Annual Report & Financial Statements 2008

Essential Innovative Natural

TREATT PLC

About the Group

Treatt is a manufacturer and supplier of ingredients to the flavour, fragrance and cosmetics industries.

The flavour and fragrance ingredients are used by Treatt's clients as part of a flavour or fragrance. This flavour or fragrance may comprise of many different ingredients.

Earthoil, a subsidiary of Treatt plc, specialises in the sourcing, production and manufacture of ingredients for the cosmetics sector. Their products include organic, ethically-traded and conventional essential oils, specialty cold pressed vegetable and seed oils. These are used in cosmetic preparations.

The ingredients R. C. Treatt and Treatt USA manufacture are mainly based on essential oils, which are distilled or blended, and the Treattarome™ range of natural distillates which are made 'from the named food'. Treatt also distributes a range of aroma chemicals to the flavour and fragrance industries. Typical products 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.

The Earthoil range of products include such items as organic almond oil, cocoa butter, macadamia oil, passionfruit seed oil and teatree oil for direct use in the cosmetics industry.

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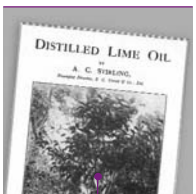
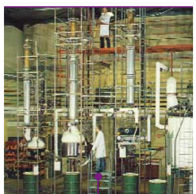





1886 R.C. Treatt founded by Richard Court Treatt in Bond Street, London

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

	2008	2007
REVENUE	**£49.64m**	£38.07m
PROFIT BEFORE TAX	**£3.06m**	£2.83m
EARNINGS PER SHARE (Basic)	**19.4p**	20.0p
DIVIDENDS PER SHARE*	**11.2p**	10.8p
NET ASSETS PER SHARE	**£2.06**	£1.95

* 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

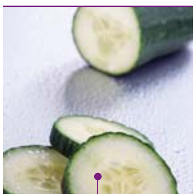
2007/8

Financial year ended	30 September 2008
Results for year announced	15 December 2008
Annual Report and Financial Statements published	19 December 2008
Final dividend for 2008 goes 'ex-dividend'	28 January 2009
Record date for 2008 final dividend	30 January 2009
Last day for Dividend Reinvestment Plan Election	9 February 2009
Annual General Meeting	23 February 2009
Final dividend for 2008 paid	6 March 2009

2008/9

Interim results to 31 March 2009 announced	26 May 2009*
Financial year ended	30 September 2009
Interim dividend for 2009 paid	2 October 2009*
Results for year announced	7 December 2009*
Final dividend for 2009 paid	5 March 2010*

* 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

2008 Treatt plc acquires 100% of the Earthoil Group of Companies.

Company Information and Advisers

Directors	Edward William Dawnay (Chairman and Non-executive Director) Hugo William Bovill (Managing Director) James Richard Grace (Non-executive Director – appointed 1 October 2008) 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 E.Mail: co.sec@treatt.com Fax: + 44 (0) 1284 714880 Website: http://www.treatt.com
Registration Number	1568937
Audit Committee	Edward William Dawnay (Chairman) Peter Alan Thorburn Douglas David Appleby James Richard Grace
Remuneration Committee	Peter Alan Thorburn (Chairman) Edward William Dawnay Douglas David Appleby James Richard Grace
Nomination Committee	Edward William Dawnay (Chairman) Douglas David Appleby Hugo William Bovill Peter Alan Thorburn James Richard Grace
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, 5 New Street Square, London, EC4A 3TW
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 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				
	2004[1] £'000	2005[2] £'000	2006[3] £'000	2007[3] £'000	**2008[3] £'000**
INCOME STATEMENT					
Revenue	31,809	32,521	35,411	38,066	**49,641**
Profit before exceptional items	2,307	3,406	3,288	2,828	**3,064**
Exceptional items	61	–	–	–	**–**
Profit before taxation	2,368	3,406	3,288	2,828	**3,064**
Taxation	(669)	(1,070)	(956)	(801)	**(1,090)**
Minority Interest	–	–	–	–	**5**
Profit for the year attributable to equity shareholders in parent company	1,699	2,336	2,332	2,027	**1,979**
BALANCE SHEET					
Property, plant and equipment	9,536	8,650	8,484	8,456	**9,461**
Intangible assets	n/a	724	581	455	**336**
Goodwill	–	–	–	–	**3,763**
Interests in joint ventures	–	–	–	2,613	**–**
Deferred tax asset/(liability)	(519)	521	457	(474)	**(94)**
Non-current trade and other receivables	–	–	–	–	**361**
Current assets	15,171	17,410	20,465	23,075	**32,358**
Current liabilities	(4,592)	(4,667)	(6,829)	(12,831)	**(21,185)**
Non-current trade and other payables	–	–	–	–	**(178)**
Non-current bank loans	(2,271)	(2,179)	(1,927)	(1,642)	**(2,016)**
Post-employment benefits	n/a	(3,239)	(3,090)	70	**(538)**
Redeemable loan notes (net)	–	–	–	675	**(675)**
Total equity	17,325	17,220	18,141	20,397	**21,593**
CASH FLOW					
Cash generated from operating activities	4,952	2,638	341	657	**(1,078)**
Net interest paid	(123)	(90)	(235)	(512)	**(722)**
Dividends paid	(861)	(895)	(949)	(1,053)	**(1,100)**
Corporation tax paid	(312)	(812)	(1,153)	(628)	**(730)**
Additions to non-current assets	(646)	(862)	(816)	(1,067)	**(1,127)**
Acquisition of interests in joint ventures/subsidiaries	–	–	–	(1,375)	**(735)**
Purchase of redeemable loan notes	–	–	–	(1,350)	**–**
Net sale/(purchase) of own shares by Share Trust	(278)	(347)	79	(231)	**(22)**
Other cash flows	203	(55)	122	172	**(250)**
(Decrease)/increase in net cash	2,935	(423)	(2,611)	(5,387)	**(5,764)**
Net borrowings	(1,603)	(2,026)	(4,637)	(10,024)	**(15,788)**
RATIOS					
Earnings per share before exceptional items (basic)	16.0p	23.3p	23.3p	20.0p	**19.4p**
Dividend per share[4]	8.8p	9.5p	10.5p	10.8p	**11.2p**
Dividend cover (times)[4]	1.90	2.46	2.21	1.85	**1.74**
Net assets per share	168.0p	167.3p	176.3p	194.6p	**206.1p**

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 For 2005 to 2008 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 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

"Group revenues grew from £38m to £50m, an increase of 30%"

In 2008, Group revenue continued to grow with an increase for the year of 30.4% to £49.64m (2007: £38.07m). Group earnings before interest, tax, depreciation and amortisation increased by 7.7% to £4.50m (2007: £4.17m) with profit before tax for the year up by 8.4% to £3.06m (2007: £2.83m). Basic earnings per share reduced to 19.4 pence (2007: 20.0 pence). Net assets per share have increased by 5.9% to 206.1 pence per share (2007: 194.6 pence per share).

The Board is proposing a final dividend of 7.6 pence (2007: 7.3 pence), increasing the total dividend for the year by 3.7% to 11.2 pence (2007: 10.8 pence) per share. The final dividend will be payable on 6 March 2009 to all shareholders on the register at close of business on 30 January 2009.

Overall the Group has had a good year, with the core businesses of R.C. Treatt and Treatt USA performing well. Group operating profit before foreign exchange translation differences increased by 42% to £4.2m (2007: £2.9m). In particular, Treatt USA recovered from a poor 2007 to achieve record sales and profits in 2008 and R.C. Treatt continued to meet expectations. Following losses within the Earthoil joint venture, the Group acquired the remaining 50% of Earthoil and then took immediate steps to reduce costs and begin to increase sales. In total, the combined joint venture and subsidiary losses of Earthoil for the year were £0.6m.

In the last two months of the financial year the world financial crisis had a significant effect, as the sharp strengthening of the US Dollar resulted in adverse foreign exchange translation differences for the year totalling more than £0.5m as explained below. Sales of orange oil products, which represent 19% of Group revenue (2007: 16%), increased by 54% during the year whilst contribution from orange oil products rose by 42% as a result of significant capacity and efficiency improvements. The price of orange oil has remained relatively stable above US$2/kg throughout the year.

As explained in our Interim Statement, following the worldwide shortage of lemons there was, as expected, a very sharp increase in the price of lemon oil. This had several significant effects on the Group. As a consequence of raw material shortages, the Group took immediate steps to secure and strengthen its inventory position which consequently enabled it to win new business as well as generate some stock profits as a result of using lower cost lemon oil against higher priced sales. However, the Group will also suffer some significant losses over the coming year on fixed price contracts which were agreed before these increases arose, which has therefore resulted in an onerous contract provision of £0.4m for the year.

R.C. Treatt, the Group's UK operating subsidiary, continued to operate strongly with particularly healthy growth in the Middle and Far East. Global aroma chemical sales grew by 13% reflecting higher costs and selling prices, whilst sales of manufactured citrus essential oils increased by 35%. Revenue has increased by 23% to £36.6m (2007: £29.7m), with profits up by 7%. Towards the end of the financial year the US Dollar strengthened in a very short space of time from $2=£1 to $1.78=£1 which resulted in an adverse foreign exchange hedging translation difference of £0.5m. Since the year end the US Dollar has strengthened to approximately $1.50 resulting in further adverse foreign exchange translation differences. For details of the Group's hedging policy see the Financial Review on pages 9 to 10.

Treatt USA's profits in 2008 increased substantially to a new record high, whilst sales in US Dollars grew by 37%. The excellent result for the year was helped by some one-off gains on lemon oil sales, but nevertheless the US business did perform well across its product portfolio. The growth in Treattarome™ sales continued with an increase, in US Dollars, of 28% (2007: 13%) across a wide range of products.

Following the full acquisition of Earthoil in April 2008, the results of Earthoil have improved, resulting in a break even position for the final quarter of the year. The Board continue to believe that the strategic benefits of Earthoil to the Treatt Group will materialise over time. Earthoil now comprises organic (and ethical trade) farming and production projects in India, Kenya and South Africa and through the ethical trade projects, the Earthoil Organic Foundations in Kenya and India will be able to support community projects from the ethical trade premiums.

In summary, the Group continues to demonstrate its position as one of the leading, independent and truly global suppliers of ingredients (natural, organic, ethically-traded and conventional) for the flavour, fragrance and cosmetics industries. The Group also remains a world leader in agricultural food science and analysis.

Final Salary Pension Scheme

As one would expect, the final salary pension scheme returned to deficit compared to an asset last year of £0.05m, resulting in a deficit this year of £0.39m after deferred tax. The significant investment losses in the scheme were offset in large part by a reduction in the liabilities of the scheme. The actuary has confirmed that the liability remains on schedule to be eliminated by 2016. For further information on this please see the Financial Review on page 10.

Prospects

Although the Group continues to trade in line with management expectations, clearly the coming months are going to see a period of significant economic uncertainty and it is unclear how this will affect demand for Treatt's products. As explained above, the further strengthening of the US Dollar since the year end has resulted in substantial adverse foreign exchange translation differences totalling £1m. However, as a result of the stronger Dollar, margins are increasing as Dollar denominated inventory, which was purchased when the Dollar was weaker, is now being sold. The underlying businesses continue to perform well with sales for October and November being significantly up on the same period last year.

As petroleum and other world commodity prices start to fall, we are expecting to see some raw material price reductions although this will, in part, be offset by the strength of the US Dollar. With sales to 90 countries around the world markets are expected to be difficult but Group order books are currently 70% higher than they were a year ago, with 75% being denominated in US Dollars.

People

We are pleased to welcome James Grace to the Board as a Non-executive Director. James has been familiar with Treatt's business for many years and brings with him a wealth of financial and City experience as well as having served as a Non-executive for a number of other businesses. 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
12 December 2008

Operating Review

"Continued investment in the Group's manufacturing capabilities has resulted in a significant increase in the production of manufactured essential oils"

As reported last year, the financial year began with the implementation of highly cost effective investment and improvement to the UK's manufacturing facilities, which has already achieved pay back within the financial year. In addition the Group continued to make substantial operational improvements throughout 2008. This investment has enabled the Group to increase production of added–value manufactured products. In time, this should enable the Group to increase market share, whilst maintaining margins.

Over the year, the Group also began to fully integrate Earthoil's operations within those of the Treatt Group in order to maximise efficiency and operational synergies. This included moving Earthoil's UK business onto the Group's J.D. Edwards Enterprise Resource Planning (ERP) system in November 2007, moving all organic essential oil inventory and activity to R.C. Treatt's site in Bury St. Edmunds and fully integrating Earthoil personnel within the Treatt organisation structure.

The Group continues to place a very high level of priority on managing its inventory levels. Although inventory levels have increased in value by 19% on a like for like basis (ie excluding Earthoil), this is set against the back drop of a 70% increase in order books. Overarching control of inventories is carried out by stock teams in both the UK and US who meet frequently, and review in detail, information using a number of IT tools linked in to the ERP system. As a consequence of the work carried out in this area, less than 1% of Group inventory is more than two years old at the year end. In addition, the Group continues to improve and develop its ERP system through a process of continuous enhancement.

With the Group's continued growth, we are focused on maximising the potential from our properties and are constantly seeking ways of improving our use of the resources available to us. Following a review of our property requirements, the Board has decided to give notice to tenants occupying one of the buildings in Bury St. Edmunds. This will enable the Group to utilise an additional 14,000 sq. ft. of production, storage and office space and will also make available a significant area of outside storage. The Board will also keep under review the need for appropriate additional premises if they become available in suitable locations, however such investment is unlikely in the next twelve months.

Treatt continues to take an active role in our sector of the chemical industry in the implementation process for the European REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulations which will have a major impact on the chemical industry in Europe over the next decade. The Group is currently a member of several trade association led 'pre-consortiums.' The pre-registration phase has come to an end and Treatt is well positioned for the next phases having submitted several hundred pre-registrations. We are therefore poised to implement the requirements of this highly complex and costly legislation as and when required. Indeed, Treatt remains committed to playing an active role in debating, lobbying and implementing legislative change and we continue to demonstrate our commitment to trade organisations throughout the industry, with the Group's Managing Director having held the position of President of the International Federation of Essential Oils and Aroma Trades (IFEAT) for the last three years.

The Group also continues to place significant importance on developing its disaster recovery and business continuity plans and has put in place a highly detailed plan for R.C. Treatt in order to ensure that it is able to respond effectively should a major unforeseen event occur. Utilising the expertise developed during the preparation of this plan, it will now be extended and developed to incorporate Treatt USA as well.

During the course of the year, Treatt bought and sold materials in almost one hundred countries around the world. In addition, Earthoil now produces organic and ethically-traded essential and vegetable oils in Kenya, South Africa and India. 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 19% (2007: 16%) of Group revenue, remained at historically high levels, being consistently above US$2/kg. In addition, the market price of orange terpenes, in turn a co-product from orange oil, has remained firm for most of the year. In contrast, lemon oil prices increased very sharply during the year from about US$20/kg to closer to US$55/kg which had a significant impact on the results for the year, as explained in the Chairman's statement. Lemon oil has always been a significant item within Treatt's product portfolio.

R.C. Treatt

Revenue increased by 23% with sales to the top ten customers again representing just over one third of turnover. The increased manufacturing capacity referred to above led to a 61% increase in the volume of orange oil products which were sold in the year. This resulted in increased orange oil sales and contribution of 55% and 64% respectively. This demonstrates the fact that, without the adverse impact of foreign currency movements, the underlying performance of the UK business remains strong with operating profit before adverse foreign exchange translation differences increasing by 39%. As explained in the Chairman's Statement, the net impact of the strengthening US Dollar has been to reduce the Company's profits by more than £0.5m. 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 such that at a time when sales to the

Operating Review continued

UK and Europe remain under considerable pressure, revenues in various other territories such as the Middle and Far East have performed very well over the last year.

Treatt USA

This last year has seen Treatt USA bounce back with record sales and profits, following a disappointing and difficult 2007. Although Treatt USA did benefit from some stock profits in relation to lemon oil, the Company won some significant new citrus essential oil business. Treatt USA continues to grow its infrastructure and headcount on a carefully managed basis in order to meet the demands on the business, with its order book at year end being 95% up in US Dollar terms (130% increase in GBP). Treattarome™ products continue to provide exciting and innovative opportunities for growth with tea products, in particular, proving to be popular with a doubling of sales over the last year. Overall, Treattarome™ sales were up 28% (2007: 13%) year on year. Other Treattarome™ products which performed well in the year included sugar, honey, passion fruit and cucumber.

Treatt China

The Group's Shanghai office has now been open for more than two years and is proving to be of significant benefit with sales to Hong Kong and China having increased by 70% over the last year. The year did not, however, pass without its challenges, particularly in regard to the 'Olympics effect' which resulted in considerable difficulty for businesses importing and exporting in and out of China, together with the implementation of temporary restrictions on the movement of "hazardous" goods through the country. The Board believes that its activities in China remain very important to the future of the Group, both in terms of supply and sales.

Earthoil

The first six months of the financial year were very disappointing. During this time Earthoil was a 50% joint venture and its sales did not grow at the rate which was expected at the time of the investment. Consequently, the Group acquired the remaining 50% on a pure earn-out basis. As a result, and by building on Earthoil's excellent product range and leveraging Treatt's worldwide sales infrastructure, sales throughout the Earthoil Group of companies have started to improve. Through innovative ethical trade organic farming projects in both Kenya and India, Earthoil is continuing to develop and grow its sales of niche market products.

Investment for the Future

R.C. Treatt

The level of capital expenditure in 2008 of £0.9m (2007: £0.9m) was, as expected, in line with historic levels. In the current climate the Company plans to take a very conservative approach to capital expenditure over the coming year. Instead, the focus will be on maximising the pay back from the completion of recent projects. Priority for new capital projects will be given to those with very short (less than twelve month) pay back periods and a lower priority will be given to those of a long term strategic nature with little or no immediate impact on the Group's performance in the foreseeable future.

Treatt USA

The emphasis over the last year has been to invest in those areas of the business which were seeing the highest levels of growth, including the Treattarome™ and distillation areas, and a trans-atlantic Group project to enhance the manufacture of some high value-added products. Over the coming year the approach taken with regard to capital expenditure will be the same as at R.C. Treatt.

Research and Development (R&D)

Over the last few years the Group has made significant investments in R&D capabilities in the UK and US, both in terms of new product development and enhancing the technical capabilities in areas such as agricultural residue and industrial contaminant 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 Group strives to maintain a balance between longer serving employees and the creation of new positions, thus bringing stability and efficiency to all areas and meeting the ever changing strategic needs of the business. To this end the Group continues to place emphasis on staff training and personal development through both internal and external courses. In line with Government initiatives, the Group is accessing relevant training opportunities and funding whenever possible.

Financial Review

"Group operating profit before foreign exchange translation differences increased by 42% to £4.2m"

Performance Analysis

Income Statement

Group revenue increased by 30.4% during the year to £49.64m (2007: £38.07m). R.C. Treatt's sales rose by 23.3% whilst, in constant currency, sales at our USA subsidiary, Treatt USA, increased in US Dollars by 37.0%. Operating profit before foreign exchange translation differences increased by 42% to £4.2m (2007: £2.9m) whilst earnings before interest, tax, depreciation and amortisation for the year rose by 7.7% to £4.50m (2007: £4.17m). Group profit before tax increased by 8.4% to £3.06m (2007: £2.83m).

The total dividend for the year has been increased by 3.7% to 11.2p per share, resulting in a dividend cover of 1.74 times earnings.

In the final quarter of 2008 the US Dollar (being Treatt's most significant currency) strengthened sharply from $1.99 at the end of June to $1.78 at year end, a movement of 10.6%. Since the year end Sterling has now fallen below $1.50, a cumulative movement since June of 25%. As explained further on in this report under 'Treasury Policies', the Group hedges its foreign exchange risk at R.C. Treatt by holding and managing US Dollar borrowings. In the short term this can result in timing differences. As a result of the sharp movement in the US Dollar, the Group suffered adverse foreign exchange translation differences of £0.5m in the last quarter of the financial year with a further £1m adverse foreign exchange difference occurring since year end. However, over the next six months, the other side of the hedge will result in better margins as inventory which was purchased when the US Dollar was weak, is sold to customers in a range of currencies. Indeed, November's UK gross margin percentage was at its highest level since 2005. Finally, it should be noted that the strengthening of the US Dollar has increased Group net assets as a gain of £1.05m was recorded in 'The Statement of Total Recognised Income and Expense' in relation to the Group's investment in overseas subsidiaries, principally Treatt USA.

Sales of aromatic chemicals remained strong and Treattarome™ products continued to perform well. Revenue from orange oil products rose during the year by 54% with the contribution from these products increasing by 42%. For the reasons outlined in the Chairman's Statement, with a mix of stock profits and new business wins, lemon oil sales grew by 78%, with contribution more than doubled. Gross margins of 25.3% were achieved this year (2007: 26.8%) which reflects the fact that as commodity prices increased during the year, percentage margins were squeezed even if cash margins were maintained. In addition, the increased orange oil business at lower margins also resulted in a change to the Group's product mix. 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 good service as well.

The Group's administrative expenses increased by 12.8% to £8.1m (2007: £7.2m). On a like for like basis, the increase was 7.5% reflecting increases in payroll and energy costs particularly.

Staff numbers across the Group increased to 229 employees of which 33 relate to Earthoil, including colleagues in France, Kenya, India and South Africa.

The Group's net finance costs have increased from £0.44m to £0.49m. This was a 'net' movement, with interest costs increasing due to the higher levels of borrowing whilst on the positive side the pension finance income increased by £0.15m. Interest cover for the year was still 7.2 times (2007: 7.5 times).

Basic earnings per share for the year decreased to 19.4 pence (2007: 20.0 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 53,000 shares during the year, whilst 17,000 were exercised by UK employees under the 2005 Save As You Earn scheme. Following its establishment in 2004, the EBT currently holds 317,000 shares (2007: 309,000) 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.

Acquisition of Subsidiaries

As explained in the Chairman's Statement, in April 2008 the Group acquired the remaining 50% of 'Earthoil'. More information on Earthoil can be found at www.earthoil.com. The second 50% was acquired by making a £0.25m advance which is recoverable against either the earn-out in 2012, or if that is insufficient, against the redeemable loan notes payable in 2015. The earn-out consideration for the second 50% will be payable in 2012 and will be calculated as 5.5 times the average profits for the calendar years 2010 and 2011.

For the first six months of the year, Earthoil was a 50%-owned joint venture, and turned in a very disappointing trading result, generating a loss for the Group of £0.4m. In the next three months following 100% ownership, Earthoil continued to make a further loss of £0.4m. In the final three months of the year however, as steps taken by Treatt following the full acquisition started to have an effect, Earthoil broke even.

Cash Flow

During the year, total borrowings of the Group increased by £5.8m to £15.8m (2007: £10.0m). The Group has a mix of secured and unsecured borrowing facilities totalling £17.3m which expire in one year or less. Within the cash flows of the Group, the most significant related to inventories and accounts receivable which together tied up a further £7.7m of working capital. The cash outflow in relation to inventories totalled £3m

Financial Review continued

as a result of the combined effect of higher commodity prices and a 70% increase in order books. In order to secure supply and protect margins on fixed price contracts, as the order book has increased it has always been necessary to purchase raw materials to 'cover' contracts at the time orders are placed which can sometimes be more than a year ahead of scheduled deliveries. Therefore it is part of the Group's business model that an increase in orders tends to increase inventories.

Capital expenditure for the year increased slightly to £1.1m (2007: £1.0m), details of which are provided in the Operating Review.

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 2016. In addition, over the last two years special contributions totalling £1.5m have also been made.

At the start of the year the IAS 19, "Employee Benefits" pension asset, net of deferred tax, was £0.05m and this has now turned into a deficit net of deferred tax of £0.4m. Within this relatively modest movement, however, there was a reduction in the value of investments of £3m which has been offset by a reduction of £2m in the value of liabilities as a result of the increase in corporate bond discount rates used to discount those liabilities.

Following the changes made to the pension scheme in recent years (see note 25), 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 £21.6m (2007: £20.4m), with net assets per share increasing by 6% to £2.061 (2007: £1.946). Net current assets represent 52% (2007: 50%) 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 £0.8m (2007: £0.7m) as a result of shares held by the EBT, due to the accounting requirements for employee trusts. This impact will be reversed when these shares are used to satisfy employee share option schemes.

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 as follows.

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 90 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in three currencies in addition to Sterling, with the US Dollar being by far the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated commodity price and therefore 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 £1.0m (2007: £0.4m) represents an effective tax rate of 33% (2007: 14%). This is higher than the standard rate of UK corporation tax of 28% (2007: 30%) as a result of losses incurred by Earthoil which cannot be relieved against current year profits. Last year's effective tax rate was much lower than normal due to the tax relief obtained on the special pension contributions. The overall tax charge of £1.1m (2007: £0.8m) has increased 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 2008.

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 1985. 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:

	2008	2007
Group revenue	**£49.6m**	£38.1m
Group profit before tax	**£3.1m**	£2.8m
Group earnings per share (basic)	**19.4p**	20.0p
Group return on capital employed*	**14.2%**	13.9%

* Capital employed is defined as total 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 and the 2008 movement in lemon 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 £3,064,000 (2007: £2,828,000).

The Directors recommend a final dividend of 7.6p (2007: 7.3p) per ordinary share.

This, when taken with the interim dividend of 3.6p (2007: 3.5p) per share paid on 3 October 2008, gives a total dividend of 11.2p (2007: 10.8p) per share for the year ended 30 September 2008.

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 £5,551,000 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 (2006) R.A. Hope retires by rotation and, being eligible, offers himself for re-election. J.R. Grace was appointed as a Director on 1 October 2008 and therefore also offers himself for election to the Board. 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.

J.R.Grace

James Grace was appointed a Non-executive Director of the Company in October 2008. He is a director of Corporate Finance at Investec Investment Banking and a non-executive director of Novera Energy PLC.

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 2008 had the following interests in the shares of the Company:

	10p ordinary shares fully paid		Options to acquire 10p ordinary shares	
	2008	2007	**2008**	2007
Hugo William Bovill	**1,518,443**	1,518,443	**5,163**	23,621
Anita Jane Haines	**2,491**	1,413	**4,124**	3,621
Richard Andrew Hope	**2,491**	1,413	**4,124**	3,621
Douglas David Appleby	**128,595**	128,595	**–**	–
Edward William Dawnay	**100**	100	**–**	–
Peter Alan Thorburn	**1,000**	1,000	**–**	–

Key to Shares under Option:

There have been no changes between 1 October 2008 and 22 November 2008, the latest date practicable to obtain the information prior to publication of this document, other than in respect of H.W. Bovill who has exercised 1,039 options since the year end.

Substantial Shareholders

The Company has been notified of the following holdings of 3% or more of the issued share capital at 22 November 2008 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	1,032,500	9.85
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
Discretionary Unit Trust Fund Managers	569,226	5.43
Rights and Issues Investment Trust Plc	555,000	5.30
Treatt Employee Benefit Trust	315,748	3.01

Bovill Family Shareholdings

Based on an analysis of the shareholders' register at 30 September 2008 H.W. Bovill and G.R. Bovill, along with their dependants were interested in 2,967,031 (2007: 2,967,031) ordinary shares representing 28.3% (2007: 28.3%) 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 41 (2007: 38) 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 2009, 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 £10,312 (2007: £8,618) 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.

Report of the Directors continued

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 22). In addition the Information Exchange Committee (IEC) was created by R.C. Treatt in 2007 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.

Purchase of own shares
The Company is authorised to make market purchases of its own ordinary shares. Approval to renew this authority for a further year will be sought from the shareholders at the 2009 Annual General Meeting. The Company did not purchase any of its own ordinary shares during the year.

Auditors
Baker Tilly UK Audit LLP has indicated its willingness to continue in office. On the recommendation of the Audit Committee, resolutions are to be proposed at the Annual General Meeting for the re-appointment of Baker Tilly UK Audit LLP as auditors of the Company and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 September 2008 is fully disclosed in note 3 to the financial statements.

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

Annual General Meeting
The Annual General Meeting of the Company will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 23 February 2009. The Notice of Meeting and explanatory notes are given on pages 51 to 60.

This report was approved by the Board on 12 December 2008.

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 2008 the Group has complied with the provisions set out in Section 1 of the 2006 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. Following the year end, on 1 October 2008, J.R. Grace was appointed as a Non-executive Director of the Company and is also considered to be independent of management.

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

Corporate Governance Statement continued

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.

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 in note 3. The non-audit fees were paid mainly in respect of tax compliance services. The current level of non-audit fees is considered by the Committee not to affect independence or objectivity.

In accordance with C.3.4 of the 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	7	3	3	10
Hugo William Bovill Managing Director	7	N/A	3	N/A
Anita Jane Haines Human Resources Director	7	N/A	N/A	N/A
Richard Andrew Hope Finance Director	7	N/A	N/A	N/A
Douglas David Appleby Non-executive Director	7	3	3	10
Edward William Dawnay Chairman	5 Chairman	3 Chairman	3 Chairman	10
Peter Alan Thorburn Non-executive Director	7	3	3	10 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 its full annual report and financial statements. This information, together with the half yearly statements and other financial announcements, is also available on the Group's website and, upon request, to other parties who have an interest in the Group's performance. 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 23 February 2009 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

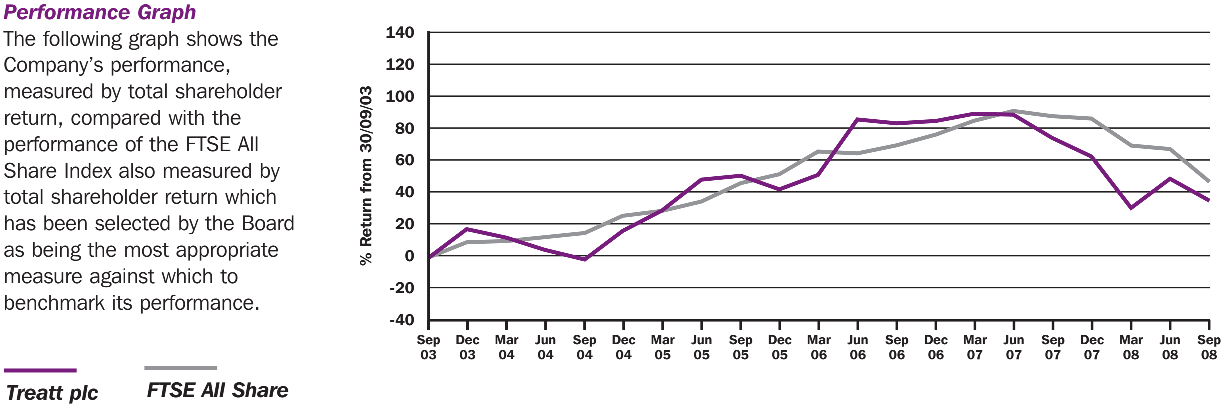
The Group has introduced performance-related reward policies for senior employees to provide an element of "at-risk" pay, which is only available when good results are achieved. In this way, shareholders and employees share in success.

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	**2008 Total £'000**	2007 Total £'000
Executive Directors					
H.W. Bovill	168	43	22	**233**	205
A.J. Haines	95	30	14	**139**	125
R.A. Hope	110	30	17	**157**	139
Non-executive Directors					
E.W. Dawnay (Chairman)	27	–	–	**27**	27
D.D. Appleby	17	–	4	**21**	21
P.A. Thorburn	28	–	–	**28**	27
	445	103	57	**605**	544

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 2007	Granted During the Year	Exercised During the Year	Expired During the Year	**At 30 September 2008**
H.W. Bovill	Between Sept 2008 and March 2009	218.8p	1,039	–	–	–	**1,039**
	Between Sept 2009 and March 2010	238.6p	1,410	–	–	–	**1,410**
	Between Sept 2010 and March 2011	258p	1,172	–	–	–	**1,172**
	Between Sept 2011 and March 2012	195p	–	1,542	–	–	**1,542**
	Between June 2004 and June 2008	209p	20,000	–	–	(20,000)	**–**
			23,621	1,542	–	(20,000)	**5,163**

Directors' Remuneration Report continued

Share Option Schemes (continued)

	Exercise Dates	Exercise Price	At 1 October 2007	Granted During the Year	Exercised During the Year	Expired During the Year	**At 30 September 2008**
A. J. Haines	Between Sept 2008 and March 2009	218.8p	1,039	–	(1,039)	–	**–**
	Between Sept 2009 and March 2010	238.6p	1,410	–	–	–	**1,410**
	Between Sept 2010 and March 2011	258p	1,172	–	–	–	**1,172**
	Between Sept 2011 and March 2012	195p	–	1,542	–	–	**1,542**
			3,621	1,542	(1,039)	–	**4,124**
R. A. Hope	Between Sept 2008 and March 2009	218.8p	1,039	–	(1,039)	–	**–**
	Between Sept 2009 and March 2010	238.6p	1,410	–	–	–	**1,410**
	Between Sept 2010 and March 2011	258p	1,172	–	–	–	**1,172**
	Between Sept 2011 and March 2012	195p	–	1,542	–	–	**1,542**
			3,621	1,542	(1,039)	–	**4,124**

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £Nil (2007: £6,210).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares since the year end. H.W. Bovill exercised 1,039 share options in October 2008.

The market price of the shares at 30 September 2008 was £2.165 and the range during the financial year was £1.985 to £3.045.

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	
	2008	2007	**2008**	2007	**2008**	2007
	£	£	**£**	£	**£**	£
H.W. Bovill	**2,034**	1,919	**17,896**	18,515	**74,650**	69,857
A.J. Haines	**1,442**	1,250	**16,726**	15,100	**31,649**	29,059

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 25.

R.A. Hope received a contribution of £9,804 (2007: £9,338) 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 12 December 2008

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 50. 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 2008 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 2008;
- 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

12 December 2008

Group Income Statement

For the year ended 30 September 2008

	Notes	2008 £'000	2007 £'000
Revenue	2	**49,641**	38,066
Cost of sales		**(37,093)**	(27,858)
Gross profit		**12,548**	10,208
Administrative expenses		**(8,133)**	(7,207)
Share of results of joint ventures	13	**(264)**	(70)
Operating profit before foreign exchange (loss)/gain	3	**4,151**	2,931
Foreign exchange (loss)/gain	3	**(595)**	333
Operating profit after foreign exchange (loss)/gain	3	**3,556**	3,264
Finance revenue	5	**289**	136
Finance costs	5	**(781)**	(572)
Profit before taxation		**3,064**	2,828
Taxation	6	**(1,090)**	(801)
Profit for the period		**1,974**	2,027
Attributable to:			
Equity holders of the parent		**1,979**	2,027
Minority interest		**(5)**	–
		1,974	2,027
Earnings per share			
Basic	8	**19.4p**	20.0p
Diluted	8	**19.4p**	19.9p

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

Group Statement of Recognised Income and Expense

For the year ended 30 September 2008

	Notes	2008 £'000	2007 £'000
Profit for the period		**1,974**	2,027
Currency translation differences on foreign currency net investment	23	**1,048**	(509)
Actuarial (loss)/gain on defined benefit pension scheme	25	**(1,011)**	1,900
Deferred taxation on actuarial loss/(gain)	14	**283**	(532)
Total recognised net income for the period		**2,294**	2,886
Attributable to:			
Equity holders of the parent		**2,299**	2,886
Minority interest		**(5)**	–
		2,294	2,886

Group and Company Statements of Changes in Shareholders' Equity

For the year ended 30 September 2008

		Group		Company	
	Notes	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Total recognised net income for the period		**2,294**	2,886	**981**	1,002
Dividends	7	**(1,100)**	(1,053)	**(1,100)**	(1,053)
Share-based payments	22	**23**	21	**–**	–
Increase in share capital	21	**–**	633	**–**	633
Movement in own shares in share trust	23	**(17)**	(197)	**(18)**	(197)
Loss on release of shares in share trust	23	**(4)**	(34)	**(4)**	(34)
Increase in shareholders' equity		**1,196**	2,256	**(141)**	351
Opening shareholders' equity		**20,397**	18,141	**4,617**	4,266
Closing shareholders' equity		**21,593**	20,397	**4,476**	4,617

Notes 1 - 29 form part of these financial statements

Group and Company Balance Sheets

as at 30 September 2008

	Notes	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
ASSETS					
Non-current assets					
Goodwill	9	**3,763**	–	**–**	–
Property, plant and equipment	10	**9,461**	8,456	**–**	–
Intangible assets	11	**336**	455	**–**	–
Investment in subsidiary undertakings	12	**–**	–	**6,979**	4,141
Interest in joint ventures	13	**–**	2,613	**–**	2,683
Deferred tax assets	14	**185**	–	**–**	–
Trade and other receivables	16	**361**	–	**2,488**	–
Post-employment benefits	25	**–**	70	**–**	–
Redeemable loan notes receivable	28	**–**	1,350	**1,350**	1,350
		14,106	12,944	**10,817**	8,174
Current assets					
Inventories	15	**20,123**	16,238	**–**	–
Trade and other receivables	16	**11,947**	6,785	**2**	67
Corporation tax receivable		**52**	52	**–**	–
Cash and cash equivalents	17	**236**	–	**–**	–
		32,358	23,075	**2**	67
Total assets		**46,464**	36,019	**10,819**	8,241
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	18	**(14,008)**	(8,382)	**(5,056)**	(2,913)
Provisions	19	**(436)**	–	**–**	–
Trade and other payables	20	**(6,465)**	(4,412)	**(434)**	(36)
Corporation tax payable		**(276)**	(37)	**–**	–
		(21,185)	(12,831)	**(5,490)**	(2,949)
Net current assets		**11,173**	10,244	**(5,488)**	(2,882)
Non-current liabilities					
Deferred tax liabilities	14	**(279)**	(474)	**–**	–
Bank loans	18	**(2,016)**	(1,642)	**–**	–
Trade and other payables	20	**(178)**	–	**(178)**	–
Post-employment benefits	25	**(538)**	–	**–**	–
Redeemable loan notes payable	28	**(675)**	(675)	**(675)**	(675)
		(3,686)	(2,791)	**(853)**	(675)
Total liabilities		**(24,871)**	(15,622)	**(6,343)**	(3,624)
Net assets		**21,593**	20,397	**4,476**	4,617
SHAREHOLDERS' EQUITY					
Called up share capital	21	**1,048**	1,048	**1,048**	1,048
Share premium account	23	**2,757**	2,757	**2,757**	2,757
Own shares in share trust	23	**(761)**	(743)	**(761)**	(743)
Employee share option reserve	23	**31**	29	**–**	–
Foreign exchange reserve	23	**(453)**	(1,501)	**–**	–
Retained earnings	23	**18,975**	18,807	**1,432**	1,555
Equity attributable to shareholders of the parent		**21,597**	20,397	**4,476**	4,617
Minority interest	23	**(4)**	–	**–**	–
Total equity		**21,593**	20,397	**4,476**	4,617

Notes 1 - 29 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 12 December 2008 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 2008

	Notes	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Cash flow from operating activities					
Profit before taxation		**3,064**	2,828	**934**	979
Adjusted for:					
Foreign exchange loss/(gain)		**842**	(373)	**–**	–
Depreciation of property, plant and equipment	10	**767**	733	**–**	–
Amortisation of intangible assets	11	**172**	176	**–**	–
Loss on disposal of property, plant and equipment	10	**3**	3	**–**	–
Net interest payable	5	**722**	512	**162**	74
Share-based payments	22	**23**	21	**–**	–
Share of results of joint ventures	13	**264**	70	**–**	–
Decrease in post-employment benefit obligation excluding special contribution	25	**(403)**	(225)	**–**	–
Operating cash flow before movements in working capital and special post-employment benefit contribution		**5,454**	3,745	**1,096**	1,053
Special post-employment benefit contribution	25	**–**	(1,035)	**–**	–
Changes in working capital:					
Increase in inventories	15	**(3,012)**	(2,280)	**–**	–
(Increase)/decrease in trade and other receivables	16	**(4,708)**	(395)	**(2,173)**	59
Increase in trade and other payables	20	**1,188**	622	**398**	36
Cash generated from operations		**(1,078)**	657	**(679)**	1,148
Taxation (paid)/received	6	**(730)**	(628)	**47**	22
Net cash from operating activities		**(1,808)**	29	**(632)**	1,170
Cash flow from investing activities					
Acquisition of investments in joint ventures	13	**–**	(1,375)	**–**	(1,376)
Acquisition of investments in subsidiaries	9	**(329)**	–	**(228)**	–
Purchase of property, plant and equipment	10	**(1,083)**	(1,017)	**–**	–
Purchase of intangible assets	11	**(44)**	(50)	**–**	–
Purchase of redeemable loan notes	28	**–**	(1,350)	**–**	(1,350)
Interest received	5	**59**	60	**112**	52
		(1,397)	(3,732)	**(116)**	(2,674)
Cash flow from financing activities					
Repayment of bank loans	18	**(157)**	(125)	**–**	–
Interest paid	5	**(781)**	(572)	**(274)**	(125)
Dividends paid	7	**(1,100)**	(1,053)	**(1,100)**	(1,053)
Net purchase of own shares by share trust	23	**(22)**	(231)	**(21)**	(231)
		(2,060)	(1,981)	**(1,395)**	(1,409)
Net decrease in cash and cash equivalents		**(5,265)**	(5,684)	**(2,143)**	(2,913)
Cash and cash equivalents at beginning of period		**(8,257)**	(2,573)	**(2,913)**	–
Cash and cash equivalents at end of period	17,18	**(13,522)**	(8,257)	**(5,056)**	(2,913)
Cash and cash equivalents comprise:					
Cash and cash equivalents	17	**236**	–	**–**	–
Bank overdrafts	18	**(13,758)**	(8,257)	**(5,056)**	(2,913)
		(13,522)	(8,257)	**(5,056)**	(2,913)

Notes 1 - 29 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 30 September 2008

	Notes	2008 £'000	2007 £'000
Decrease in cash and cash equivalents	17	**(5,265)**	(5,684)
Loans in acquired subsidiaries	9	**(406)**	–
Repayment of borrowings	18	**157**	125
Cash outflow from change in net debt in the period		**(5,514)**	(5,559)
Effect of foreign exchange rates	24	**(250)**	172
Movement in net debt in the period	24	**(5,764)**	(5,387)
Net debt at start of the period	24	**(10,024)**	(4,637)
Net debt at end of the period	24	**(15,788)**	(10,024)

Notes 1 - 29 form part of these financial statements

Notes to the Financial Statements

For the year ended 30 September 2008

1. ACCOUNTING POLICIES

General information
Treatt plc ('the Parent Company') is a company incorporated in the United Kingdom 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 as adopted by the European Union. The financial statements have also been prepared under the historical cost convention (unless a fair value basis is required by IFRS) and are in accordance with the Companies Act 1985.

Of the profit for the financial year, a profit of £0.98m (2007: £1.00m) 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:

IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (amendment) – published 14 February 2008
IAS 1 Presentation of financial statements (revised) – published 6 September 2008
IAS 23 Borrowing costs (revised) – published 29 March 2007
IAS 27 Consolidated and separate financial statements – Determining the cost of investment (amendment) – published 22 May 2008
IAS 27 Consolidated and separate financial statements (amendment) – published 10 January 2008
IAS 32 Financial instruments: Presentation – Puttable financial instruments and obligations arising on liquidation (amendment) – published 14 February 2008
IAS 39 Financial instruments: Recognition and measurement: Disclosures (amendment) – published 1 July 2008
IAS 39 Financial instruments: Recognition and measurement: Eligible hedged items (amendment) – published 31 July 2008
IFRS 1 First-time adoption of IFRS (amendment) – published 22 May 2008
IFRS 2 Share-based payments (amendment) – published 17 January 2008
IFRS 3 Business combinations (revised) – published 10 January 2008
IFRS 7 Financial instruments: Disclosures (amendment) – published 1 July 2008
IFRS 8 Operating segments – published November 2006
IFRIC* 12 Service concession arrangements - published 30 November 2006
IFRIC* 13 Customer loyalty programmes – published 28 June 2007
IFRIC* 14 Defined benefit asset and minimum funding requirements – Published 5 July 2007
IFRIC* 15 Agreements for the construction of real estate – published 2 July 2008
IFRIC* 16 Hedges of a net investment in a foreign operation – published 3 July 2008
Improvements to IFRSs - published 22 May 2008
Reporting statement Retirement benefits: Disclosures – published 22 January 2007

* 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.

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

Notes to the Financial Statements continued

For the year ended 30 September 2008

1. ACCOUNTING POLICIES (Continued)

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.

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

Amortisation (which is included within administrative expenses) is provided on all intangible assets using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:
- Computer software: 4 years
- Manufacturing system: 7 years

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

1. ACCOUNTING POLICIES (Continued)

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

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. All borrowing costs are recognised in the income statement in the period in which they are incurred.

Cash and cash equivalents

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

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.

Notes to the Financial Statements continued

For the year ended 30 September 2008

1. ACCOUNTING POLICIES (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 $1.78 (2007: $2.04) 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. The treatment in the company balance sheet reflects the substance of the entity's control of the trust.

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 22.

1. ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Share-based payments – in accordance with IFRS 2 'Share-based payments', share options and other share awards are measured at fair value at the date of grant. The fair value determined is then expensed in the income statement on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of the options are measured using the Black-Scholes option pricing model. The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised. Details of the assumptions made in respect of each of the share-based payment schemes are disclosed in note 22 'Share-based payments'. Changes in these assumptions could lead to changes in the income statement expense in future periods;

Goodwill – the Group reviews the carrying value of goodwill. It has not impaired the goodwill in the balance sheet on a value in use basis. Future changes in performance or disposals could impact this value. Included in goodwill is an estimate of contingent consideration payable in the future. These estimates could change materially in future years in line with actual and expected future performance.

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 and vegetable 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 2008	
	Manufacturing	Aroma chemicals & other	Unallocated	Total
Revenue	22,510	27,131	–	49,641
Segment profit	2,185	1,635	–	3,820
Share of results of joint ventures	–	–	(264)	(264)
Operating profit	2,185	1,635	(264)	3,556
Net finance costs	–	–	(492)	(492)
Taxation	–	–	(1,090)	(1,090)
Net segment income	**2,185**	**1,635**	**(1,846)**	**1,974**
Segment assets	26,191	20,273	–	46,464
Segment liabilities	(14,155)	(10,178)	(538)	(24,871)
Net segment assets	**12,036**	**10,095**	**(538)**	**21,593**
Segment capital expenditure	**605**	**522**	**–**	**1,127**
Segment depreciation and amortisation	**530**	**409**	**–**	**939**

Notes to the Financial Statements continued

For the year ended 30 September 2008

2. SEGMENTAL INFORMATION (continued)

(1) Business segments (continued)

				Year ended 30 September 2007
	Manufacturing	Aroma chemicals & other	Unallocated	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**

(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:

	2008 £'000	2007 £'000
Revenue by destination		
United Kingdom	**7,789**	6,576
Rest of Europe	**14,478**	11,694
The Americas	**13,711**	10,263
Rest of the World	**13,663**	9,533
	49,641	38,066

All Group revenue is in respect of the sale of goods, other than property rental income of £43,000 (2007 - £43,000).

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

	2008		2007	
	£'000 Capital Ex.	**£'000 Assets**	£'000 Capital Ex.	£'000 Assets
United Kingdom	**831**	**27,755**	931	22,071
United States	**229**	**13,140**	137	9,818
Kenya	**40**	**621**	–	–
South Africa	**26**	**98**	–	–
India	**1**	**502**	–	–
	1,127	**42,116**	1,068	31,889

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

	2008 £'000	2007 £'000
Depreciation of property, plant & equipment	**767**	733
Amortisation of intangible assets (included in administrative expenses)	**172**	176
Loss on disposal of property, plant & equipment	**3**	3
Research and development costs	**225**	215
Operating leases		
- plant & machinery	**21**	21
- land & buildings	**75**	29
Auditor's remuneration[1]		
- statutory audit fees[2]	**54**	45
- interim audit fees	**5**	2
- tax compliance services	**7**	6
- tax advisory services	**1**	–
Net exchange loss/(gain) on trading activities	**595**	(333)
Rent receivable	**(43)**	(43)
Cost of inventories recognised as expense	**30,060**	23,109

1 In addition, the auditors received £1,950 in relation to corporate finance services which have been capitalised as part of acquisition of subsidiaries.
2 Included in statutory audit fees is £4,200 (2007: £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:

	2008 Number	2007 Number
Technical and production	**124**	96
Administration and sales	**105**	92
	229	188

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

	2008 £'000	2007 £'000
Wages and salaries	**6,471**	5,496
Social security costs	**602**	519
Other pension costs (see note 25)	**660**	633
Share-based payments (see note 22)	**23**	21
	7,756	6,669

(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

		2008 £'000	2007 £'000
(1) Finance revenue	- bank interest received	**12**	8
	- loan note interest received	**47**	52
	- pension finance income	**230**	76
		289	136
(2) Finance costs	- bank overdraft interest paid	**(637)**	(462)
	- other interest paid	**(1)**	(1)
	- loan interest paid	**(101)**	(83)
	- loan note interest paid	**(42)**	(26)
		(781)	(572)

Notes to the Financial Statements continued

For the year ended 30 September 2008

6. TAXATION

	2008 £'000	2007 £'000
(a) Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**851**	300
Adjustments to UK tax in respect of previous periods	**(57)**	13
US federal and state tax on US profits for the period	**180**	70
Adjustments to US tax in respect of previous periods	**28**	–
Total current tax	**1,002**	383
Deferred tax:		
Origination and reversal of timing differences	**88**	382
Effect of reduced tax rate on opening asset or liability	**–**	46
Adjustments in respect of previous periods	**–**	(10)
Total deferred tax	**88**	418
Tax on profit on ordinary activities	**1,090**	801

Deferred tax of £283,000 (2007: £532,000) was credited (2007 – charged) to equity in respect of post-employment benefit obligations.

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 (28%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 28% (2007: 30%)	**858**	848
Effects of:		
Expenses not deductible for tax purposes	**30**	19
Differences between capital allowances and depreciation for year	**(35)**	8
Allowable expenses charged to reserves	**133**	(60)
Statutory share option deduction	**(1)**	(24)
Adjustment in respect of post-employment benefit scheme	**–**	(48)
Research and development tax credits	**(22)**	(16)
Transfer pricing adjustment	**9**	–
Interest in joint ventures	**74**	21
Difference in tax rates on overseas earnings	**94**	12
Adjustments to tax charge in respect of prior years	**(30)**	3
Reduced rate on opening deferred tax balance	**–**	46
Reduction in standard rate during period	**31**	–
Sundry timing differences	**(51)**	(8)
Total tax charge for the year	**1,090**	801

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

7. DIVIDENDS

	2008 **£'000**	2007 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2007 – 3.5p per share	**358**	–
Final dividend for year ended 30 September 2007 – 7.3p per share	**742**	–
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
	1,100	1,053

The declared interim dividend for the year ended 30 September 2008 of 3.6 pence was approved by the Board on 23 May 2008 and was paid on 3 October 2008. Accordingly it has not been included as a deduction from equity at 30 September 2008. The proposed final dividend for the year ended 30 September 2008 of 7.6 pence will be voted on at the Annual General Meeting on 23 February 2009. Both dividends will therefore be accounted for in the results for the year ended 30 September 2009.

8. EARNINGS PER SHARE

(1) Basic earnings per share
Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,156,647 (2007: 10,136,986) and earnings of £1,974,000 (2007: £2,027,000), being the profit on ordinary activities after taxation.

(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 10,165,571 (2007: 10,174,314), and the same earnings as above.

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

	2008 **No ('000)**	2007 No ('000)
Weighted average number of shares	**10,481**	10,402
Weighted average number of shares held in employee benefit trust	**(324)**	(265)
Weighted average number of shares used for calculating basic EPS	**10,157**	10,137
Executive share option schemes	**5**	16
Savings-related share options	**4**	21
Weighted average number of shares used for calculating diluted EPS	**10,166**	10,174

Notes to the Financial Statements continued

For the year ended 30 September 2008

9. ACQUISITION OF GOODWILL IN SUBSIDIARY

During the preceding financial year (in March 2007) the Parent Company acquired 50% of Earthoil Plantations Limited and Earthoil Kenya EPZ Pty Limited (collectively known as 'Earthoil') and in the financial year ending 30 September 2008 (in April 2008) the remaining 50% of Earthoil was acquired. The consideration reported below relates to the aggregate consideration for the combined acquisition of both transactions. The consideration for the second 50% is entirely based upon an earn-out formula in relation to the profits of Earthoil in the calendar years 2010 and 2011. This contingent consideration has been estimated at £178,000 based on the estimates used in carrying out the required impairment review of the goodwill in relation to the acquisition of Earthoil.

Net assets acquired	1 March 2007		**10 April 2008**	
	Book value £'000	Fair value £'000	**Book value £'000**	**Fair value £'000**
Property, plant and equipment	233	233	238	238
Intangible assets	44	44	9	9
Deferred tax assets	25	25	218	218
Inventories	929	929	968	872
Trade and other receivables	848	848	563	563
Cash and cash equivalents	4	4	(105)	(105)
Trade and other payables	(900)	(914)	(1,302)	(1,302)
Loans	(407)	(407)	(405)	(405)
Redeemable loan notes	(1,350)	(1,350)	(1,350)	(1,350)
Total net assets		(588)		(1,262)
50% share of net assets		(294)		(631)
Goodwill		2,937		826
Total consideration		2,643		195

Goodwill on first 50%	2,937
Goodwill on second 50%	826
Total goodwill	3,763
Satisfied by:	
(a) On acquisition of first 50% shareholding:	
Cash	1,263
Loan notes	675
Shares	633
Transaction costs	112
Warranty claims	(40)
	2,643
(b) On acquisition of second 50% shareholding:	
Contingent consideration	178
Transaction costs	53
Warranty claims	(36)
	2,838
Net cash outflow arising on acquisition of second 50%:	
Transaction costs	53
Advance consideration recoverable on earn-out or loan stock	250
Cash and cash equivalents acquired	(5)
Overdrafts acquired	110
Loans acquired	406
	814

The goodwill arising on the acquisition of Earthoil is attributable to the anticipated profitability of Earthoil's products in new and rapidly growing existing markets and the anticipated future operating synergies from the combination. Earthoil contributed revenues of £1.5m and a loss of £0.3m to the Group's profit before tax for the period between the date of acquisition of the second 50% and the balance sheet date. If the acquisition of Earthoil had been completed on the first day of the financial year, Group revenues for the period would have been £50.7m and Group profit attributable to equity holders of the Parent Company would have been £2.7m.

9. ACQUISITION OF GOODWILL IN SUBSIDIARY (continued)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of Earthoil is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue and overhead growth rates, and perpetuity growth rate. Management estimates discount rates using pre-tax rates that reflect market assessments of the time value of money and the risks specific to Earthoil. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Board for the next twelve months, and then estimates revenue growth for the following four years at 10% per annum, with overheads assumed to increase at 5% per annum. Thereafter, a growth rate for pre-tax profit of 2% per annum is assumed into perpetuity. A rate of 12.5% has been used to discount the forecast cash flows. These exact same assumptions have been used to derive the estimated deferred consideration which becomes payable in 2012 based upon the average pre-tax profits for 2010 and 2011.

10. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2006	*5,746*	*5,998*	*11,744*
Exchange adjustment	*(241)*	*(191)*	*(432)*
Additions	*9*	*1,008*	*1,017*
Disposals	*–*	*(4)*	*(4)*
1 October 2007	5,514	6,811	12,325
Exchange adjustment	381	320	701
Acquisition of subsidiaries	1	237	238
Additions	28	1,055	1,083
Disposals	–	(809)	(809)
30 September 2008	**5,924**	**7,614**	**13,538**
Depreciation			
1 October 2006	*228*	*3,032*	*3,260*
Exchange adjustment	*(21)*	*(103)*	*(124)*
Charge for period	*62*	*671*	*733*
Disposals	*–*	*–*	*–*
1 October 2007	269	3,600	3,869
Exchange adjustment	45	202	247
Charge for period	59	708	767
Disposals	–	(806)	(806)
30 September 2008	**373**	**3,704**	**4,077**
Net book value			
30 September 2008	**5,551**	**3,910**	**9,461**
30 September 2007	5,245	3,211	8,456

Analysis of land & buildings

	2008 £'000	2007 £'000
Net book value		
Freehold	**4,816**	4,510
Long Leasehold	**735**	735
	5,551	5,245

Included in plant and machinery are assets in the course of construction totalling £350,000 (2007: £239,000).

Approximately 20% of the long leasehold net book value has been leased to a third party for which rents receivable in 2008 totalled £43,000 (2007: £43,000).

Property, plant and equipment with a net book value of £3.5m (2007: £3.1m) has been pledged as security in relation to the Industrial Development Loan detailed in note 18.

Capital commitments

	2008 £'000	2007 £'000
Contracted but not provided for	**104**	135

Notes to the Financial Statements continued

For the year ended 30 September 2008

11. INTANGIBLE ASSETS

	Software licences £'000
Cost	
1 October 2006	*1,197*
Exchange adjustment	*(1)*
Additions	*50*
Disposals	*–*
1 October 2007	1,246
Exchange adjustment	1
Acquisition of subsidiaries	9
Additions	44
Disposals	(138)
30 September 2008	**1,162**
Amortisation	
1 October 2006	*616*
Exchange adjustment	*(1)*
Charge for period	*176*
Disposals	*–*
1 October 2007	791
Exchange adjustment	1
Charge for period	172
Disposals	(138)
30 September 2008	**826**
Net book value	
30 September 2008	**336**
30 September 2007	455

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

Intangible assets with a net book value of £nil (2007: £2,000) has been pledged as security in relation to the Industrial Development Loan detailed in note 18.

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	**2008 £'000**	2007 £'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
Earthoil Plantations Limited – at cost 51,000 'A' ordinary shares of 50p each, fully paid 51,000 'B' ordinary shares of 50p each, fully paid	**1,925**	–
Earthoil Kenya Pty Limited – at cost 2,500 'A' ordinary shares of KES20 each, fully paid 2,500 'B' ordinary shares of KES20 each, fully paid	**913**	–
	6,979	4,141

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

Subsidiary	Country	Holding	Principal activity
R.C. Treatt & Co. Limited	England	100%	Supply of flavour and fragrance ingredients
Treatt USA Inc.	USA	100%	Supply of flavour and fragrance ingredients
Earthoil Plantations Limited	England	100%	Supply of organic & ethically-traded essential & vegetable oils
Earthoil Kenya EPZ Pty Limited	Kenya	100%	Supply of organic & ethically-traded vegetable oils
Earthoil Extracts Limited	Kenya	100%	Supply of organic & ethically-traded essential oils
Earthoil South Africa Pty Limited	South Africa	100%	Supply of organic & ethically-traded essential oils
Earthoil India Private Limited	India	80%	Supply of organic & ethically-traded essential oils

13. INTERESTS IN JOINT VENTURES

Company and Group

On 10 April 2008 the Parent Company acquired the remaining 50% shareholdings in previously 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 in the previous year (2007) 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. In the current year (2008), following the purchase of the remaining 50% of Earthoil, the Group no longer has any interest in joint ventures, and the investment in Earthoil has been transferred to 'Acquisitions in subsidiaries' as detailed in note 9.

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

Group	**2008 £'000**	2007 £'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	**2008 £'000**	2007 £'000
Revenue	**505**	660
Net operating costs	**(821)**	(695)
Operating profit	**(316)**	(35)
Net finance costs	**(40)**	(47)
Profit before taxation	**(356)**	(82)
Taxation	**92**	12
Share of loss of joint ventures	**(264)**	(70)

The Group's share of the capital commitments of joint ventures in property, plant and equipment was £Nil (2007: £Nil).

Notes to the Financial Statements continued

For the year ended 30 September 2008

14. DEFERRED TAXATION

Group	2008 £'000	2007 £'000
At 1 October 2007	**(474)**	457
Acquisition of subsidiaries	**218**	–
Foreign exchange adjustment	**(33)**	19
Charged to income statement	**(88)**	(418)
Credited/(charged) to equity	**283**	(532)
At 30 September 2008	**(94)**	(474)
UK deferred tax:		
Post-employment benefits	**151**	(20)
Accelerated capital allowances	**(189)**	(236)
Tax losses available	**211**	–
Other temporary differences	**12**	2
	185	(254)
US deferred tax:		
Accelerated capital allowances	**(390)**	(301)
Other temporary differences	**111**	81
	(279)	(220)
Total deferred tax	**(94)**	(474)

At the balance sheet date, Earthoil Plantations Limited has unused tax losses of £751,000 (2007 - £546,000) available for offset against its future profits. The deferred tax asset has been recognised as the company is expected to trade profitably in the future.

15. INVENTORIES

Group	2008 £'000	2007 £'000
Raw materials	**11,061**	9,262
Work in progress	**6,515**	5,091
Finished goods	**2,547**	1,885
	20,123	16,238

Inventory with a carrying value of £7.9m (2007: £5.4m) has been pledged as security in relation to the Industrial Development Loan detailed in note 18.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
Current	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade receivables	**10,677**	5,903	**–**	–
Amounts owed by subsidiary undertaking	**–**	–	**–**	23
Other receivables	**682**	496	**2**	44
Prepayments	**588**	386	**–**	–
	11,947	6,785	**2**	67

	Group		Company	
Non-current	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts owed by subsidiary undertaking	**–**	–	**2,127**	–
Other receivables	**361**	–	**361**	–
	361	–	**2,488**	–

16. 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 24% 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 61 days (2007: 56 days).

Accounts receivable with a carrying value of £1.4m (2007: £1.0m) has been pledged as security in relation to the Industrial Development Loan detailed in note 18.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of £236,000 (2007: 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.

18. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2008	2007	**2008**	2007
Current	**£'000**	£'000	**£'000**	£'000
Loans	**250**	125	**–**	–
Bank overdraft	**13,758**	8,257	**5,056**	2,913
	14,008	8,382	**5,056**	2,913

	Group	
	2008	2007
Non-current	**£'000**	£'000
Loans	**2,016**	1,642

Loan

Included in loans are:

(1) The Industrial Development Loan which 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.

(2) The DTI loan which is repayable over 10 years. Interest on this loan is payable at 3% above base rate.

(3) The Kenyan investment loan which is repayable over 4 years. Interest on this loan is payable at 7%, plus 0.5% of Earthoil Kenya EPZ Pty (EKL)'s turnover plus 1.5% of EKL's EBITDA, subject to a maximum of US$65,000 per annum.

The loans are repayable as follows:

	2008	2007
	£'000	£'000
- in one year or less	**250**	125
- in more than one year but not more than two years	**249**	125
- in more than two years but not more than five years	**576**	375
- in more than five years	**1,191**	1,142
	2,266	1,767

Notes to the Financial Statements continued

For the year ended 30 September 2008

19. PROVISIONS

Group	2008 £'000	2007 £'000
Onerous contract provision:		
At start of year	**–**	–
Additional provision in year	**436**	–
Balance at end of year	**436**	–

The onerous contract provision relates to losses which are expected to materialise in the next twelve months on fixed price contracts as a result of significant increases in certain raw material prices.

20. TRADE AND OTHER PAYABLES

	Group		Company	
Current	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Trade payables	**4,186**	2,880	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**398**	–
Other taxes and social security costs	**466**	359	**13**	–
Accruals	**1,813**	1,173	**23**	36
	6,465	4,412	**434**	36

	Group		Company	
Non-current	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Other creditors and accruals	**178**	–	**178**	–

Trade payables principally comprise amounts for trade purchases and ongoing costs. The average credit period taken for trade payables is 41 days (2007: 38 days).

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

21. SHARE CAPITAL

Company and Group	2008 Number	2007 Number
Authorised		
Ordinary shares of 10p each	**12,500,000**	12,500,000

Called up, allotted and fully paid

	2008 £'000	2008 Number	2007 £'000	2007 Number
At start of period	**1,048**	**10,481,034**	1,029	10,292,089
Issued in period	**–**	**–**	19	188,945
At end of period	**1,048**	**10,481,034**	1,048	10,481,034

The Company has one class of ordinary shares which carry no right to fixed income.

During the period, the company issued nil shares (2007: 188,945 shares) for a consideration, net of issue costs, of £nil (2007: £633,000).

22. 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 2008 for which no share-based payment charge has been made are as follows:

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

(b) The options outstanding at 30 September for which a share-based payment charge of £23,000 (2007: £21,000) has been made are as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
R. C. Treatt Employee Save As You Earn Share Scheme 2005 ***"SAYE 2005"***	3,289	17,226	218.8p	Between September 2008 and March 2009
R. C. Treatt Employee Save As You Earn Share Scheme 2006 ***"SAYE 2006"***	38,781	–	238.6p	Between September 2009 and March 2010
R. C. Treatt Employee Save As You Earn Share Scheme 2007 ***"SAYE 2007"***	38,007	–	258p	Between September 2010 and March 2011
R. C. Treatt Employee Save As You Earn Share Scheme 2008 ***"SAYE 2008"***	49,913	–	195p	Between September 2011 and March 2012
Treatt USA Employee Stock Purchase Plan 2008 ***"TUSA 2008"***	3,377	–	194.2p	July 2009

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 2005	SAYE 2006	SAYE 2007	SAYE 2008	TUSA 2007	TUSA 2008
Share price at date of grant	273.5p	298.3p	316.5p	216.5p	316.5p	216.5p
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	18.8%	18.4%	17.8%	18.0%	9.4%	19.2%
Risk free interest rate	4.17%	4.73%	5.63%	4.93%	5.63%	4.93%
Dividend yield	3.4%	3.3%	3.3%	5.0%	3.3%	5.0%
Expected forfeitures	15.0%	20.0%	20.0%	10.0%	9.0%	10.0%
Fair value per option at date of grant	64.1p	72.8p	77.6p	32.5p	50.7p	27.6p

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.

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

	2008 No of options	**2008** Weighted average exercise price	2007 No of options	2007 Weighted average exercise price
Outstanding at start of period	**171,821**	**£2.32**	186,101	£2.06
Granted during the period	**53,290**	**£2.59**	49,159	£2.59
Forfeited during the period	**(13,256)**	**£2.46**	(5,424)	£2.43
Exercised during the period	**(17,579)**	**£2.18**	(58,015)	£1.69
Expired during the period	**(37,580)**	**£2.17**	–	–
Outstanding at end of period	**156,696**	**£2.45**	171,821	£2.32
Exercisable at end of period	**26,618**	**£2.10**	48,353	£2.09

Forfeiture arises when the employee leaves within the vesting period. The options outstanding had a weighted average remaining contractual period of 2.5 years (2007: 2.4 years).

The weighted average actual market share prices on date of exercise for share options exercised during the year was 229.3 pence (2007: 307.5 pence).

Notes to the Financial Statements continued

For the year ended 30 September 2008

23. RESERVES

	No.	Own shares in share trust £'000	Share premium £'000	Retained earnings £'000	Minority interest £'000	Foreign exchange reserve £'000	Employee share option reserve £'000	Total £'000
Group								
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 disposed of in the period	*105*	*(328)*	–	–	–	–	–	*(328)*
Gain on release of shares in share trust	*(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 loss on defined benefit pension scheme net of deferred tax	–	–	–	*1,368*	–	–	–	*1,368*
1 October 2007	309	(743)	2,757	18,807	–	(1,501)	29	19,349
Net profit for the period	–	–	–	1,979	(5)	–	–	1,974
Dividends	–	–	–	(1,100)	–	–	–	(1,100)
Shares acquired in the period	25	(59)	–	–	–	–	–	(59)
Shares disposed of in the period	(18)	41	–	–	–	–	–	41
Shares issued to minority interest	–	–	–	–	1	–	–	1
Loss on release of shares in share trust	–	–	–	(4)	–	–	–	(4)
Share-based payments	–	–	–	–	–	–	23	23
Exercise of options previously charged	–	–	–	21	–	–	(21)	–
Exchange differences	–	–	–	–	–	1,048	–	1,048
Actuarial gain on defined benefit pension scheme net of deferred tax	–	–	–	(728)	–	–	–	(728)
30 September 2008	**316**	**(761)**	**2,757**	**18,975**	**(4)**	**(453)**	**31**	**20,545**
Company								
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)*
1 October 2007	309	(743)	2,757	1,555	–	–	–	3,569
Net profit for the year	–	–	–	981	–	–	–	981
Dividends	–	–	–	(1,100)	–	–	–	(1,100)
Shares acquired in the period	25	(59)	–	–	–	–	–	(59)
Shares disposed of in the period	(18)	41	–	–	–	–	–	41
Loss on release of shares in share trust	–	–	–	(4)	–	–	–	(4)
30 September 2008	**316**	**(761)**	**2,757**	**1,432**	**–**	**–**	**–**	**3,428**

23. 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 opposite. 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 2008 was £686,000 (2007: £933,000).

24. ANALYSIS OF NET DEBT

	2007 £'000	Acquisition of subsidiaries £'000	Cash flow £'000	Exchange difference £'000	**2008 £'000**
Cash at bank	–	4	231	1	**236**
Bank overdrafts	(8,257)	(110)	(5,263)	(128)	**(13,758)**
Bank loans due in one year	(125)	(113)	5	(17)	**(250)**
Bank loans due after more than one year	(1,642)	(293)	152	(233)	**(2,016)**
	(10,024)	(512)	(4,875)	(377)	**(15,788)**

25. PENSION SCHEMES

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

	2008 £'000	2007 £'000
Defined benefit scheme – current service cost	**486**	484
UK Stakeholder defined contribution scheme	**108**	90
USA 401k defined contribution scheme	**47**	43
Other pension costs	**19**	16
	660	633

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 2008. Scheme assets are stated at their market value as at that date.

Notes to the Financial Statements continued

For the year ended 30 September 2008

25. PENSION SCHEMES (continued)

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

	2008	2007
Discount rate	**7.00%**	6.00%
Inflation rate	**3.50%**	3.30%
Increase to deferred benefits during deferment	**3.50%**	3.30%
Increases to pensions in payment	**3.30%**	3.10%
Salary increases	**3.50%**	3.30%
Expected return on scheme assets*	**8.68%**	7.80%
Mortality table	**2000 series table with long cohort mortality min of 1.5% p.a. improvements with 110% scaling of mortality rates**	2000 series table with long cohort mortality min of 1.5% p.a. improvements with 110% scaling of mortality rates
Life expectancy for current 65 year old male	**21.8**	21.8
Life expectancy for male aged 65 in 10 years time	**23.4**	23.4

* 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 £670,000 to its defined benefit pension scheme in 2009 (2008: £600,000).

	2008 £'000	2007 £'000
The assets in the scheme and the expected rate of return were:		
Equities	**6,854**	8,674
Bonds	**2,867**	2,589
Other	**768**	829
Fair value of scheme assets	**10,489**	12,092
Present value of funded obligations (scheme liabilities)	**(11,027)**	(12,022)
Surplus/(deficit) in the scheme recognised in the balance sheet	**(538)**	70
Related deferred tax	**151**	(20)
Net pension asset/(liability)	**(387)**	50
Changes in scheme liabilities		
Balance at start of period	**(12,022)**	(12,611)
Current service cost	**(486)**	(484)
Interest cost	**(729)**	(670)
Benefits paid	**232**	185
Actuarial gains/(losses)	**1,978**	1,558
Balance at end of period	**(11,027)**	(12,022)
Changes in scheme assets		
Balance at start of period	**12,092**	9,521
Expected return on scheme assets	**959**	746
Employer contributions	**659**	1,668
Benefits paid	**(232)**	(185)
Actuarial gains	**(2,989)**	342
Balance at end of period	**10,489**	12,092

25. PENSION SCHEMES (continued)

	2008 £'000	2007 £'000
Amount charged to operating profit		
Current service cost (excluding employee contributions)	**(486)**	(484)
Total operating charge	**(486)**	(484)
Amount credited/(charged) to finance revenue/(costs)		
Expected return on assets	**959**	746
Interest on scheme liabilities	**(729)**	(670)
Net income	**230**	76
Net expense recognised in income statement	**(256)**	(408)
Amount recognised in statement of recognised income and expense		
Actual less expected return on assets	**(2,989)**	342
Experience gains on liabilities	**1**	112
Effect of change in assumptions on liabilities	**1,977**	1,446
Total (loss)/gain recognised in statement of recognised income and expense	**(1,011)**	1,900
Actual return on scheme assets	**(2,030)**	1,088
Statement of recognised income and expense		
Actuarial (loss)/gain from assets	**(2,989)**	342
Actuarial gain from liabilities	**1,978**	1,558
Actuarial (loss)/gain recognised in statement of recognised income and expense	**(1,011)**	1,900
Cumulative actuarial gain recognised in statement of recognised income and expense	**243**	1,254
Movement in balance sheet net asset/(liability) during the period		
Net asset/(liability) at start of period	**70**	(3,090)
Current service cost (excluding employee contributions)	**(486)**	(484)
Cash contribution (excluding employee contributions)	**659**	1,668
Other finance income	**230**	76
Actuarial (loss)/gain	**(1,011)**	1,900
Net (liability)/asset at end of period	**(538)**	70

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

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Scheme assets	**10,489**	12,092	9,521	7,981	6,525
Scheme liabilities	**(11,027)**	(12,022)	(12,611)	(11,220)	(9,469)
Difference between expected and actual returns on scheme assets:	**(2,989)**	342	266	964	202
Experience gains/(losses) on scheme liabilities:	**1**	112	932	(138)	(18)
Total actuarial (loss)/gain:	**(1,011)**	1,900	(389)	(257)	107

Notes to the Financial Statements continued

For the year ended 30 September 2008

26. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee
As at 30 September 2008, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 £'000	2007 £'000
Within one year	**107**	51
Within one to two years	**74**	–
In two to five years	**82**	62
	263	113

The Group as lessor
As at 30 September 2008, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2008 £'000	2007 £'000
Within one year	**18**	21

27. 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$3,345,000 (£1,877,000) (2007: US$3,600,000 (£1,767,000)).

The Company has also guaranteed certain bank borrowings of its UK subsidiary undertakings R.C. Treatt & Co. Limited and Earthoil Plantations Limited. At the year end the liabilities covered by this guarantee amounted to £9,143,095 (2007: £5,049,583).

28. FINANCIAL INSTRUMENTS

(1) Maturity profile and terms of financial instruments

Details of the maturity profile and terms of all loans are disclosed in note 18.

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

	2008 £'000	2007 £'000
Series A Variable Rate Unsecured Loan Notes 2015	**475**	475
Series B Variable Rate Unsecured Loan Notes 2015	**200**	200
	675	675

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

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

	2008 £'000	2007 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	**950**	950
Variable Rate Unsecured Loan Notes 2015 (B)	**400**	400
	1,350	1,350

The loan notes are redeemable in full on 31 December 2015 or from 31 March 2009 on request from the issuer. Interest is receivable at 1% above UK base rate.

28. FINANCIAL INSTRUMENTS (continued)

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

	2008 £'000	2007 £'000
Financial assets		
Bank balances:		
US Dollar	**99**	108
Sterling	**155**	41
Other currencies	**2,003**	458
Loan notes receivable:		
Sterling	**–**	1,350
	2,257	1,957

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 opposite.

Financial liabilities	Floating rate financial liabilities 2008 £'000	Floating rate financial liabilities 2007 £'000	Fixed rate financial liabilities 2008 £'000	Fixed rate financial liabilities 2007 £'000	Total 2008 £'000	Total 2007 £'000
Bank balances:						
US Dollars	**7,948**	4,964	**2,151**	1,767	**10,099**	6,731
Sterling	**2,845**	3,900	**–**	–	**2,845**	3,900
Other currencies	**43**	–	**–**	–	**43**	–
Loan notes payable:						
Sterling	**675**	675	**–**	–	**675**	675
	11,511	9,539	**2,151**	1,767	**13,662**	11,306

Fixed rate financial liabilities comprise the Industrial Development Loan of US$3,345,000 (see note 18) (2007: US$3,600,000). Interest on bank overdrafts is charged at 1% above bank base or currency LIBOR rates. The terms of the loan notes payable are shown opposite.

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

(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 2008	**(4,510)**	**3,100**	**(1,410)**
At 30 September 2007	(3,231)	1,129	(2,102)

Notes to the Financial Statements continued

For the year ended 30 September 2008

28. FINANCIAL INSTRUMENTS (continued)

(6) Borrowing Facilities

At 30 September 2008, the Group had undrawn borrowing facilities of £3.604m (2007: £4.104m) expiring in 2009. Total facilities of £17.259m (2007: £12.445m) expire in one year or less.

29. RELATED PARTY TRANSACTIONS

Treatt Plc entered into the following material transactions with related parties:

Company	**2008 £'000**	2007 £'000
Interest received on loan notes from:		
Earthoil Plantations Limited	**59**	36
Earthoil Kenya PTY EPZ Limited	**25**	15
Redeemable loan notes receivable:		
Earthoil Plantations Limited	**950**	950
Earthoil Kenya PTY EPZ Limited	**400**	400
Amounts owed to parent undertaking:		
Earthoil Plantations Limited	**1,387**	–
Earthoil Kenya PTY EPZ Limited	**483**	–
Earthoil South Africa Pty Limited	**257**	–
Amounts owed by parent undertaking:		
R.C.Treatt & Co Limited	**(398)**	–

During the ordinary course of business, purchases of goods take place from Earthoil India Private Limited, which is 80% owned by the Treat plc Group by Earthoil Plantations Limited. The value of goods purchased by Earthoil Plantations Limited from Earthoil India Private Limited during the period was £221,000. As at 30 September 2008 Earthoil India Private Limited owed Earthoil Plantations Limited £495,000.

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

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 23 February 2009 at 9.30 am at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 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 Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 23 February 2009, at 9.30 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2008, 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 7.6p per share on the ordinary shares of the Company for the year ended 30 September 2008.

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 J.R. Grace as a Director of the Company.

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

8. To re-appoint Baker Tilly 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, 12, 13, 14 and 15 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 22 May 2010; 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 22 May 2010;

(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 2010, 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.

13. THAT:

The Articles of Association produced to the meeting and initialed by the Chairman for the purposes of identification be and are hereby adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association.

14. THAT:

With effect from (and including) the date on which section 28 of the Companies Act 2006 is brought into force, the provisions of the Company's Memorandum of Association which, by virtue of that section, are to be treated as part of the Company's Articles of Association be removed and any provision of the Company's Memorandum or Articles of Association in force immediately before such date as to the amount of authorised share capital, as altered by virtue of any resolution under section 121 of the Act or otherwise by Shareholder resolution in force immediately before such date, be removed and revoked.

15. THAT

The Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006, to send, convey or supply all types of notices, documents or information to the members by means of electronic equipment for the processing (including, without limitation, by means of digital compression), storage and transmission of data, using wires, radio optical technologies, or any other electromagnetic means, including, without limitation, by making such notices, documents or information available on a website.

By order of the Board

R.A. Hope
Secretary

19 December 2008

Registered Office:

Northern Way
Bury St Edmunds
Suffolk
IP32 6NL

The note on voting procedures, together with explanatory notes on the resolutions to be put to the meeting, which follow on pages 54 to 60 form part of this notice.

Notice of Annual General Meeting continued

NOTE ON VOTING PROCEDURES

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him or her. The proxy need not be a member of the Company. A form of proxy is provided with this notice and instructions for use are shown on the form. 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 9.30 am on 19 February 2009 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at 9.30 am on 19 February 2009. Changes to entries in the Register of Members after 9.30 am on 19 February 2009 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.

A copy of the proposed new Articles of Association are available for inspection during usual business hours at the registered office of the Company and at the office of Taylor Wessing, 5 New Street Square, London EC4A 3TW 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 23 February 2009 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following.

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

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

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

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 (0) 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.

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 7.6p 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 30 January 2009. If approved, the date of payment of the final dividend will be 6 March 2009. An interim dividend of 3.6 pence per ordinary share was paid on 3 October 2008. This represents an increase of 0.4 pence per share, or 3 per cent, on the total 2007 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 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, J.R. Grace and R.A. Hope 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 2010 or, if earlier, on 22 May 2010 (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 19 December 2008.

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 19 December 2008. 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 2010 or, if earlier, 22 May 2010 (the date which is 15 months after the date of passing of the resolution).

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.

Notice of Annual General Meeting continued

EXPLANATORY NOTES (continued)

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 19 December 2008) 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 19 December 2008 was 153,545. The proportion of issued share capital that they represented at that time was 1.46 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 1.63 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 2010 or, if earlier, 22 May 2010 (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.

Adoption of new Articles of Association (Resolution 13)
Following the enactment of the Companies Act 2006, the Board of Directors of the Company has taken the view that this Annual General Meeting is an appropriate time to replace the existing Articles of Association (the "Current Articles") and adopt new Articles of Association ("New Articles")

Explanatory notes of principal changes to the Company's Articles of Association

1. Articles which duplicate statutory provisions

   Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles or amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution

   The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

   The Current Articles enable Shareholders to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

3. Variation of class rights

   The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

4. Convening Extraordinary and Annual General Meetings

   The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an Extraordinary General Meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5. Votes of Shareholders

   Under the Companies Act 2006 proxies are entitled to attend, speak and vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the Articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the Shareholder. Multiple corporate representatives may be appointed. The New Articles reflect all of these new provisions.

6. Conflicts of interest

   The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a

EXPLANATORY NOTES (continued)

Director becomes a Director of another Company or a trustee of another organisation. The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply in respect of confidential information where the position giving rise to the potential conflict of interest has previously been authorised by the Directors or is permitted under the New Articles. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

7. Notice of board meetings

Under the Current Articles, when a Director is abroad he can request that notice of Directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a Director who is abroad. It has been replaced with a more general provision that a Director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

8. Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the Directors to make provision for a person employed or formerly employed by the Company in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company, may be exercised by the Directors or by the Company in general meeting. However, if the power is to be exercised by the Directors, the Articles of Association must include a provision to this effect. The New Articles provide that the Directors may exercise this power.

9. Electronic and web communications

The Current Articles contain detailed provisions as to how notices, documents and other information may be sent to or by the Company and the New Articles extend the new Company communication provisions of the Companies Act 2006 to any document or information sent by the Company.

Provisions in the Companies Act 2006, which came into force in January 2007, enable companies to communicate with Shareholders in electronic form (provided that the Shareholder has agreed to this, generally or specifically) and also permit Companies (where the articles so provide), to take advantage of the new provisions relating to website communications. The changes proposed to be made to the Current Articles reflect the new Company communications regime of the Companies Act 2006 and require a number of conforming changes, including in the Interpretation section.

The New Articles set out when notices, documents and other information given or sent by the Company to its Shareholders are deemed to be received. A document or information sent by electronic means is deemed to have been received on the same day as it is sent (notwithstanding a failure in transmission) and a document or information made available on a website is deemed to have been received when the intended recipient has been notified of its availability on the website.

The New Articles further set out the provisions with regard to the validity of the written resolutions of Directors. A resolution may be in hard-copy form or in electronic form of a type that the Board decides may be used and which complies with each requirement (including as to authentication) that the Board has determined for documents of that type that are sent in electronic form.

The New Articles provide that anything to be agreed or specified in relation to a document or information to be sent to the holder of a share that is held by joint holders (this would include, for example, agreement to receive electronic communications) may be agreed or specified by the first named holder on the register, and that this will be binding on all other joint holders.

Finally, the New Articles clarify that a Shareholder who has no registered address in the United Kingdom is not entitled to have a document or other information sent to him unless he provides the Company with a postal address in the United Kingdom or the Company and the Shareholder agree to the use of electronic communications and the Shareholder provides the Company with an address for that purpose. However, the Company is not obliged to agree to provide electronic communications to a Shareholder, and may, for example, refuse to do so where it is concerned that the sending of a document or information to such address using electronic means would or might cause legal or practical problems arising in respect of the laws of, or the requirements of a regulatory body or stock exchange or other authority in, any territory.

Notice of Annual General Meeting continued

EXPLANATORY NOTES (continued)

10. Directors' indemnities and loans to fund expenditure

    The Companies Act 2006 has in some areas widened the scope of the powers of a Company to indemnify Directors and to fund expenditure incurred in connection with certain actions against Directors. In particular, a Company that is a trustee of an occupational pension scheme can now indemnify a Director against liability incurred in connection with the Company's activities as trustee of the scheme. In addition, the existing exemption allowing a Company to provide money for the purpose of funding a Director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

11. General

    Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles.

    Changes coming in on 1 October 2009 under the Companies Act 2006

12. Authorised share capital and unissued shares.

    The Companies Act 2006 abolishes the requirement for a Company to have an authorised share capital. The Company is proposing changes to its Articles to reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

13. Redeemable Shares

    At present if a Company wishes to issue redeemable shares, it must include in its Articles the terms and manner of redemption. When Part 18 of the Companies Act 2006 comes into force, the Companies Act 2006 will enable Directors to determine such matters instead, provided they are so authorised by the Articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need Shareholders' authority to issue new shares in the usual way.

14. Authority to consolidate and sub-divide shares

    Under the law currently in force a Company requires specific enabling provisions in its Articles to consolidate or sub-divide its shares as well as Shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. When part 17 of the Companies Act 2008 comes into force, (currently 1 October 2009), a Company will only require Shareholder authority to do either of these things and it will no longer be necessary to have enabling provisions in the Articles or Association. Accordingly the relevant enabling provisions have been removed in the New Articles.

15. Further articles which duplicate statutory provisions

    Certain further miscellaneous provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 and which are expected to come into force on 1 October 2009 will also be amended to bring them into line with the terms of the Companies Act 2006.

Provisions reflecting changes to the Company's Memorandum of Association (Resolution 14)
The Companies Act 2006 significantly reduces the constitutional significance of a Company's Memorandum of Association. The Companies Act 2006 provides that a Memorandum of Association, in the future, will record only the names of subscribers and the number of shares each subscriber has agreed to take in a Company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a Company's Memorandum of Association will be deemed to be contained in a Company's Articles but a Company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a Company's Articles provide otherwise, a Company's objects are unrestricted. This abolishes the need for Companies to have objects clauses. Once the relevant section of the Companies Act 2006 comes into force (which is expected to be on 1 October 2009), the Company proposes to remove its objects clause and all other associated provisions contained in the Memorandum of Association to allow it to have the widest possible scope for its activities.

Authorising the use of Electronic and Website Communications (Resolution 15)
Provisions in the Companies Act 2006, which came into force in January 2007, enable Companies to communicate with Shareholders in electronic form (provided that the Shareholder has agreed to this, generally or specifically) and also permit Companies (where the articles so provide), to take advantage of the new provisions relating to website communications. The changes proposed to be made to the Current Articles are described above.

Please note that, as provided by the Companies Act 2006, before the Company can communicate with a Shareholder by means of a website, the Shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within 28 days (in which case the Company may take that as consent by the Shareholder to receive communications in this way). When the Company makes a document or information available on its website, it must notify the Shareholder of this. A Shareholder who has received a document or information by electronic form or by website can always request a hard copy of the document or information.

In line with the Companies Act 2006, a Shareholder may communicate with the Company by electronic communication if the Company has agreed that the document or information can be sent or supplied in electronic form (but then only in the type of electronic form that the Company has agreed to). In certain circumstances, the Companies Act 2006 will deem the Company to have agreed that Shareholders may send documents or other information electronically.

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