ventures:

Company and Group

	Earthoil Plantations Limited		Earthoil Kenya Pty EPZ Limited	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Amounts received from related parties during the period:				
Interest received on loan notes	**36**	–	**15**	–
Amounts owed by related parties at year end:				
Redeemable loan notes receivable	**950**	–	**400**	–

No other material related party transactions took place during the financial year.

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 18 February 2008 at 11.30 am at the West Wing at Ickworth, Ickworth, Horringer, Bury St. Edmunds, Suffolk, IP29 5QE 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 4BR 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 will be held at The West Wing at Ickworth, Ickworth, Horringer, Bury St. Edmunds, Suffolk, IP29 5QE on 18 February 2008, at 11.30 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2007, 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 7.3p per share on the ordinary shares of the Company for the year ended 30 September 2007.

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

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

6. To re-elect A.J. Haines as a Director of the Company.

7. To re-elect P.A. Thorburn as a Director of the Company.

8. 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.

9. 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 10 will be proposed as an Ordinary Resolution and Resolutions 11 and 12 will be proposed as Special Resolutions.

10. THAT:

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

(i) this authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 17 May 2009; and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £201,500 (representing approximately 19.2 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 equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and

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

Notice of Annual General Meeting continued

11. THAT:

(a) Conditionally upon the passing of Resolution 10 above and in accordance with Section 95 of the Act, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 10 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that:

(i) the power hereby granted shall be limited:

(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 17 May 2009;

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

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

12. THAT :

The Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 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 2009, 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:
R.A. Hope Secretary	Northern Way Bury St Edmunds Suffolk
18 December 2007	IP32 6NL

The note on voting procedures, together with explanatory notes on the resolutions to be put to the meeting, which follow on pages 51 to 53 form part of this notice.

NOTE ON VOTING PROCEDURES:

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him or her. The proxy need not be a member of the Company. A form of proxy is provided with this notice and instructions for use are shown on the form. Instruments appointing proxies must be lodged with the Company's registrars not less than forty eight 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.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company as at 11.30 am on 14 February 2008 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at 11.30 am on 14 February 2008. Changes to entries in the Register of Members after 11.30 am on 14 February 2007 shall be disregarded in determining the rights of any person to attend or vote at this meeting.

A statement of Directors' share transactions and copies of their service contracts, 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.

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 18 February 2008 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 to 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.

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; or
writing to: The Company Secretary, Treatt Plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL.

No other methods of communication will be accepted.

Notice of Annual General Meeting continued

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 18.

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 7.3 pence 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 2008. If approved, the date of payment of the final dividend will be 7 March 2008. An interim dividend of 3.5 pence per Ordinary Share was paid on 1 October 2007. This represents an increase of 0.3 pence per share, or 3 per cent, on the total 2006 dividend.

Re-election of Directors (Resolutions 4 to 7)
In accordance with the Corporate Governance Statement all Directors retire at least every three years and that all newly appointed Directors retire at the first annual general meeting following their appointment. Furthermore, in line with the Combined Code on Corporate Governance (Provision A.7.2), it is the Company's practice that any Non-executive Director having been in post for nine years or more is subject to annual re-election.

At this meeting, D.D. Appleby, E.W. Dawnay, A.J. Haines and P.A. Thorburn will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 12. 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 8 and 9)
Resolutions 8 and 9 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 10)
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 will expire at the conclusion of the next annual general meeting of the Company in 2009 or, if earlier, on 17 May 2009 (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 £201,500, approximately 19.2 per cent of the Company's issued ordinary share capital as at 18 December 2007.

Disapplication of pre-emption rights (Resolution 11)
Under section 89(1) 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 11 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 18 December 2007. 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 2009 or, if earlier, 17 May 2009 (the date which is 15 months after the date of passing of the resolution).

EXPLANATORY NOTES (Continued)

Authority to purchase own shares (Resolution 12)
In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 12 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 18 December 2007) and the maximum and minimum prices at which they may be bought.

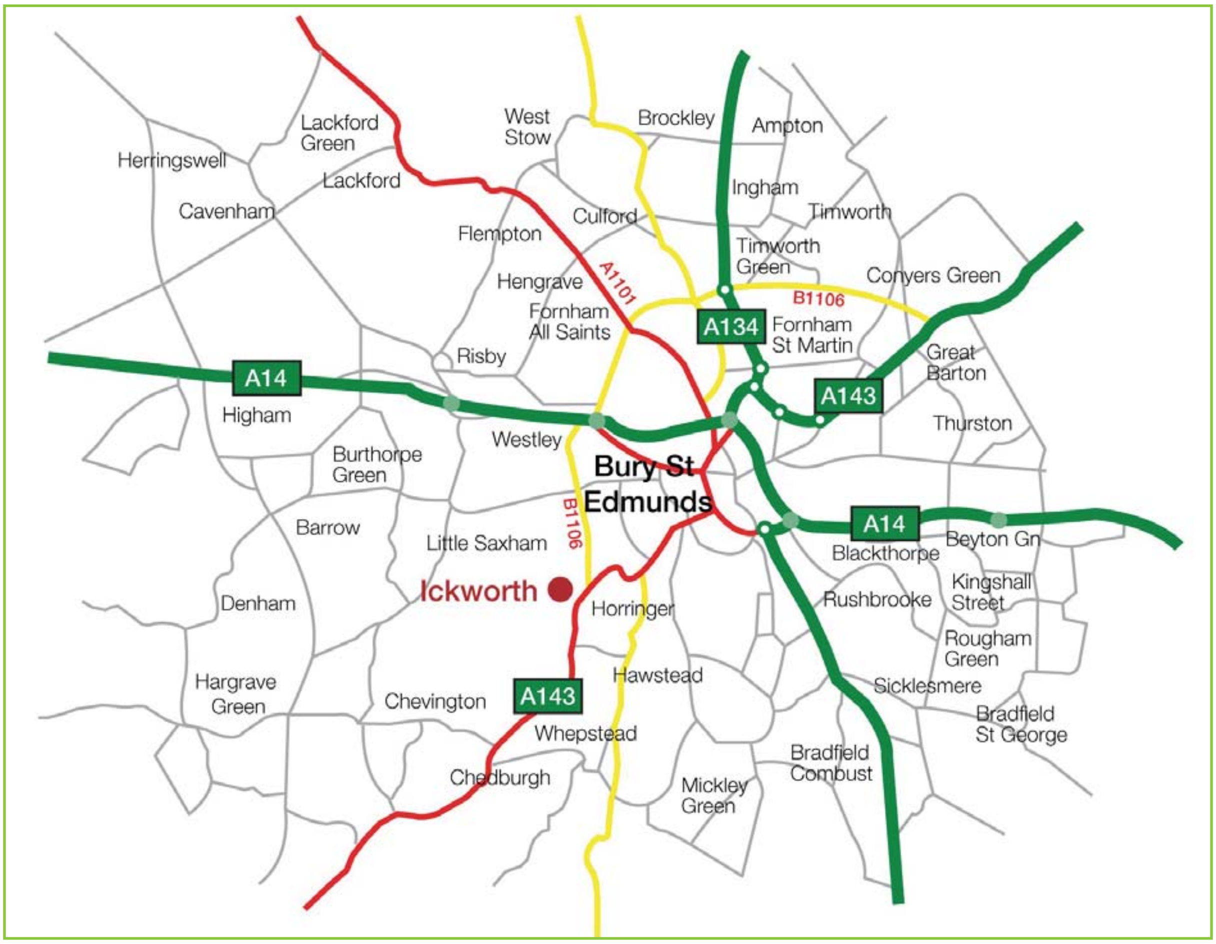
The total number of options to subscribe for ordinary shares that were outstanding at 18 December 2007 was 171,821. The proportion of issued share capital that they represented at that time was 1.64 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 1.82 per cent.

Resolution 12 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 2009 or, if earlier, 17 May 2009 (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.

Notice of Annual General Meeting continued

Directions to the Annual General Meeting, being held at 11.30 am at The West Wing at Ickworth, Ickworth, Horringer, Bury St. Edmunds, Suffolk, IP29 5QE on Monday 18th February 2008.



By road:
Ickworth Park is in Horringer, 3 miles south west of Bury St Edmunds on A143 (signposted from A14).

On entry to the park proceed straight on to the main visitor car park. Do not turn left into the hotel. If you are stopped at the ticket kiosk please inform the person on duty that you are attending an event at the West Wing and do not pay an entrance charge.

Leave your car in the car park and walk up to The West Wing which is to the right of The Rotunda. Please note there is strictly no parking outside The Rotunda and West Wing other than for disabled visitors.

The main visitor Reception is on the ground floor and there are lifts to all floors.

Lemon Sourcing

Treatt sources lemon oil from a variety of continents world-wide to ensure continuity of supply to our global customer base.

Lemon oil is used extensively in flavour and fragrance applications imparting fresh and juicy character into a wide range of products.

Treatt's global purchasing team travel regularly to origin to understand the supply dynamics situation and work with suppliers in order to strengthen relationships for the long term and to maintain continuity of supply.

Treatt's innovation extends to sourcing where we seek to develop new sources of supply and new origins, supporting emerging suppliers through a rigorous supplier approval programme which encompasses key corporate social responsibility aspects such as Child Labour.

Lemons in China

Tucuman, Argentina
Nursery Exclusively for Lemon

Argentinian Lemon Plantation

In 2006, Treatt published an essential oil world map showing the geographical regions of the world where they grow.

For a copy of this world map, please email worldmap@treatt.com or alternatively visit our website, www.treatt.com

Form of Proxy

I/We (Note 2) ....
(PLEASE USE BLOCK CAPITAL)
being member(s) of Treatt plc hereby appoint the Chairman of the Meeting (Note 3)

.... (Note 4)
as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 18 February 2008 and at any adjournment thereof. In respect of the Resolutions set out in the Notice of Meeting, my/our proxy is to vote as indicated below (Note 5).

If this form is signed and returned without any indication as to how my/our proxy shall vote, my/our proxy may exercise his or her discretion as to how he or she votes (including as to any amendments to the resolutions) and whether or not he or she abstains from voting.

I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

	RESOLUTIONS Ordinary Business	*For*	*Against*	*Abstain*
1.	To receive and adopt the accounts 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 for the year ended 30 September 2007	☐	☐	☐
2.	To receive, adopt and approve the Directors' Remuneration Report	☐	☐	☐
3.	To approve a final dividend of 7.3p per share on the ordinary shares of the Company for the year ended 30 September 2007	☐	☐	☐
4.	To re-elect D.D Appleby as a Director of the Company	☐	☐	☐
5.	To re-elect E.W. Dawnay as a Director of the Company	☐	☐	☐
6.	To re-elect A.J. Haines as a Director of the Company	☐	☐	☐
7.	To re-elect P.A. Thorburn as a Director of the Company	☐	☐	☐
8.	To re-appoint Baker Tilly UK Audit LLP as Auditors	☐	☐	☐
9.	To authorise the Directors to determine the Auditor's remuneration	☐	☐	☐
	Special Business			
10.	To authorise the Directors to allot shares	☐	☐	☐
11.	To disapply Section 89 of the Companies Act 1985	☐	☐	☐
12.	To authorise the Company to make market purchases of its own shares	☐	☐	☐

Date: ....

Signature: .... (Note 6)

Address: ....

....

....

Notes:

(1) As a member of the Company you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You must follow the appointment procedures set out in these notes.

(2) All joint holders must be named, but the signature of the senior who tenders a vote will be taken to the exclusion of all others, seniority being determined by how the names stand on the Register of Members (the first-named being the more senior).

(3) You may, if you wish, strike out the words 'The Chairman of the Meeting' and substitute the name of some other person who need not be a member. The appointment of a proxy will not prevent a member from attending and voting in person if he wishes to do so.

(4) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, please insert the name of each proxy to be appointed in the relevant section above and insert in brackets after each name the number of shares in respect of which each respective proxy is appointed.

(5) Please indicate, by inserting 'X' in the appropriate box, how you wish your vote to be cast in respect of each of the numbered resolutions. **If no indication is given the proxy will vote or abstain as he / she thinks fit.** To abstain from voting on a resolution select the relevant "Abstain" box. Please note that an abstention is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no specific direction as to how you wish your vote to be cast is given, your proxy may vote or abstain, at his or her discretion. On any other business which is put before the meeting (including a motion to adjourn the meeting or to amend a resolution) the proxy will vote (or abstain from voting) at his or her discretion.

(6) In the case of a corporation this form of proxy must be under its common seal or under the hand of a duly authorised officer.

(7) This form of proxy (and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof) must be deposited at the office of the Registrar of the Company not less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting. If this proxy form is executed under a power of attorney or any other authority the original power or authority (or a duly certified copy of such power or authority) must be lodged together with this proxy form.

(8) CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent, CAPITA Registrars (ID: RA10) by 11.30am on 14 February 2008. See the notes to the accompanying notice of annual general meeting for further information on proxy appointment through CREST.

If you have any queries on completing this form please contact the Company Secretary on telephone number +44 1284 702500.

FOLD TWO

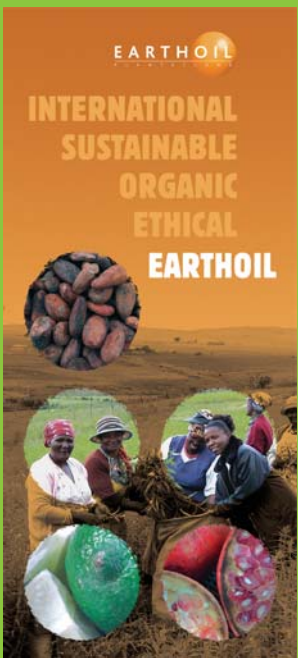
BUSINESS REPLY SERVICE
Licence No. MB 122

1

CAPITA Registrars
Proxies Department
PO Box 25
BECKENHAM
Kent BR3 4BR

FOLD ONE

FOLD THREE



In February 2007, Treatt plc and Earthoil announced a strategic investment by Treatt in the Earthoil group of companies.

www.earthoil.com

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PLC

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