TREATT
PLC

A world of
flavour, fragrance
and cosmetic ingredients

Annual Report & Financial Statements 2009

About the Group

Treatt is a manufacturer and supplier of ingredients to the flavour, fragrance and cosmetics industries which are sold either as part of an end consumer product or as part of a flavour or fragrance which is then, in turn, a constituent of an end product. This flavour or fragrance may comprise many different ingredients.

The Group is headquartered in the United Kingdom, with facilities in the United States of America, Kenya, India and South Africa. Additionally, the Group maintains sales offices in France and China. The Group utilises a global network of agents and sells to over 90 countries worldwide.

The ingredients that 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 natural materials. Some examples of common oils are peppermint, lime, lavender, orange and eucalyptus. Essential oils have been used as flavour and fragrance ingredients for centuries and their use for this purpose far outweighs other uses such as aromatherapy.

Earthoil, a wholly owned subsidiary of Treatt plc, specialises in the sourcing, production and manufacture of ingredients for the cosmetics sector. Their products include organic, fair trade and conventional essential oils, and speciality cold pressed vegetable and seed oils. These are used principally in cosmetic formulations.

The Earthoil range of products include such items as organic almond oil, cocoa butter, macadamia oil, passion fruit seed oil, pomegranate seed oil and tea tree oil for direct use in the cosmetics industry.

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

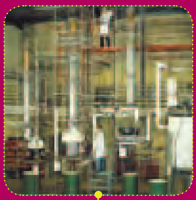
1924 — E.W. Bovill joins the company

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

	2009	2008
REVENUE	**£56.31m**	£49.64m
PROFIT BEFORE TAX	**£3.50m**	£3.06m
EARNINGS PER SHARE (Basic)	**24.5p**	19.4p
DIVIDENDS PER SHARE*	**12.0p**	11.2p
NET ASSETS PER SHARE	**£2.17**	£2.06

* 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.

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.

Parent Company Information and Advisers

Calendar

2008/9

Financial year ended	30 September 2009
Results for year announced	7 December 2009
Annual Report and Financial Statements published	18 December 2009
Final dividend for 2009 goes 'ex-dividend'	27 January 2010
Record date for 2009 final dividend	29 January 2010
Last day for Dividend Reinvestment Plan Election	8 February 2010
Annual General Meeting	19 February 2010
Final dividend for 2009 paid	5 March 2010

2009/10

Interim results to 31 March 2010 announced	24 May 2010*
Financial year ended	30 September 2010
Interim dividend for 2010 paid	15 October 2010*
Results for year announced	6 December 2010*
Final dividend for 2010 paid	4 March 2011*

* These dates are provisional and may be subject to change

Directors
Edward William Dawnay *(Chairman and Non-executive Director – resigning on 19 February 2010)*
Hugo William Bovill *(Managing Director)*
Anita Jane Haines *(Human Resources Director)*
Richard Andrew Hope *(Finance Director)*
Douglas David Appleby *(Non-executive Director – resigning on 31 December 2009)*
James Richard Grace *(Non-executive Director - Chairman from 19 February 2010)*
Ian Anthony Neil *(Non-executive Director – appointed 4 December 2009)*
Peter Alan Thorburn *(Non-executive Director)*

Secretary
Richard Andrew Hope

Registered Office
Northern Way, Bury St. Edmunds, Suffolk IP32 6NL

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E.Mail: co.sec@treatt.com
Website: http://www.treatt.com

Registered Number
1568937

Audit Committee
Edward William Dawnay *(Chairman until 19 February 2010)*, Douglas David Appleby *(Until 31 December 2009)*, James Richard Grace *(Chairman from 19 February 2010)*, Ian Anthony Neil *(From 4 December 2009)*, Peter Alan Thorburn

Remuneration Committee
Peter Alan Thorburn *(Chairman)*, Douglas David Appleby *(Until 31 December 2009)*, Edward William Dawnay *(Until 19 February 2010)*, James Richard Grace, Ian Anthony Neil *(From 4 December 2009)*

Nomination Committee
Edward William Dawnay *(Chairman until 19 February 2010)*, Douglas David Appleby *(Until 31 December 2009)*, Hugo William Bovill, James Richard Grace *(Chairman from 19 February 2010)*, Ian Anthony Neil *(From 4 December 2009)*, Peter Alan Thorburn

Stockbrokers
Investec Investment Banking
2 Gresham Street, London EC2V 7QP

Auditors
Baker Tilly UK Audit LLP
Abbotsgate House, Hollow Road, Bury St. Edmunds, Suffolk IP32 7FA

Solicitors
Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW

Bankers
HSBC Bank plc
140 Leadenhall Street,
London EC3V 4PS

Lloyds Banking Group
35 Princes Street
Ipswich IP1 1BR

Registrar and Transfer Office
CAPITA REGISTRARS
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Share Price
The Parent Company's share price is available on http://www.ft.com.
Annual and interim reports are available on the Group's Website (http://www.treatt.com).

Group Five Year Trading Record

	Years ended 30 September				
	2005[1] £'000	2006[2] £'000	2007[2] £'000	2008[2] £'000	**2009[2] £'000**
INCOME STATEMENT					
Revenue	32,521	35,411	38,066	49,641	**56,313**
Profit before taxation	3,406	3,288	2,828	3,064	**3,501**
Taxation	(1,070)	(956)	(801)	(1,090)	**(1,013)**
Minority Interest	–	–	–	5	**(3)**
Profit for the year attributable to equity shareholders in Parent Company	2,336	2,332	2,027	1,979	**2,485**
BALANCE SHEET					
Property, plant and equipment	8,650	8,484	8,456	9,461	**9,847**
Intangible assets	724	581	455	336	**290**
Goodwill	–	–	–	3,763	**4,272**
Interests in joint ventures	–	–	2,613	–	**–**
Deferred tax asset/(liability)	521	457	(474)	(94)	**245**
Non-current trade and other receivables	–	–	–	361	**586**
Current assets	17,410	20,465	23,075	32,358	**28,687**
Current liabilities	(4,667)	(6,829)	(12,831)	(21,185)	**(15,954)**
Non-current trade and other payables	–	–	–	(178)	**(789)**
Non-current bank loans	(2,179)	(1,927)	(1,642)	(2,016)	**(1,773)**
Post-employment benefits	(3,239)	(3,090)	70	(538)	**(2,000)**
Redeemable loan notes (net)	–	–	675	(675)	**(675)**
Total equity	17,220	18,141	20,397	21,593	**22,736**
CASH FLOW					
Cash generated from operating activities	2,638	341	657	(1,078)	**10,675**
Net interest paid	(90)	(235)	(512)	(722)	**(541)**
Dividends paid	(895)	(949)	(1,053)	(1,100)	**(1,138)**
Corporation tax paid	(812)	(1,153)	(628)	(730)	**(755)**
Additions to non-current assets	(862)	(816)	(1,067)	(1,127)	**(1,005)**
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	(347)	79	(231)	(22)	**65**
Other cash flows	(55)	122	172	(250)	**(407)**
(Decrease)/increase in net cash	(423)	(2,611)	(5,387)	(5,764)	**6,894**
Net borrowings	(2,026)	(4,637)	(10,024)	(15,788)	**(8,894)**
RATIOS					
Earnings per share before exceptional items (basic)	23.3p	23.3p	20.0p	19.4p	**24.5p**
Dividend per share[3]	9.5p	10.5p	10.8p	11.2p	**12.0p**
Dividend cover (times)[3]	2.46	2.21	1.85	1.74	**2.03**
Net assets per share	167.3p	176.3p	194.6p	206.1p	**217.0p**

1 As restated in accordance with International Financial Reporting Standards.
2 As reported in accordance with International Financial Reporting Standards.
3 For 2005 to 2009 the dividend per share shown relates to the interim dividend declared and final dividend proposed, both of which are paid after the year end and, under IFRS, accounted for in the subsequent financial year.

Chairman's Statement

Group profit before tax increased by 14% to £3.5m, with sales up by 13% to £56.3m

2009 has been a strong year for the Group, especially given the very difficult economic environment. Group revenue continued to grow with an increase for the year of 13.4% to £56.31m (2008: £49.64m). Over the last two years, therefore, Group revenue has risen by 48%. Group earnings before interest, tax, depreciation and amortisation increased by 11.5% to £5.01m (2008: £4.50m) with profit before tax for the year up by 14.3% to £3.50m (2008: £3.06m). Basic earnings per share has increased by 26.3% to 24.5 pence (2008: 19.4 pence) and net assets per share have increased by 5.3% to 217.0 pence per share (2008: 206.1 pence per share).

During the year the Group had a strong positive cash flow, generating a total cash inflow of almost £7m and reducing total Group debt from £15.8m to £8.9m. As a result, the total gearing ratio has fallen from 73% to 39% and the debt/equity ratio has reduced from 70% to 31%. As confirmed in the Interim Statement, all Group bank facilities were renewed without difficulty.

The Board is therefore proposing a final dividend of 8.3 pence (2008: 7.6 pence), increasing the total dividend for the year by 7.1% to 12.0 pence (2008: 11.2 pence) per share. The final dividend will be payable on 5 March 2010 to all shareholders on the register at close of business on 29 January 2010.

Group operating profit after foreign exchange translation differences increased by 9.5% to £3.9m (2008: £3.6m). As has been the case in previous economic downturns, the Group has performed well over the last year, with the Group's main UK operating business, R.C. Treatt, putting in a particularly strong result. However, following a very strong 2008, Treatt USA had a much more difficult time in 2009 whilst the Group's organic and fair trade business, Earthoil, continued to improve markedly with sales growth of 42%.

Overall the Group benefitted from the sharp strengthening of the US Dollar which occurred towards the end of the previous financial year and in the first quarter of this year, although as part of the Group's hedging policy it did suffer adverse foreign exchange translation differences totalling £0.45m in addition to the £0.60m experienced in the last quarter of the previous financial year. For further details of the Group's hedging policy see the Financial Review on pages 7 and 8. Sales of orange oil products, which represent 17% of Group revenue (2008: 19%), decreased by 3% during the year (having grown by 54% the year before), whilst contribution from orange oil products fell by 19% following a 42% increase in 2008. However this should be seen in the context that orange oil fell during the financial year from close to US$2.50/kg to little more than US$1.00/kg although the market began to firm moderately once again in Q4 due to a reduced global orange crop and improving demand. In addition, the decline in the vast majority of other commodity prices during the year had a generally negative effect on Group margins, although this was offset to a considerable extent by the stronger US Dollar.

As already mentioned, R.C. Treatt continued to perform strongly with particularly healthy demand from its major customers and with strong export sales being maintained. Global aroma chemical sales were virtually unchanged following several years of double digit growth, whilst sales of manufactured citrus essential oils increased by 7%. Revenue at R.C. Treatt has increased by 6% to £38.9m (2008: £36.6m), with profits up by 22%. At the start of the financial year the US Dollar rate vs UK Sterling strengthened from $1.78 to almost $1.40 and then returned to end the year at $1.60. This resulted in the adverse foreign currency translation differences of £0.45m referred to above.

The absence of last year's one-off gains on lemon oil sales and generally weaker demand in the US, resulted in a substantial decline in Treatt USA's profitability in 2009 with sales in US Dollars falling by 6%. On the positive side, with falling commodity prices, Treatt USA was able to significantly reduce its inventory levels and thereby generate a cash inflow of more than US$5m (£3.1m). The growth in Treattarome™ sales continued with an increase, in US Dollars, of 14% (2008: 28%) across a wide range of products, with the extensive range of tea products doing particularly well.

Having taken full control of Earthoil in April 2008, these results reflect the first full year under 100% ownership. On a like-for-like basis, Earthoil revenues increased by 42% whilst the final stages of integrating Earthoil's UK business with that of the Group was completed following the relocation of Earthoil's vegetable oil operations from Lichfield to Bury St. Edmunds. The Earthoil organic and fair trade farming and production projects in India, Kenya and South Africa continue to progress well and the last year has seen Earthoil win substantial new business in organic and fair trade vegetable oils.

In summary, the Group continues to demonstrate its position as one of the leading, independent and truly global suppliers of ingredients (natural, organic, fair trade and aroma chemicals) for the flavour, fragrance and cosmetics industries. The Group also remains a world leader in agricultural food science and analysis and remains very well placed to leverage opportunities provided by the increased specialism and technical expertise required to meet ever more challenging customer demands.

Final Salary Pension Scheme

As a result of falling discount rates, the IAS19 post-employment benefit liability in the balance sheet has increased by £1.5m (£1.05m net of deferred tax), despite an investment gain for the year of £1.5m. However, the triennial actuarial valuation of R.C. Treatt's final salary pension scheme, which took place as at 1 January 2009, resulted in an increase in the actuarial deficit from £1.5m in 2006 (adjusted following £1.5m of one-off contributions) to £1.7m. This is despite the scheme having been closed to new entrants in 2001 and pensionable salaries frozen in real terms in 2003. Over the three years since the previous full valuation, investment returns were £2.2m lower than expected but liabilities had reduced by £2.2m as a consequence of the much higher assumed discount rate. As a result, the Company has agreed with the pension trustees to increase contributions by a modest £37k per annum and thereby remain on schedule to eliminate the deficit in 2016. For further information on this please see the Financial Review on pages 7 and 8.

Prospects

The new financial year has started slowly with sales and margins down on the same period last year, although seasonally Q2 and Q3, which are still to come, are consistently the strongest periods for the Group.

With economic recovery now beginning in many parts of the world, particularly the US, we are expecting 2010 to be a period of consolidation for the Group. With lower commodity prices compared to a year ago, and a weaker US Dollar, sales and margins may not be maintained for the coming year, although we do expect both Treatt USA and Earthoil to turn in stronger results. In addition, given the continuing economic uncertainty, Group order books are lower than a year ago as customers have delayed placing long term contracts due to falling prices and uncertain consumer demand, although this situation may now begin to reverse once again in the light of upward price pressures.

People

Firstly, 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.

Following 15 years on the Board, 7 of which have been as Chairman, I have decided that the time has come to retire from the Board and I am therefore proposing to step down at the conclusion of the AGM in February 2010. It has been my pleasure to serve on the Board and I am pleased to advise that James Grace, who has served as a Non-executive Director for the last year, will be succeeding me as Chairman.

David Appleby, who has been a Director of Treatt for 24 years, firstly as Manufacturing Director and then as a Non-executive Director, has announced that he wishes to retire from the Board with effect from 31 December 2009. David has been a loyal servant of Treatt and I would like to thank him for his tremendous dedication and contribution to the Group over many years.

In the light of these changes, we are pleased to welcome Ian Neil to the Board as a Non-executive Director. Ian has been familiar with Treatt's business for many years and brings with him over 30 years of flavour and fragrance industry experience.

Edward Dawnay
Chairman
4 December 2009

Operating Review

The Group continued to invest strongly in developing its manufacturing and business continuity capabilities

The Group continued to make substantial operational improvements throughout 2009, investing over £1 million in enhancing its global manufacturing capabilities whilst at the same time strengthening its IT infrastructure as part of the development of the Group's business continuity and disaster recovery systems. In addition, R.C. Treatt began the process of upgrading its production area for manufactured products with a number of new high grade tanks and improved the layout and design of this area in order to maximise efficiencies. The capital projects undertaken during the year will continue to enable the Group to maintain its competitiveness and grow market share.

2009 also saw the continued integration of Earthoil's operations within those of the Treatt Group in order to maximise efficiency and operational synergies. This included relocating Earthoil's UK business to the main site in Bury St. Edmunds. During the year the Group gave notice to the tenant occupying one of its buildings in Northern Way and the property has been converted, at minimal cost, to meet the needs of Earthoil's vegetable oil business. This building provides an additional 14,000 sq. ft. of production, storage and office space and will also make available a significant area of outside storage. This property also allows the Group to maintain complete segregation of potentially allergenic materials such as nut oils. The Board will also keep under review the need for appropriate additional premises if they become available in suitable locations.

The financial year began in the midst of the world economic crisis, falling consumer demand and commodity prices declining. The Group's main operational objective was therefore to substantially reduce inventory levels and improve cash flow whilst maintaining service levels. These objectives were achieved with inventory levels falling by more than 20% from £20.1m to £16.0m even though sales grew by 13%. 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. In addition, the Group continues to improve and develop its ERP system through a process of continuous enhancement.

In its sector of the chemical industry Treatt is taking an active role in complying with the REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) regulation which will have a major impact on the chemical industry in Europe over the next decade. Treatt is working within SIEF (Substance Information Exchange Forums) and consortia to ensure that products that are key to the business are in compliance with the regulation. A year on from the pre-registration phase and Treatt is well positioned for the next phases of the regulation. The Group is committed to working closely with our supply chain and are in constant dialogue with customers and suppliers in our efforts to ensure REACH compliance and business continuity. 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.

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. Extensive stress testing of this plan is now being undertaken following which we will utilise the expertise developed during the preparation of this plan in order to incorporate Treatt USA as well. As part of the natural disaster recovery protection from which the Group benefits, the main site in the UK is divided into several discrete buildings separated by a public roadway, and in addition the Group has considerable operational synergies between the UK and US. This would enable the Group to put into practice one of many contingency plans in the event of a major incident by moving a significant amount of its activity to alternative locations.

During the course of the year, Treatt bought and sold materials in almost one hundred countries around the world. In addition, Earthoil produces organic and fair trade 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 seamlessly address 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 17% (2008:19%) of Group revenue, fell sharply in price from being consistently above US$2/kg to, at one point, less than US$1/kg. The Group reduced its orange oil supply pipeline as much as it could, whilst maintaining service levels and meeting orders and contracts as required, thus enabling the Group to minimise the effect of the falling price on sales and margins. Following the previous year's sharp rise in lemon oil prices, as expected lemon oil fell back from US$50/kg to a more realistic US$25/kg and the Group has continued to maintain a strong level of sales and contribution from its lemon oil products. Lemon oil has always been a significant item within Treatt's product portfolio.

R.C. Treatt

Revenue increased by 6% with sales to the top ten customers representing just over 40% of turnover, with some of the Company's largest customers maintaining strong demand during the year in spite of worsening economic conditions. This sales growth was also significantly supported by the stronger US Dollar. Following the increase in manufacturing capacity referred to above, which led to a 61% increase in the volume of orange oil products sold in 2008, the Company managed to almost maintain this level, experiencing a modest 3% reduction in volume in 2009. This resulted in the value of orange oil sales being maintained although contribution fell by 20%. As explained in the Chairman's Statement, the impact of the strengthening US Dollar resulted in adverse foreign exchange translation differences of £0.45m which were offset by higher sales and margins as inventory, which had been purchased when the Dollar was weaker, was converted into revenue at a more advantageous exchange rate. 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 in many territories remain under considerable pressure, revenues in various other parts of the world such as the Far East have performed very well over the last year.

Treatt USA

Over the last 5 years Treatt USA has experienced fluctuating fortunes and this pattern was repeated again this year. Following record profits in 2008 Treatt USA had a very difficult 2009 as customers in North America, in particular, underwent significant de-stocking and competitive pressures increased still further. Treatt USA went into the year with strong order books but as the financial year wore on sales and margins weakened considerably. On the positive side, Treattarome™ products continue to provide exciting and innovative opportunities for growth with tea products proving to be particularly popular with a second successive year of significant growth. Overall, Treattarome™ sales were up in US Dollars by 14% (2008: 28%) year on year.

Treatt China

The Group's Shanghai office has now been open for more than three years and is proving to be of significant benefit with sales to Hong Kong and China having increased by 16% over the last year, following a 70% increase in the preceding year. The Board believes that its activities in China remain very important to the future of the Group, both in terms of supply and sales. The decision was therefore taken part way through the year to restructure its sales operation in China by setting up a new strategic alliance with one of the Group's principal suppliers in the region and although it is early days, initial signs are that this will have a significantly positive impact on our performance in the region.

Earthoil

2009 has been a year of significant improvement for Earthoil with like-for-like sales increasing by 42%. By building on Earthoil's excellent product range and leveraging Treatt's worldwide sales infrastructure, sales throughout the Earthoil Group of companies increased, with sales of organic vegetable oil products being an area of particularly notable growth. Earthoil's innovative fair trade and organic farming projects in Kenya, India and South Africa continue to progress well with both Kenya and India achieving the fair trade 'Fair for Life' accreditation **(see www.imo.ch)** during the year. In fact tea tree became one of the most important crops in the Mount Kenya region as it was able to survive, and indeed prosper, in spite of the severe drought conditions which caused many other crops to fail. It has been of particular note that contrary to conventional wisdom, the yield from our organic mint project in India has actually proved to be greater than that for conventional mint. Consequently, Earthoil now produces organic geranium oil, organic and fair trade tea tree oil and a range of organic and fair trade mint oils. For further information on Earthoil's unique range of products visit **www.earthoil.com**.

Investment for the Future

In 2009 R.C. Treatt continued to invest £0.8m (2008: £0.9m) in capital expenditure as the Board believe in running the business for the long term and not reacting to short term economic fluctuations. Naturally, a more conservative approach to new capital proposals was taken during the early part of the year due to the highly uncertain outlook. Over the next year we will continue to give priority to those capital projects with very short (less than twelve month) pay back periods.

Over the last year Treatt USA incurred a relatively low level of capital expenditure with the emphasis being on maximising efficiencies from the existing plant and equipment. Over the forthcoming financial year, investment is likely to be increased in a few areas, particular in IT with the implementation of bar coding (which was introduced in the UK three years ago).

Earthoil is not expected to require material investment as sales and margins can be grown on the back of the existing Group infrastructure. However, since the year end Earthoil Kenya has started a project to install a boiler and distillation unit at its organic and fair trade tea tree plantation in the foothills of Mount Kenya.

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 the detection and reduction of agricultural residues and industrial contaminants. 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 recognises that one of its strengths lies with the expertise, experience and knowledge of its workforce and places a high priority on remaining at the forefront of the industry. To this end we are always looking for appropriately talented and motivated individuals both from within the industry and complementary industries.

We are highly committed at R.C. Treatt to our graduate recruitment programme which has proved very successful over a number of years in allowing us to reinforce various areas of the business and assisting in succession planning. We therefore intend to expand the programme over the next year to include Treatt USA. This will underpin the Group's future success by having a pipeline of emerging talent schooled at Treatt which will enable us to meet the future needs of our customers on a global basis.

"I would like to thank Ned Dawnay for his 15 years of service with Treatt plc. He has been a great support to the Board through good, and sometimes difficult, moments and his guidance and humour has always been much appreciated. We wish him well in his retirement."

Hugo Bovill
Managing Director.

Financial Review

Group EBITDA increased by 11.5% to £5.0m

Performance Analysis

Income Statement

Group revenue increased by 13.4% during the year to £56.31m (2008: £49.64m). R.C. Treatt's sales rose by 6.2% whilst, in constant currency, sales at our USA subsidiary, Treatt USA, decreased in US Dollars by 6.2%. On a like-for-like basis, ie assuming 100% ownership in the preceding year, Earthoil Group sales rose by 42%. Operating profit after foreign exchange translation differences increased by 9.5% to £3.9m (2008: £3.6m) whilst earnings before interest, tax, depreciation and amortisation for the year rose by 11.5% to £5.01m (2008: £4.50m). Group profit before tax increased by 14.3% to £3.50m (2008: £3.06m).

The total dividend for the year has been increased by 7.1% to 12.0p per share, resulting in a dividend cover of 2.03 times earnings.

The US Dollar (being Treatt's most significant foreign currency) strengthened sharply from $2.00 to the Pound at the end of June 2008, to below $1.50 in December 2008. This represented a cumulative movement 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 £0.45m in the early part of the financial year. However, over the following six months, the other side of the hedge resulted in better margins than would otherwise have been the case as inventory, which was purchased when the US Dollar was weak, is sold to customers in a range of currencies. Finally, it should be noted that the strengthening of the US Dollar has increased Group net assets as a gain of £1.2m was recorded in 'The Statement of Total Recognised Income and Expense' in relation to the Group's investment in overseas subsidiaries, principally Treatt USA (in addition to a similar gain in the previous year of £1.0m).

In spite of lower consumer demand, sales of aromatic chemicals remained strong and Treattarome™ products continued to perform well. As would be expected in a falling market, revenue from orange oil products fell during the year by 3% with the contribution from these products decreasing by 18%, although this is still above the levels in 2007. Despite the substantial growth in the previous year, Group non-orange derived citrus oil business remained strong with Treatt continuing to increase its market share. Gross margins of 24.5% were achieved this year (2008: 25.3%) which reflects the fact that although commodity prices declined (sometimes sharply) during the year, percentage margins were supported by the benefit of a much stronger US Dollar as explained above. Over the last five years, Aroma Chemical margins have remained remarkably steady despite fierce competition as customers look to Treatt for a total service package of quality, service and price. In other words, lowest price does not mean lowest cost from a customer perspective.

The Group's administrative expenses increased by 16.4% to £9.5m (2008: £8.1m). This partly reflects the increased costs of Earthoil which were only included in administrative expenses for six months last year, and also the effect of retranslating Treatt USA's costs at a much stronger US Dollar exchange rate. On a like-for-like basis, excluding Earthoil and using constant exchange rates, the increase would be a more modest 6.6%. Staff numbers across the Group increased to 248 employees of which 40 relate to Earthoil colleagues in France, Kenya, India and South Africa.

The Group's net finance costs have decreased by 20% from £0.49m to £0.39m. This movement was caused by both lower levels of borrowing and reduced interest rates, although in common with most other businesses the margins and fees included within finance costs, which relate to the Group's banking facilities, have significantly increased. Interest cover for the year increased by 38% to 9.9 times (2008: 7.2 times).

Basic earnings per share for the year increased by 26% to 24.5 pence (2008: 19.4 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 these programmes, options were granted over a further 64,000 shares during the year, whilst 18,000 were exercised by UK and US employees under the 2006 Save As You Earn scheme and 2008 Employee Stock Purchase Plan. Following its establishment in 2004, the EBT currently holds 288,000 shares (2008: 317,000) acquired in the market in order to satisfy future option schemes without causing shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Cash Flow

The Group generated significant cash inflows during the year with total borrowings falling by £6.9m to £8.9m (2008: £15.8m). The Group has a mix of secured and unsecured borrowing facilities totalling £17.6m which expire in one year or less. Within the cash flows of the Group, the largest elements related to inventories and accounts receivable which together generated a £6m cash inflow. The cash inflow in relation to inventories totalled £4.1m, a significant amount of which related to de-stocking at Treatt USA. As an ingredients specialist, Treatt take many long term contracts with customers as well as servicing the immediate spot needs of its diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore it is part of the Group's business model to hold significant levels of inventory, although in periods of falling commodity prices less cash is likely to be tied up in inventory in this way.

Capital expenditure for the year decreased slightly to £1.0m (2008: £1.1m), details of which are provided in the Operating Review.

Final Salary Pension Scheme

Following the actuarial review in January 2006, regular contributions to the scheme were increased in order to eliminate the actuarial deficit by 2016. In addition, special contributions totalling £1.5m were also made in 2006.

In January 2009 the pension scheme actuary carried out the latest full actuarial review of the final salary pension scheme to assess the extent to which R.C. Treatt's current contribution rates to the scheme are expected to meet the future liabilities of the scheme.

The scheme has been closed to new entrants since 2001 and 'final salaries' were frozen in real terms in 2003. The movement in the actuarial deficit for the three years ending 1 January 2009, can be explained as follows:

Analysis of Actuarial Deficit

	£'000
Original deficit at 1 January 2006	(3,020)
Special one-off contributions in 2006	1,500
Revised deficit at 1 January 2006	(1,520)
Interest on deficit	(578)
Investment return lower than expected	(2,239)
Company contributions in excess of benefits accruing over three years	633
Change of actuarial assumptions	2,253
Miscellaneous items	(202)
Deficit at 1 January 2009	(1,653)

Overall, therefore, there was only a very modest increase in the deficit. This was because although investment returns were much worse than expected (lower by £2.2m), the liabilities have been discounted at a much higher rate and so have reduced (together with other assumption changes) by an equal and opposite £2.2m. Therefore R.C. Treatt has agreed to increase its contributions by a modest £37,000 per year in order to remain on course to clear the deficit by the middle of 2016.

At the start of the year the IAS 19, "Employee Benefits" pension asset, net of deferred tax, was £0.4m and this has now increased by £1.0m to £1.4m largely as a result of a reduction in the discount rate used for liabilities. Clearly, therefore, due to the timing of the three year actuarial review (which has a real effect on cash flows) versus the period covered by the IAS 19 deficit (the financial year), together with the differing assumptions which are required to be made, the reasons for the movements in both deficits are quite different whereas the overall difference between the two is not significant.

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 £22.7m (2008: £21.6m), with net assets per share increasing by 5% to £2.17 (2008: £2.06). Net current assets represent 56% (2008: 52%) 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 £0.7m (2008: £0.8m) 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 below.

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

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

Secondly, with R.C. Treatt exporting to 90 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in three currencies in addition to Sterling, with the US Dollar being by far the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated commodity price and therefore has an impact on the Sterling gross margin. Raw materials are also mainly purchased in US Dollars and therefore US Dollar bank accounts are operated, through which US Dollar denominated sales and purchases flow. 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 £0.9m (2008: £1.0m) represents an effective tax rate of 25% (2008: 33%). This is lower than the standard rate of UK corporation tax of 28% (2008: 28%) as a result of pension contributions which are paid each year over and above the actual pension charge in the income statement. The overall tax charge of £1.0m (2008: £1.1m) has not increased in line with profits as there were significant unrelieved losses in the previous year in relation to Earthoil. 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 2009.

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

Comments on the Group's activities and its outlook for the future are given in the Chairman's Statement, Operating Review and Financial Review on pages 4 to 8.

Business Review
The Directors have provided the following business review in accordance with the Companies Act 2006. 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:

	2009	2008
Group revenue	£56.3m	£49.6m
Group profit before tax	£3.5m	£3.1m
Group earnings per share (basic)	24.5p	19.4p
Group return on capital employed*	15.4%	14.2%

* Capital employed is defined as total equity

For discussion of these financial KPIs please refer to the Chairman's Statement on page 4, the Operating Review on pages 5 and 6 and the Financial Review on pages 7 and 8.

Risks and Uncertainties
The Group 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, Authorisation and restriction of CHemicals) legislation;
- movements in commodity and essential oil prices often caused by unpredictable weather patterns or other sudden changes in supply or demand, for example the impact of the 2004 Florida hurricanes on grapefruit oil prices 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 20 and show a profit before taxation for the year of £3,501,000 (2008: £3,064,000).

The Directors recommend a final dividend of 8.3p (2008: 7.6p) per ordinary share.

This, when taken with the interim dividend of 3.7p (2008: 3.6p) per share paid on 2 October 2009, gives a total dividend of 12.0p (2008: 11.2p) per share for the year ended 30 September 2009.

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 £5,793,000 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.

Directors

The Directors of the Parent Company are shown on page 2.

In accordance with the Company's Articles of Association and as reported in the Corporate Governance Statement on page 13, in recognition of Provision A.7.1 of the Combined Code on Corporate Governance (2008) H.W. Bovill, I.A. Neil and P.A. Thorburn retire by rotation and, being eligible, offer themselves for re-election. The Nomination Committee confirms that the individuals' performances continue to be effective and to demonstrate commitment to the role, including commitment of time for Board and Committee meetings and any other duties.

D.D. Appleby and E.W. Dawnay have announced their intentions to retire from the Board and not offer themselves for re-election. The Board wishes to put on record its thanks for their respective and valuable contributions to the success of the Group over many years.

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. David has announced his intention to retire from the Board with effect from 31 December 2009.

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. Edward has announced his intention to retire from the Board with effect from close of business on 19 February 2010.

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. James will be succeeding E.W. Dawnay as Chairman of the Board with effect from close of business on 19 February 2010.

I.A. Neil
Ian Neil was Vice President Europe, Africa and Middle East ("EAME") Flavors at International Flavors and Fragrances Inc. ("IFF"). He was with IFF for 25 years in a variety of management roles internationally. His last role was as global Sales and Marketing Director for Linpac Packaging Ltd.

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

Executive Directors

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

A.J. Haines
Anita Haines joined R.C. Treatt & Co. Limited in January 1988 as Company Secretary and was appointed Human Resources (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 2009 had the following interests in the shares of the Company:

	10p ordinary shares fully paid		Options to acquire 10p ordinary shares	
	2009	2008	**2009**	2008
Hugo William Bovill	**1,519,482**	1,518,443	**4,635**	5,163
Anita Jane Haines	**4,008**	2,491	**4,635**	4,124
Richard Andrew Hope	**4,008**	2,491	**4,635**	4,124
Douglas David Appleby	**128,595**	128,595	**—**	—
Edward William Dawnay	**100**	100	**—**	—
James Richard Grace	**9,410**	-	**—**	—
Peter Alan Thorburn	**1,000**	1,000	**—**	—

There have been no changes between 1 October 2009 and 16 November 2009, the latest date practicable to obtain the information prior to publication of this document.

Substantial Shareholders

In accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Services Authority, the Company has been notified of the following holdings of 3% or more of the voting rights at 16 November 2009 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	1,175,000	11.53
G.R. Bovill and A.J. Bovill as Trustees of the W.G. Bovill 1985 Settlement (G.R. Bovill's Childrens' Fund)	749,534	7.35
G.R. Bovill	699,054	6.86
Rights and Issues Investment Trust Plc	555,000	5.44
Discretionary Unit Trust Fund Managers	419,226	4.11
Bjornstad and Jendal A/S	318,543	3.12

Bovill Family Shareholdings

Based on an analysis of the shareholders' register at 30 September 2009 H.W. Bovill and G.R. Bovill, along with their dependants were interested in 2,968,070 (2008: 2,967,031) ordinary shares representing 28.3% (2008: 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. As at 16 November 2009 (the latest practicable reporting date prior to publication of this document) the Bovill Family Shareholdings represented 29.12% of the voting rights.

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 30 (2008: 41) 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.

Financial Instruments

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

Going Concern

Given the comments in the Chairman's Statement, and based on the plans for 2009/2010, 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 £12,450 (2008: £10,312) to local causes.

Social and community issues

The Group endeavours to impact positively on the communities in which it operates. Earthoil is an example of this where the company focuses on Fair for Life, ensuring farmers are traded with on equitable terms. Earthoil India was instrumental in the formation of the Earthoil Organic Foundation, a trust fund which provides funding to local community projects. (See inside back cover for further information on Earthoil India).

Similarly, Earthoil's KOOFA (Kenyan Organic Oil Farmers Association) is situated high up in the Mount Kenya area and initially began with just 90 farmers growing borage - a pressed seed oil crop. The project has now moved on to tea tree oil and has since expanded to over 250 growers. Through these projects Earthoil has passed on valuable farming skills that help these farmers ensure successful crops and therefore valuable income. The farmers can call on Earthoil-employed agronomists and field officers for help and guidance as they learn the required skills.

Health and Safety

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

Environment

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

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

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

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

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

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

Employee Involvement
Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Company through share option schemes (see note 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 2010 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 2009 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 19 February 2010. The Notice of Meeting and explanatory notes are given on pages 51 to 56.

This report was approved by the Board on 4 December 2009.

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 2009 the Group has complied with the provisions set out in Section 1 of the 2008 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 Parent 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 Group.

Directors

Details of the Directors who served during the year, the positions they hold, and the committees of which they are members are shown on page 2. During the year the Board consisted of a Chairman, E.W. Dawnay, three 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, J.R. Grace 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. None of them have any significant interest in the shares of the Parent Company and all receive a fixed fee for their services. The Board is satisfied that the Chairman's other commitments do not detract from the extent or the quality of the time which he is able to devote to the Group.

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 10.

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 Group's expense. This is in addition to the access which every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

When new members are appointed to the Board they are provided with access to an appropriate external training course and to advice from the Group's solicitors in respect of their role and duties as a public company director. Where 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 P.A. Thorburn and concerns relating to the executive management of the Group or the performance of the other Non-executive Directors may be raised with him.

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

Any Director appointed during the year is required, under the provisions of the Parent Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General 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 Parent 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 Parent 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 Group's remuneration policy are set out in the Directors' Remuneration Report appearing on pages 16 to 18. Members of the Remuneration Committee throughout the year are shown on page 2 and the principal terms of reference of the Committee appear on page 14. The Managing Director attends meetings of the Remuneration Committee to discuss the performance of the other Executive Directors and make proposals as necessary, but is not present when his own position is being discussed.

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

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 Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

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

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

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

Financial and Internal Control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 15 and 19 and the statement of the Directors on going concern appears on page 11.

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

The Directors are responsible for the Group'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 Group, whether the control systems are appropriate and consult with internal and external experts on environmental, insurance, legal and health and safety compliance. However, such a system can only provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the Directors have established to provide effective internal controls are as follows:

Financial Reporting

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

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

Risk Assessment and Information

Operational management in conjunction with the Executive Directors, who report regularly to the Board, are responsible for identification and evaluation of significant risks applicable to their area of business and design and operate suitable internal controls. Details of the principle risks associated with the Group's activities are given in the Business Review section of the Directors' Report on page 9.

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 Directors' Report, the Directors' Remuneration Report and the 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 European Union ("EU") and have elected to prepare the Parent Company financial statements in accordance with 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 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

a. the financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group and Parent Company and the undertakings included in the consolidation taken as a whole; and
b. the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

Directors’ Remuneration Report

Introduction

This report has been prepared in accordance with Paragraph 421 of the Companies Act 2006 (‘the Act’). This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors’ remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company on 19 February 2010 at which the financial statements will be laid before members. The Act requires the auditors to report to the Parent Company’s members on certain parts of the Directors’ Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. This report has therefore been divided into separate sections for unaudited and audited information.

UNAUDITED INFORMATION

The Remuneration Committee

Members of the Remuneration Committee throughout the year are shown on page 2.

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

Policy on Remuneration of Executive Directors and Senior 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.

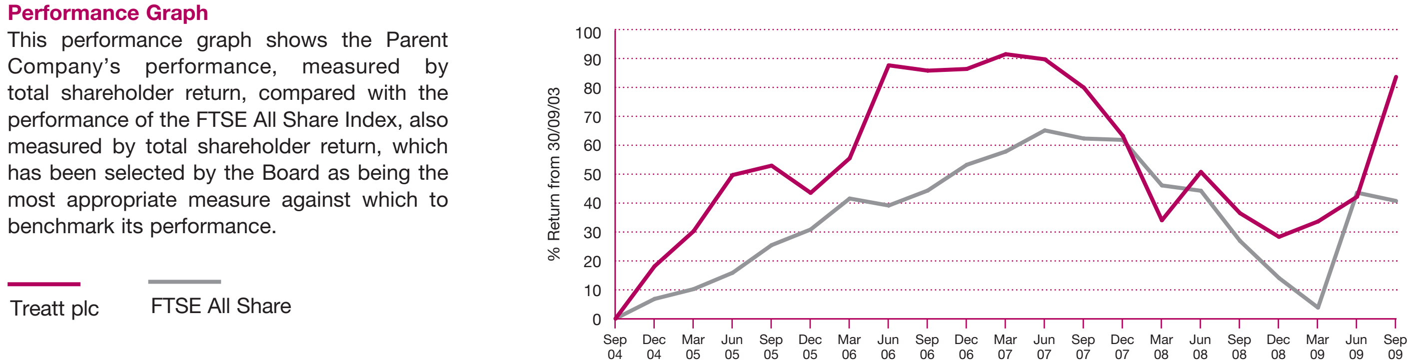
Executive Directors participate in an annual bonus scheme which is linked to the level (if any) by which profit before tax exceeds a minimum level. The Remuneration Committee retains the right to make discretionary adjustments to these bonuses.

- Benefits

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

Performance Graph

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



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 Group'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 Parent Company's registered office during normal business hours.

AUDITED INFORMATION

(a) Directors' Emoluments

The following table shows an analysis of the salary, benefits and bonus elements of remuneration for the individual directors who held office during the year ended 30 September 2009 along with comparatives for the previous year (all of which relate to short-term employee benefits). Taxable benefits provided to Executive Directors include a Company car, or payment in lieu, and private medical insurance. Interests under the Parent Company's share option schemes and pension entitlements are shown in paragraphs (b) and (c) which follow this one.

	Salary and Fees £'000	Bonus Payments £'000	Taxable Benefits £'000	2009 Total £'000	2008 Total £'000
Executive Directors					
H.W. Bovill	180	54	23	**257**	233
A.J. Haines	105	37	17	**159**	139
R.A. Hope	125	37	18	**180**	157
Non-executive Directors					
E.W. Dawnay (Chairman)	29	–	–	**29**	27
D.D. Appleby	18	–	5	**23**	21
J.R. Grace	26	–	–	**26**	–
P.A. Thorburn	29	–	–	**29**	28
	512	128	63	**703**	605

(b) Share Option Schemes

The Group believes that share ownership by Executive Directors and Senior Executives continues to strengthen the link between their personal interests and those of the shareholders. The exercise of 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 2008	Granted During the Year	Exercised During the Year	Expired During the Year	At 30 September 2009
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 Sept 2012 and March 2013	170p	–	1,921	–	–	**1,921**
			5,163	1,921	(2,449)	–	**4,635**

Share Option Schemes (continued)

	Exercise Dates	Exercise Price	At 1 October 2008	Granted During the Year	Exercised During the Year	Expired During the Year	**At 30 September 2009**
A. J. Haines	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 Sept 2012 and March 2013	170p	–	1,921	–	–	**1,921**
			4,124	1,921	(1,410)	–	**4,635**
R. A. Hope	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 Sept 2012 and March 2013	170p	–	1,921	–	–	**1,921**
			4,124	1,921	(1,410)	–	**4,635**

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £2,000 (2008: £Nil).

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

The market price of the shares at 30 September 2009 was £2.755 and the range during the financial year was £1.735 to £2.915.

(c) 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, H.M. Revenue & Customs approved, defined benefit occupational pension scheme. Its main features are:

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

Pensionable salary is the member's basic salary, excluding all bonuses. From 1 October 2004, pensionable salary 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	
	2009 £	2008 £	**2009 £**	2008 £	**2009 £**	2008 £
H.W. Bovill	**2,466**	2,034	**27,355**	17,896	**80,512**	74,650
A.J. Haines	**1,509**	1,442	**21,290**	16,726	**34,598**	31,649

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 £11,000 (2008: £10,000) 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 4 December 2009

R.A. Hope
Secretary

Independent Auditors' Report to the Members of Treatt plc

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 20 to 50. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Parent Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 11, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Parent Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

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

4 December 2009

Group Income Statement

For the year ended 30 September 2009

	Notes	2009 £'000	2008 £'000
Revenue	2	**56,313**	49,641
Cost of sales		**(42,502)**	(37,093)
Gross profit		**13,811**	12,548
Administrative expenses		**(9,465)**	(8,133)
Share of results of joint ventures	13	**–**	(264)
Operating profit before foreign exchange loss	3	**4,346**	4,151
Foreign exchange loss	3	**(453)**	(595)
Operating profit after foreign exchange loss	3	**3,893**	3,556
Finance revenue	5	**186**	289
Finance costs	5	**(578)**	(781)
Profit before taxation		**3,501**	3,064
Taxation	6	**(1,013)**	(1,090)
Profit for the period		**2,488**	1,974
Attributable to:			
Equity holders of the Parent Company		**2,485**	1,979
Minority interests		**3**	(5)
		2,488	1,974
Earnings per share			
Basic	8	**24.5p**	19.4p
Diluted	8	**24.4p**	19.4p

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 2009

	Notes	2009 £'000	2008 £'000
Profit for the period		**2,488**	1,974
Currency translation differences on foreign currency net investment	23	**1,194**	1,048
Current taxation on foreign currency translation differences	6	**(175)**	—
Actuarial loss on defined benefit pension scheme	25	**(1,821)**	(1,011)
Deferred taxation on actuarial loss	14	**510**	283
Total recognised net income for the period		**2,196**	2,294
Attributable to:			
Equity holders of the Parent Company		**2,193**	2,299
Minority interests		**3**	(5)
		2,196	2,294

Group and Parent Company Statements of Changes in Shareholders' Equity

For the year ended 30 September 2009

		Group		Parent Company	
	Notes	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Total recognised net income for the period		**2,196**	2,294	**1,079**	981
Dividends	7	**(1,138)**	(1,100)	**(1,138)**	(1,100)
Share-based payments	22	**20**	23	**—**	—
Movement in own shares in share trust	23	**69**	(17)	**69**	(18)
Loss on release of shares in share trust	23	**(4)**	(4)	**(4)**	(4)
Increase in shareholders' equity		**1,143**	1,196	**6**	(141)
Opening shareholders' equity		**21,593**	20,397	**4,476**	4,617
Closing shareholders' equity		**22,736**	21,593	**4,482**	4,476

Notes 1 - 29 form part of these financial statements

Group and Parent Company Balance Sheets

as at 30 September 2009

Registered Number 1568937

	Notes	Group 2009 £'000	Group 2008 £'000	Parent Company 2009 £'000	Parent Company 2008 £'000
ASSETS					
Non-current assets					
Goodwill	9	**4,272**	3,763	**–**	–
Property, plant and equipment	10	**9,847**	9,461	**–**	–
Intangible assets	11	**290**	336	**–**	–
Investment in subsidiaries	12	**–**	–	**7,365**	6,979
Deferred tax assets	14	**616**	185	**–**	–
Trade and other receivables	16	**586**	361	**624**	2,488
Redeemable loan notes receivable	28	**–**	–	**1,350**	1,350
		15,611	14,106	**9,339**	10,817
Current assets					
Inventories	15	**16,045**	20,123	**–**	–
Trade and other receivables	16	**9,901**	11,947	**62**	2
Corporation tax receivable		**63**	52	**–**	–
Cash and cash equivalents	17	**2,678**	236	**–**	–
		28,687	32,358	**62**	2
Total assets		**44,298**	46,464	**9,401**	10,819
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	18	**(9,799)**	(14,008)	**(3,421)**	(5,056)
Provisions	19	**–**	(436)	**–**	–
Trade and other payables	20	**(5,606)**	(6,465)	**(34)**	(434)
Corporation tax payable		**(549)**	(276)	**–**	–
		(15,954)	(21,185)	**(3,455)**	(5,490)
Net current assets/(liabilities)		**12,733**	11,173	**(3,393)**	(5,488)
Non-current liabilities					
Deferred tax liabilities	14	**(371)**	(279)	**–**	–
Bank loans	18	**(1,773)**	(2,016)	**–**	–
Trade and other payables	20	**(789)**	(178)	**(789)**	(178)
Post-employment benefits	25	**(2,000)**	(538)	**–**	–
Redeemable loan notes payable	28	**(675)**	(675)	**(675)**	(675)
		(5,608)	(3,686)	**(1,464)**	(853)
Total liabilities		**(21,562)**	(24,871)	**(4,919)**	(6,343)
Net assets		**22,736**	21,593	**4,482**	4,476
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	**(692)**	(761)	**(692)**	(761)
Employee share option reserve	23	**23**	31	**–**	–
Foreign exchange reserve	23	**741**	(453)	**–**	–
Retained earnings	23	**18,860**	18,975	**1,369**	1,432
Equity attributable to shareholders of the Parent Company		**22,737**	21,597	**4,482**	4,476
Minority interest	23	**(1)**	(4)	**–**	–
Total equity		**22,736**	21,593	**4,482**	4,476

Notes 1 - 29 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 4 December 2009 and were signed on its behalf by:

E.W. Dawnay
Chairman

R.A. Hope
Finance Director

Group and Parent Company Cash Flow Statements

For the year ended 30 September 2009

	Notes	Group 2009 £'000	Group 2008 £'000	Parent Company 2009 £'000	Parent Company 2008 £'000
Cash flow from operating activities					
Profit before taxation		**3,501**	3,064	**1,056**	934
Adjusted for:					
Foreign exchange loss		**1,130**	969	**–**	–
Depreciation of property, plant and equipment	10	**952**	767	**–**	–
Amortisation of intangible assets	11	**167**	172	**–**	–
Loss on disposal of property, plant and equipment	10	**11**	3	**–**	–
Loss on disposal of intangible assets	11	**5**	–	**–**	–
Net interest payable	5	**541**	722	**48**	162
Share-based payments	22	**20**	23	**–**	–
Share of results of joint ventures	13	**–**	264	**–**	–
Decrease in post-employment benefit obligation	25	**(358)**	(403)	**–**	–
Operating cash flow before movements in working capital		**5,969**	5,581	**1,104**	1,096
Changes in working capital:					
Decrease/(increase) in inventories	15	**4,078**	(3,012)	**–**	–
Decrease/(increase) in trade and other receivables	16	**1,923**	(4,708)	**2,029**	(2,173)
(Decrease)/increase in trade and other payables, and provisions	20	**(1,295)**	1,188	**(400)**	398
Cash generated from operations		**10,675**	(951)	**2,733**	(679)
Taxation (paid)/received	6	**(755)**	(730)	**23**	47
Net cash from operating activities		**9,920**	(1,681)	**2,756**	(632)
Cash flow from investing activities					
Acquisition of investments in subsidiaries	9	**–**	(329)	**–**	(228)
Purchase of property, plant and equipment	10	**(879)**	(1,083)	**–**	–
Purchase of intangible assets	11	**(126)**	(44)	**–**	–
Interest received	5	**37**	59	**75**	112
		(968)	(1,397)	**75**	(116)
Cash flow from financing activities					
Repayment of bank loans	18	**(574)**	(157)	**–**	–
Interest paid	5	**(578)**	(781)	**(123)**	(274)
Dividends paid	7	**(1,138)**	(1,100)	**(1,138)**	(1,100)
Net sales/(purchase) of own shares by share trust	23	**65**	(22)	**65**	(21)
		(2,225)	(2,060)	**(1,196)**	(1,395)
Net increase/(decrease) in cash and cash equivalents		**6,727**	(5,138)	**1,635**	(2,143)
Cash and cash equivalents at beginning of period		**(13,522)**	(8,257)	**(5,056)**	(2,913)
Effect of foreign exchange rates		**(167)**	(127)	**–**	–
Cash and cash equivalents at end of period	17,18	**(6,962)**	(13,522)	**(3,421)**	(5,056)
Cash and cash equivalents comprise:					
Cash and cash equivalents	17	**2,678**	236	**–**	–
Bank overdrafts	18	**(9,640)**	(13,758)	**(3,421)**	(5,056)
		(6,962)	(13,522)	**(3,421)**	(5,056)

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 2009

	Notes	2009 £'000	2008 £'000
Increase/(decrease) in cash and cash equivalents	17	**6,560**	(5,265)
Loans in acquired subsidiaries	9	**—**	(406)
Repayment of borrowings	18	**574**	157
Cash inflow/(outflow) from change in net debt in the period		**7,134**	(5,514)
Effect of foreign exchange rates	24	**(240)**	(250)
Movement in net debt in the period	24	**6,894**	(5,764)
Net debt at start of the period	24	**(15,788)**	(10,024)
Net debt at end of the period	24	**(8,894)**	(15,788)

Notes 1 - 29 form part of these financial statements

Notes to the Financial Statements

For the year ended 30 September 2009

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 traded on the London Stock Exchange. The address of the registered office is included within the Parent Company Information section on page 2. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 9.

Accounting convention

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

Of the profit for the financial year, a profit of £1.08m (2008: £0.98m) has been dealt with in the accounts of the Parent Company. The Parent Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

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

[1]IAS 1 Presentation of financial statements (revised) – published 6 September 2008
[1]IAS 23 Borrowing costs (revised) – published 29 March 2007
IAS 24 Related party transactions (revised) – published 4 November 2009
[1]IAS 27 Consolidated and separate financial statements – Determining the cost of investment (amendment) – published 22 May 2008
[1]IAS 27 Consolidated and separate financial statements (amendment) – published 10 January 2008
IAS 39 Financial instruments: Recognition and measurement - Eligible hedged items (amendment) – published 31 July 2008
IAS 39 Financial instruments: Recognition and measurement - Embedded derivatives (amendment) – published 12 March 2009
IAS 39 Financial instruments: Recognition and measurement - reclassification of financial assets (amendment & update to amendment) – published 13 October 2008 & 27 November 2008
[1]IFRS 2 Share-based payments (amendment) – published 17 January 2008
IFRS 2 Share-based payments (amendment) – Group cash-settled share-based transactions – published 18 June 2009
[1]IFRS 3 Business combinations (revised) – published 10 January 2008
IFRS 7 Financial instruments: Disclosures – Improving disclosures about financial instruments – published 5 March 2009
IFRS 7 Financial instruments: Disclosures – reclassification of financial assets (amendment & update to amendment) – published 13 October 2008 & 27 November 2008
[1]IFRS 8 Operating segments – published November 2006
IFRS 9 Financial instruments - published 12 November 2009
IFRIC[2] 9 Reassessment of embedded derivatives (amendment) – published 12 March 2009
Improvements to IFRSs - published 22 May 2008
Annual improvements 2008-2009 – published 16 April 2009
Reporting statement Retirement benefits: Disclosures – published 22 January 2007

1 EU endorsed
2 International Financial Reporting Interpretations Committee

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

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

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".

1. ACCOUNTING POLICIES (continued)

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

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.

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 until paid.

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

Investments in subsidiaries
Investments in subsidiaries 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

1. ACCOUNTING POLICIES (continued)

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.

Research and development expenditure

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

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

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

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

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.

(a) Financial assets

Financial assets held by the Group are classified as held for trading or loans and receivables at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade 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.

For the year ended 30 September 2009

1. ACCOUNTING POLICIES (continued)

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

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

(b) 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.

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

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

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.

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years and updated at each balance sheet date.

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

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

Taxation
Current tax
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".

1. ACCOUNTING POLICIES (continued)

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

Deferred tax

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

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or 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 $1.60 (2008: $1.78) at the year end.

Income and expense items of the Group’s overseas subsidiaries are translated into Pounds Sterling at the average rate for the year. Their balance sheets are translated at the rate ruling at the balance sheet date.

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiaries and from translating the income statement at an average rate are taken to reserves. Under IAS 21, “The Effects of Changes in Foreign Exchange Rates”, these cumulative translation differences which are recognised in the Statement of 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 Parent 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.

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.

For the year ended 30 September 2009

1. ACCOUNTING POLICIES (continued)

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. Details of the assumptions made in respect of goodwill are disclosed in note 9. These estimates could change materially in future years in line with actual and expected future performance.

2. SEGMENTAL INFORMATION

Group
(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 2009

	Manufacturing	Aroma chemicals & other	Unallocated	Total
Revenue	27,555	28,758	—	56,313
Segment profit	1,958	1,935	—	3,893
Net finance costs	—	—	(392)	(392)
Taxation	—	—	(1,013)	(1,013)
Net segment income	**1,958**	**1,935**	**(1,405)**	**2,488**
Segment assets	25,416	18,882	—	44,298
Segment liabilities	(8,204)	(11,358)	(2,000)	(21,562)
Net segment assets	**17,212**	**7,524**	**(2,000)**	**22,736**
Segment capital expenditure	**518**	**487**	**—**	**1,005**
Segment depreciation and amortisation	**674**	**445**	**—**	**1,119**

2. SEGMENTAL INFORMATION (continued)

Group (continued)

(1) Business segments (continued)

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**

(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:

	2009 £'000	2008 £'000
Revenue by destination		
United Kingdom	**8,256**	7,789
Rest of Europe	**16,448**	14,478
The Americas	**17,875**	13,711
Rest of the World	**13,734**	13,663
	56,313	49,641

All Group revenue is in respect of the sale of goods, other than property rental income of £47,000 (2008: £43,000).

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

	2009		2008	
	£'000 Capital Ex.	**£'000 Assets**	£'000 Capital Ex.	£'000 Assets
United Kingdom	**821**	**26,514**	831	27,755
United States	**141**	**11,429**	229	13,140
Kenya	**24**	**884**	40	621
South Africa	**19**	**94**	26	98
India	**—**	**426**	1	502
	1,005	**39,347**	1,127	42,116

Notes to the Financial Statements *continued*

For the year ended 30 September 2009

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

Group	2009 £'000	2008 £'000
Depreciation of property, plant & equipment	952	767
Amortisation of intangible assets (included in administrative expenses)	167	172
Loss on disposal of property, plant & equipment	10	3
Loss on disposal of intangible assets	5	—
Research and development costs	533	225
Operating leases		
- plant & machinery	35	21
- land & buildings	126	75
Auditor's remuneration		
- audit of Parent Company and Group accounts	27	18
- audit of subsidiary accounts of the Parent Company pursuant to legislation	54	36
- services supplied pursuant to legislation - interim audit fees	–	5
- tax compliance services	5	7
- tax advisory services	3	—
- business advisory services	—	1
Net exchange loss on trading activities	453	595
Rent receivable	(47)	(43)
Cost of inventories recognised as expense	35,550	30,060

4. EMPLOYEES:

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

	2009 Number	2008 Number
Technical and production	129	124
Administration and sales	119	105
	248	229

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

	2009 Number	2008 Number
Wages and salaries	7,595	6,471
Social security costs	746	602
Pension costs (see note 25)	696	660
Share-based payments (see note 22)	20	23
	9,057	7,756

(3) Directors
The information on Directors' emoluments and share options set out on pages 16 to 18 form part of these financial statements.

5. NET FINANCE COSTS

Group		2009 £'000	2008 £'000
(1) Finance revenue	- bank interest received	16	12
	- other interest received	7	—
	- loan note interest received	14	47
	- pension finance income (see note 25)	149	230
		186	289
(2) Finance costs	- bank overdraft interest paid	(384)	(637)
	- other interest paid	(52)	(1)
	- loan interest paid	(128)	(101)
	- loan note interest paid	(14)	(42)
		(578)	(781)

6. TAXATION

Group	2009 £'000	2008 £'000
(a) Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**870**	851
Adjustments to UK tax in respect of previous periods	**(6)**	(57)
US federal and state tax on US profits for the period	**—**	180
Adjustments to US tax in respect of previous periods	**8**	28
Total current tax	**872**	1,002
Deferred tax:		
Origination and reversal of timing differences	**142**	88
Adjustments in respect of previous periods	**(1)**	—
Total deferred tax (see note 14)	**141**	88
Tax on profit on ordinary activities	**1,013**	1,090

Current tax of £175,000 (2008: £Nil) was debited to equity in respect of foreign currency translation differences and deferred tax of £510,000 (2008: £283,000) was credited (2008 – credited) 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:

	2009 £'000	2008 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 28% (2008: 28%)	**980**	858
Effects of:		
Expenses not deductible for tax purposes	**17**	30
Differences between capital allowances and depreciation for year	**—**	(35)
Allowable expenses charged to reserves	**—**	133
Statutory share option deduction	**(3)**	(1)
Research and development tax credits	**(33)**	(22)
Transfer pricing adjustment	**—**	9
Interest in joint ventures	**—**	74
Difference in tax rates on overseas earnings	**51**	94
Adjustments to tax charge in respect of prior years	**1**	(30)
Reduction in standard rate during period	**—**	31
Sundry timing differences	**—**	(51)
Total tax charge for the year	**1,013**	1,090

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

For the year ended 30 September 2009

7. DIVIDENDS

Parent Company and Group	2009 £'000	2008 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2008 – 3.6p per share	365	–
Final dividend for year ended 30 September 2008 – 7.6p per share	773	–
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
	1,138	1,100

The declared interim dividend for the year ended 30 September 2009 of 3.7 pence was approved by the Board on 22 May 2009 and was paid on 2 October 2009. Accordingly it has not been included as a deduction from equity at 30 September 2009. The proposed final dividend for the year ended 30 September 2009 of 8.3 pence will be voted on at the Annual General Meeting on 19 February 2010. Both dividends will therefore be accounted for in the results for the year ended 30 September 2010.

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 10,167,177 (2008: 10,156,647) and earnings of £2,488,000 (2008: £1,974,000), 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 10,177,825 (2008: 10,165,571), and the same earnings as above.

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

	2009 No ('000)	2008 No ('000)
Weighted average number of shares	10,481	10,481
Weighted average number of shares held in employee benefit trust	(314)	(324)
Weighted average number of shares used for calculating basic EPS	10,167	10,157
Executive share option schemes	4	5
Savings-related share options	7	4
Weighted average number of shares used for calculating diluted EPS	10,178	10,166

9. GOODWILL

Group	Goodwill £'000
Cost	
1 October 2007	*–*
Acquisition of subsidiaries	*3,763*
1 October 2008	3,763
Increase in estimated deferred consideration	509
30 September 2009	**4,272**

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 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.

9. GOODWILL (continued)

This contingent consideration has been estimated at £789,000 (2008: £178,000) based on the estimates used in carrying out the required impairment review of the goodwill in relation to the acquisition of Earthoil.

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

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill arising on the acquisition of Earthoil is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue and overhead growth rates, and perpetuity growth rate. Management estimates discount rates using pre-tax rates that reflect market assessments of the time value of money and the risks specific to Earthoil. 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% (2008: 10%) per annum, with overheads assumed to increase at 5% (2008: 5%) per annum. Thereafter, a growth rate for pre-tax profit of 2% (2008: 2%) per annum is assumed into perpetuity. A rate of 12.5% (2008: 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. The key assumptions are based on past experience adjusted for expected changes in future conditions.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
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)*
1 October 2008	5,924	7,614	13,538
Exchange adjustment	350	347	697
Additions	6	873	879
Disposals	(9)	(222)	(231)
30 September 2009	**6,271**	**8,612**	**14,883**
Depreciation			
1 October 2007	*269*	*3,600*	*3,869*
Exchange adjustment	*45*	*202*	*247*
Charge for period	*59*	*708*	*767*
Disposals	*—*	*(806)*	*(806)*
1 October 2008	373	3,704	4,077
Exchange adjustment	41	187	228
Charge for period	64	888	952
Disposals	—	(221)	(221)
30 September 2009	**478**	**4,558**	**5,036**
Net book value			
30 September 2009	**5,793**	**4,054**	**9,847**
30 September 2008	5,551	3,910	9,461

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

Analysis of land & buildings

	2009 £'000	2008 £'000
Net book value		
Freehold	**5,058**	4,816
Long Leasehold	**735**	735
	5,793	5,551

Included in plant and machinery are assets in the course of construction totalling £370,000 (2008: £350,000).

Approximately 20% of the long leasehold net book value has been leased to a third party for which rents receivable in 2009 totalled £47,000 (2008: £43,000). This lease was terminated at the Group's behest in May 2009 for its own occupation.

Property, plant and equipment with a net book value of £3.7m (2008: £3.5m) has been pledged as security in relation to the Industrial Development Loan detailed in note 18.

Capital commitments

	2009 £'000	2008 £'000
Contracted but not provided for	**126**	104

11. INTANGIBLE ASSETS

Group	**Software Licences £'000**
Cost	
1 October 2007	*1,246*
Exchange adjustment	*1*
Acquisition of subsidiaries	*9*
Additions	*44*
Disposals	*(138)*
1 October 2008	1,162
Exchange adjustment	1
Additions	126
Disposals	(172)
30 September 2009	**1,117**
Amortisation	
1 October 2007	*791*
Exchange adjustment	*1*
Charge for period	*172*
Disposals	*(138)*
1 October 2008	826
Exchange adjustment	1
Charge for period	167
Disposals	(167)
30 September 2009	**827**
Net book value	
30 September 2009	**290**
30 September 2008	336

The remaining amortisation period for the manufacturing system included in software licences is one year.

Intangible assets with a net book value of £9,000 (2008: Nil) have been pledged as security in relation to the Industrial Development Loan detailed in note 18.

12. INVESTMENTS IN SUBSIDIARIES

Parent Company	2009 £'000	2008 £'000
Subsidiary:		
R.C. Treatt & Co. Limited - at cost 50,000 ordinary shares of £1 each, fully paid	2,299	2,299
Treatt USA Inc. - at cost 2,975,000 common stock of US$1 each, fully paid	1,842	1,842
Earthoil Plantations Limited – at cost 51,000 'A' ordinary shares of 50p each, fully paid 51,000 'B' ordinary shares of 50p each, fully paid	2,013	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	1,211	913
	7,365	6,979

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 & fair trade essential & vegetable oils
Earthoil Kenya EPZ Pty Limited	Kenya	100%	Supply of organic & fair trade vegetable oils
Earthoil Extracts Limited	Kenya	100%	Supply of organic & fair trade essential oils
Earthoil South Africa Pty Limited	South Africa	100%	Supply of organic & fair trade essential oils
Earthoil India Private Limited	India	80%	Supply of organic & fair trade essential oils

13. INTERESTS IN JOINT VENTURES

Parent 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 & fair trade essential & vegetable oils
Earthoil Kenya Pty EPZ Ltd	Kenya	50%	Supply of organic & fair trade vegetable oils

The combined consideration in 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 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 'Goodwill' and 'Investments in Subsidiaries' as detailed in notes 9 and 12 respectively.

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

Group	2009 £'000	2008 £'000
Revenue	–	505
Net operating costs	–	(821)
Operating profit	–	(316)
Net finance costs	–	(40)
Profit before taxation	–	(356)
Taxation	–	92
Share of loss of joint ventures	–	(264)

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14. DEFERRED TAXATION

Group	2009 £'000	2008 £'000
UK deferred tax asset	**616**	185
US deferred tax liability	**(371)**	(279)
Net deferred tax asset/(liability)	**245**	(94)

A reconciliation of the net deferred asset/(liability) is shown below:

	UK Deferred Tax				US Deferred Tax		
Group	Post-employment benefits £'000	Accelerated capital allowances £'000	Tax losses £'000	Other temporary timing differences £'000	Accelerated capital allowances £'000	Other temporary timing differences £'000	Total £'000
1 October 2007	*(20)*	*(236)*	—	*2*	*(301)*	*81*	*(474)*
Exchange differences	—	—	—	—	*(46)*	*13*	*(33)*
Acquisition of subsidiaries	—	*7*	*211*	—	—	—	*218*
Credited/(Charged) to income statement	*(112)*	*40*	—	*10*	*(43)*	*17*	*(88)*
Credited to equity	*283*	—	—	—	—	—	*283*
1 October 2008	151	(189)	211	12	(390)	111	(94)
Exchange differences	—	—	—	—	(44)	14	(30)
(Charge)/Credit to income statement	(101)	27	—	(5)	(19)	(43)	(141)
Credited to equity	510	—	—	—	—	—	510
30 September 2009	**560**	**(162)**	**211**	**7**	**(453)**	**82**	**245**

At the balance sheet date, Earthoil Plantations Limited had unused tax losses of £751,000 (2008: £751,000) 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	2009 £'000	2008 £'000
Raw materials	**8,043**	11,061
Work in progress	**5,616**	6,515
Finished goods	**2,386**	2,547
	16,045	20,123

Inventory with a carrying value of £4.2m (2008: £7.9m) has been pledged as security in relation to the Industrial Development Loan detailed in note 18.

16. TRADE AND OTHER RECEIVABLES

Current	Group 2009 £'000	Group 2008 £'000	Parent Company 2009 £'000	Parent Company 2008 £'000
Trade receivables	**8,571**	10,677	**—**	—
Amounts owed by subsidiaries	**—**	—	**45**	—
Other receivables	**653**	682	**17**	2
Prepayments	**677**	588	**—**	—
	9,901	11,947	**62**	2

Non-current	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Amounts owed by subsidiaries	**—**	—	**38**	2,127
Other receivables	**586**	361	**586**	361
	586	361	**624**	2,488

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

The Group's credit risk is primarily attributable to its trade receivables. An impairment review has been undertaken at the balance sheet date to assess whether the carrying amount of financial assets is deemed recoverable. The primary credit risk relates to customers which have amounts due outside of their credit period. A provision for impairment is made when there is objective evidence of impairment which is usually indicated by a delay in the expected cash flows or non payment from customers. The amounts presented in the balance sheet are net of 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 26% (2008: 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 Group holds no collateral against these receivables at the balance sheet date.

The average credit period taken for trade receivables is 62 days (2008: 61 days).

At 30 September 2009 £2.2m (2008: £2.9m) of trade receivables were denominated in Sterling, £4.7m (2008: £5.6m) in US Dollars and £1.4m (2008: £1.8m) in Euros. The currency risk in respect of trade receivables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 28 and the Operating and Financial Reviews on pages 5 to 8.

Trade receivables with a carrying value of £1.7m (2008: £1.4m) have been pledged as security in relation to the Industrial Development Loan detailed in note 18.

There is no credit risk associated with non-current other receivables of £0.6m (2008: £0.4m) as these amounts are contractually fully recoverable against loan notes payable of £0.7m (2008: £0.7m) when they fall due, and are recoverable at an earlier date if deferred consideration in respect of Earthoil becomes payable.

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17. CASH AND CASH EQUIVALENTS

Group

Cash and cash equivalents of £2,678,000 (2008: £236,000) comprise cash held by the Group and short term deposits with an original maturity of one month or less. The carrying amount of these assets approximates to their fair value.

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

18. BANK LOANS AND OVERDRAFTS

	Group		Parent Company	
Current	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Loans	**159**	250	**—**	—
Bank overdraft	**9,640**	13,758	**3,421**	5,056
	9,799	14,008	**3,421**	5,056

	Group	
Non-current	**2009 £'000**	2008 £'000
Loans	**1,773**	2,016

US Loans and overdrafts

The Industrial Development Loan is repayable by fixed quarterly instalments over 20 years ending on 1 July 2021. The rate of interest payable has been fixed at 4.05% for ten years ending on 1 January 2012 and at 3.66% for ten years ending on 1 July 2021 both by way of interest rate swaps which cover the full term of the loan. The fair value of these interest rate swaps at the year end was £198,000 (2008: £111,000) based on year end exchange rates. The fair values of interest rate swaps are not included on the balance sheet or through the income statement as the amounts involved are not material. The Directors do not apply hedge accounting due to the lack of materiality of the items involved. This loan, together with a US Dollar overdraft facility ('line of credit') of US$4 million, both held by Treatt USA Inc, are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

The Industrial Development Loan is repayable as follows:

	2009 £'000	2008 £'000
- in one year or less	**159**	250
- in more than one year but not more than two years	**159**	249
- in more than two years but not more than five years	**477**	576
- in more than five years	**1,137**	1,191
	1,932	2,266

UK and other overdrafts

The Group's main UK overdraft facilities are unsecured and committed, all with expiry dates in 2010 other than overdrafts totalling less than £0.1m which were repayable on demand.

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

19. PROVISIONS

	2009 £'000	2008 £'000
Onerous contract provision:		
At start of year	**436**	—
Utilised in year	**(436)**	—
Additional provision in year	**—**	436
Balance at end of year	**—**	436

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

20. TRADE AND OTHER PAYABLES

Current	Group 2009 £'000	Group 2008 £'000	Parent Company 2009 £'000	Parent Company 2008 £'000
Trade payables	**3,509**	4,186	**—**	—
Amounts owed to subsidiaries	**—**	—	**34**	398
Other taxes and social security costs	**350**	466	**—**	13
Accruals	**1,747**	1,813	**—**	23
	5,606	6,465	**34**	434

Non-current	Group 2009 £'000	Group 2008 £'000	Parent Company 2009 £'000	Parent Company 2008 £'000
Other creditors and accruals	**789**	178	**789**	178

Trade payables principally comprise amounts for trade purchases and ongoing costs. The average credit period taken for trade payables is 30 days (2008: 41 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

At 30 September 2009 £1.1m (2008: £1.6m) of trade payables were denominated in Sterling, £1.2m (2008: £2.3m) in US Dollars and £0.6m (2008: £0.6m) in Euros. The currency risk in respect of trade payables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 28 and the Operating and Financial Reviews on pages 5 to 8.

Non-current other creditors and accruals relates to the deferred consideration payable to the vendors in relation to the acquisition of Earthoil. The undiscounted amount payable will be determined at maturity based upon the contractual earn-out formula.

21. SHARE CAPITAL

Parent Company and Group
Called up, allotted and fully paid

	2009 £'000	2009 Number	2008 £'000	2008 Number
At start and end of period	**1,048**	**10,481,034**	1,048	10,481,034

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

22. SHARE-BASED PAYMENTS

Group
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.

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

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

(a) The options outstanding at 30 September 2009 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	13,329	10,000	209p	Between June 2004 and June 2011

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22. SHARE-BASED PAYMENTS (continued)

(b) The options outstanding at 30 September for which a share-based payment charge of £20,000 (2008: £23,000) 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 2006 ***"SAYE 2006"***	3,445	13,159	238.6p	Between September 2009 and March 2010
R. C. Treatt Employee Save As You Earn Share Scheme 2007 ***"SAYE 2007"***	31,196	—	258.0p	Between September 2010 and March 2011
R. C. Treatt Employee Save As You Earn Share Scheme 2008 ***"SAYE 2008"***	44,421	—	195.0p	Between September 2011 and March 2012
R. C. Treatt Employee Save As You Earn Share Scheme 2009 ***"SAYE 2009"***	58,990	—	170.0p	Between September 2012 and March 2013
Treatt USA Employee Stock Purchase Plan 2009 ***"TUSA 2009"***	4,538	—	214.0p	July 2010

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 2006	SAYE 2007	SAYE 2008	SAYE 2009	TUSA 2009
Share price at date of grant	298.3p	316.5p	216.5p	233.5p	233.5p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	1 year
Expected life	3 years	3 years	3 years	3 years	1 year
Expected volatility	18.4%	17.8%	18.0%	19.2%	25.6%
Risk free interest rate	4.73%	5.63%	4.93%	3.10%	3.10%
Dividend yield	3.3%	3.3%	5.0%	4.8%	4.8%
Expected forfeitures	19.8%	37.5%	15.0%	10.0%	10.0%
Fair value per option at date of grant	72.8p	77.6p	32.5p	53.1p	30.1p

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 were as follows:

	2009 No of options	2009 Weighted average exercise price	2008 No of options	2008 Weighted average exercise price
Outstanding at start of period	**160,634**	**£2.23**	171,821	£2.32
Granted during the period	**63,528**	**£1.77**	57,228	£1.95
Forfeited during the period	**(17,501)**	**£2.39**	(13,256)	£2.46
Exercised during the period	**(28,351)**	**£2.33**	(17,579)	£2.18
Expired during the period	**(22,391)**	**£2.37**	(37,580)	£2.17
Outstanding at end of period	**155,919**	**£1.99**	160,634	£2.23
Exercisable at end of period	**16,774**	**£2.15**	26,618	£2.10

Forfeiture arises when the employee leaves or withdraws from the SAYE contract within the vesting period. The options outstanding had a weighted average remaining contractual period of 2.5 years (2008: 2.4 years).

The weighted average actual market share prices on date of exercise for share options exercised during the year was 271.9 pence (2008: 229.3 pence).

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 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)*
Shared 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 loss on defined benefit pension scheme net of deferred tax	*—*	*—*	*—*	*(728)*	*—*	*—*	*—*	*(728)*
1 October 2008	316	(761)	2,757	18,975	(4)	(453)	31	20,545
Net profit for the period	—	—	—	2,485	3	—	—	2,488
Dividends	—	—	—	(1,138)	—	—	—	(1,138)
Shares disposed of in the period	(28)	69	—	—	—	—	—	69
Loss on release of shares in share trust	—	—	—	(4)	—	—	—	(4)
Share-based payments	—	—	—	—	—	—	20	20
Exercise of options previously charged	—	—	—	28	—	—	(28)	—
Exchange differences	—	—	—	(175)	—	1,194	—	1,019
Actuarial loss on defined benefit pension scheme net of deferred tax	—	—	—	(1,311)	—	—	—	(1,311)
30 September 2009	**288**	**(692)**	**2,757**	**18,860**	**(1)**	**741**	**23**	**21,688**
Parent Company								
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)*
1 October 2008	316	(761)	2,757	1,432	—	—	—	3,428
Net profit for the year	—	—	—	1,079	—	—	—	1,079
Dividends	—	—	—	(1,138)	—	—	—	(1,138)
Shares disposed of in the period	(28)	69	—	—	—	—	—	69
Loss on release of shares in share trust	—	—	—	(4)	—	—	—	(4)
30 September 2009	**288**	**(692)**	**2,757**	**1,369**	**—**	**—**	**—**	**3,434**

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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 within this note. 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 2009 was £795,000 (2008: £686,000).

24. ANALYSIS OF NET DEBT

Group	2008 £'000	Cash flow £'000	Exchange difference £'000	**2009** **£'000**
Cash at bank	236	2,430	12	**2,678**
Bank overdrafts	(13,758)	4,297	(179)	**(9,640)**
Bank loans due in one year	(250)	115	(24)	**(159)**
Bank loans due after more than one year	(2,016)	459	(216)	**(1,773)**
	(15,788)	7,301	(407)	**(8,894)**

25. PENSION SCHEMES

Group

The Group has continued to operate a wholly funded defined benefit pension scheme for certain UK employees. The scheme's assets are held separately from the assets of the Group and are administered by trustees and managed professionally. From 1 October 2001 this scheme was closed to new entrants, who are eligible to join a stakeholder defined contribution scheme. Pensionable salary for the remaining members of the scheme is based upon the lower of their actual salary upon retirement or leaving the Group and their 2003 salary as increased by the Retail Prices Index ('RPI'). 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:

	2009 **£'000**	2008 £'000
Defined benefit scheme – current service cost	**483**	486
UK Stakeholder defined contribution scheme	**131**	108
USA 401k defined contribution scheme	**70**	47
Other pension costs	**12**	19
	696	660

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

The valuation used for IAS 19 disclosures in respect of the defined benefit pension scheme ("the scheme") has been based on the most recent actuarial valuation at 1 January 2009 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 2009. Scheme assets are stated at their market value as at that date.

25. PENSION SCHEMES (continued)

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

	2009	2008
Discount rate	5.50%	7.00%
Inflation rate	3.00%	3.50%
Increase to deferred benefits during deferment	3.00%	3.50%
Increases to pensions in payment	3.00%	3.30%
Salary increases	3.00%	3.50%
Expected return on scheme assets*	6.93%	8.68%
Mortality table	2000 series table with long cohort mortality min of 1.0% 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
Commutation allowance	20%	0%
Life expectancy for current 65 year old male	21.7	21.8
Life expectancy for male aged 65 in 10 years time	22.8	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 £720,000 to its defined benefit pension scheme in 2010 (2009: £670,000).

	2009 £'000	2008 £'000
Scheme assets:		
Equities	7,808	6,854
Bonds	3,898	2,867
Other	721	768
Fair value of scheme assets	12,427	10,489
Present value of funded obligations (scheme liabilities)	(14,427)	(11,027)
Deficit in the scheme recognised in the balance sheet	(2,000)	(538)
Related deferred tax	560	151
Net pension liability	(1,440)	(387)
Changes in scheme liabilities		
Balance at start of period	(11,027)	(12,022)
Current service cost	(483)	(486)
Interest cost	(781)	(729)
Benefits paid	229	232
Actuarial (losses)/gains	(2,365)	1,978
Balance at end of period	(14,427)	(11,027)
Changes in scheme assets		
Balance at start of period	10,489	12,092
Expected return on scheme assets	930	959
Employer contributions	693	659
Benefits paid	(229)	(232)
Actuarial gains/(losses)	544	(2,989)
Balance at end of period	12,427	10,489

For the year ended 30 September 2009

25. PENSION SCHEMES (continued)

	2009 £'000	2008 £'000
Amount charged to operating profit		
Current service cost (excluding employee contributions)	**(483)**	(486)
Total operating charge	**(483)**	(486)
Amount credited/(charged) to finance revenue/(costs)		
Expected return on assets	**930**	959
Interest on scheme liabilities	**(781)**	(729)
Net finance revenue	**149**	230
Net expense recognised in income statement	**(334)**	(256)
Amount recognised in statement of recognised income and expense		
Actual less expected return on assets	**544**	(2,989)
Experience (losses)/gains on liabilities	**(190)**	1
Effect of change in assumptions on liabilities	**(2,175)**	1,977
Total loss recognised in statement of recognised income and expense	**(1,821)**	(1,011)
Actual return on scheme assets	**1,474**	(2,030)
Statement of recognised income and expense		
Actuarial gain/(loss) from assets	**544**	(2,989)
Actuarial (loss)/gain from liabilities	**(2,365)**	1,978
Actuarial loss recognised in statement of recognised income and expense	**(1,821)**	(1,011)
Cumulative actuarial (loss)/gain recognised in statement of recognised income and expense	**(1,578)**	243
Movement in balance sheet net liability during the period		
Net liability at start of period	**(538)**	70
Current service cost (excluding employee contributions)	**(483)**	(486)
Cash contribution (excluding employee contributions)	**693**	659
Other finance income	**149**	230
Actuarial loss	**(1,821)**	(1,011)
Net liability at end of period	**(2,000)**	(538)

25. PENSION SCHEMES (continued)

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

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Scheme assets	**12,427**	10,489	12,092	9,521	7,981
Scheme liabilities	**(14,427)**	(11,027)	(12,022)	(12,611)	(11,220)
Net (liability/asset)	**(2,000)**	(538)	70	(3,090)	(3,239)
Difference between expected and actual returns on scheme assets:	**544**	(2,989)	342	266	964
Experience gains/(losses) on scheme liabilities:	**(190)**	1	112	932	(138)
Total actuarial (loss)/gain:	**(1,821)**	(1,011)	1,900	(389)	(257)

26. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2009, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 £'000	2008 £'000
Within one year	**101**	107
Within one to two years	**43**	74
In two to five years	**58**	82
	202	263

The Group as lessor

As at 30 September 2009, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2009 £'000	2008 £'000
Within one year	**–**	18

27. CONTINGENT LIABILITIES

Parent Company

The Parent 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$3,090,000 (£1,932,000) (2008: US$3,345,000 (£1,877,000)).

The Parent Company has also guaranteed certain bank borrowings of its UK subsidiaries R.C. Treatt & Co. Limited and Earthoil Plantations Limited. At the year end the liabilities covered by this guarantee amounted to £5,123,000 (2008: £9,143,000).

For the year ended 30 September 2009

28. FINANCIAL INSTRUMENTS

Group

(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 Parent Company and Group are made up as follows:

	2009 £'000	2008 £'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 Parent Company are made up as follows:

	2009 £'000	2008 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	950	950
Variable Rate Unsecured Loan Notes 2015 (B)	400	400
	1,350	1,350

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

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

	2009 £'000	2008 £'000
Financial assets		
Bank balances:		
US Dollar	1,528	99
Sterling	6,932	155
Other currencies	223	2,003
	8,683	2,257

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

	Floating rate financial liabilities		Fixed rate financial liabilities		Total	
Financial liabilities	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank balances:						
US Dollars	7,984	7,948	1,932	2,151	9,916	10,099
Sterling	6,718	2,845	–	–	6,718	2,845
Other currencies	943	43	–	–	943	43
Loan notes payable:						
Sterling	675	675	–	–	675	675
	16,320	11,511	1,932	2,151	18,252	13,662

28. FINANCIAL INSTRUMENTS (continued)

Fixed rate financial liabilities comprise the Industrial Development Loan of US$3,090,000 (see note 18) (2008: US$3,345,000). Interest on bank overdrafts is charged at 1.75%-2% above bank base or currency LIBOR rates. The terms of the loan notes payable are shown within this note.

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

Credit risk management
The maximum exposure to credit risk of the Group is as follows:

	2009 £'000	2008 £'000
Trade and other receivables	**8,571**	10,677
Cash and cash equivalents	**2,678**	236
	11,249	10,913

The Directors are of the opinion that there are no significant concentrations of credit risk. Further details of the Group's credit risk management are given in notes 16 and 17.

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

Capital management
Details of the Group's capital management are given in the Chairman's Statement, Operating and Financial Reviews on pages 5 to 8.

(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 unless stated.

(4) Hedges
As explained in the Operating and Financial Reviews on pages 5 to 8 the Group's policy is to hedge currency risk in times of significant currency fluctuations using forward foreign currency contracts for debtors and liabilities. At the year end there were no unrecognised or deferred gains or losses on forward foreign currency trading contracts.

(5) Currency exposure
The Group's currency exposure, 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 2009	**(2,949)**	**78**	**(2,871)**
At 30 September 2008	(4,510)	3,100	(1,410)

(6) Borrowing Facilities
At 30 September 2009, the Group had undrawn borrowing facilities of £9.1m (2008: £3.60m) expiring in 2010. Total facilities of £17.6m (2008: £17.3m) expire in one year or less.

For the year ended 30 September 2009

29. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Group

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on pages 16 to 18.

	2009 £'000	2008 £'000
Short-term employee benefits	703	605
Pension contributions to money purchase schemes	11	9
Share-based payment	2	3
	716	617

During the year two Directors (2008: two) were members of a defined benefit pension scheme. The aggregate accumulated total pension as at 30 September 2009 was £115,000 (2008:£106,000).

Parent Company	**2009 £'000**	2008 £'000
Interest received on loan notes from:		
Earthoil Plantations Limited	**19**	59
Earthoil Kenya PTY EPZ Limited	**8**	25
Dividends received from:		
R.C.Treatt & Co Limited	**1,139**	1,101
Redeemable loan notes receivable:		
Earthoil Plantations Limited	**950**	950
Earthoil Kenya PTY EPZ Limited	**400**	400
Amounts owed to/(by) Parent Company:		
Earthoil Plantations Limited	**38**	1,387
Earthoil Kenya PTY EPZ Limited	**—**	483
Earthoil South Africa Pty Limited	**—**	257
R.C.Treatt & Co Limited	**11**	(398)

During the ordinary course of business, purchases of goods take place from Earthoil India Private Limited, which is 80% owned by the Treatt plc Group, by Earthoil Plantations Limited. The value of goods purchased by Earthoil Plantations Limited from Earthoil India Private Limited during the period was £684,000 (2008: £221,000). As at 30 September 2009 Earthoil India Private Limited owed Earthoil Plantations Limited £423,000 (2008: £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 Company are unsecured and will be settled in cash. Interest is receivable on amounts owed by the Earthoil companies at 1% over UK base rate.

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 19 February 2010 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 (the "Company") will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 19 February 2010, 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 2009, 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 8.3p per share on the ordinary shares of the Company for the year ended 30 September 2009.

4. To re-elect H.W. Bovill as a Director of the Company.

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

6. To re-elect I.A. Neil as a Director of the Company.

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

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

Special Business

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

9. THAT:
   (a) In accordance with Section 551 of the Companies Act 2006 (the 'Act') the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (Rights) within the terms of the restrictions and provisions following; namely:
      (i) this authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 18 May 2011; and
      (ii) this authority shall be limited to the allotment of shares and the granting of Rights 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 shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares and grant Rights in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and
      (ii) words and expressions defined in or for the purpose of Part 17 of the Act shall bear the same meaning herein.

Special Business (continued)

10. THAT:
    (a) Conditionally upon the passing of Resolution 9 above and in accordance with Section 570 of the Act, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 9 above as if Section 561 of the said Act did not apply to any such allotment provided that:
        (i) the power hereby granted shall be limited:
            (aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and
            (bb) to the allotment (otherwise than pursuant to sub-paragraph (i)(aa) of this proviso) of equity securities up to an aggregate nominal amount of £52,400 (representing approximately 5 per cent of the existing issued share capital of the Company);
        (ii) the power hereby granted shall expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 18 May 2011;

    (b) (i) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of the said power which would or might require securities to be allotted pursuant to the agreement as if the power conferred herein had not expired; and
        (ii) words and expressions defined in or for the purpose of Part 17 of the Act shall bear the same meaning herein.

11. THAT :
The Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:
    (a) the maximum number of ordinary shares authorised to be purchased is 1,048,000 (representing approximately 10 per cent of the present issued share capital of the Company);
    (b) the minimum price (excluding stamp duty, dealing or other costs) which may be paid for an ordinary share so purchased is 10p;
    (c) the maximum price which may be paid for an ordinary share so purchased is an amount equal to 5 per cent above the average of the middle market quotations shown for an ordinary share in The London Stock Exchange Daily Official List on the five business days immediately preceding the day on which that ordinary share is purchased;
    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011, unless such authority is renewed, varied or revoked prior to such time; and
    (e) the Company may prior to the expiry of such authority make a contract to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the Board	Registered Office:
R.A. Hope Secretary	Northern Way Bury St. Edmunds Suffolk
18 December 2009	IP32 6NL

The note on voting procedures and general rights of shareholders, together with explanatory notes on the resolutions to be put to the meeting, which follow on pages 53 to 56 form part of this notice.

NOTE ON VOTING PROCEDURES AND GENERAL RIGHTS OF SHAREHOLDERS:

Only those persons entered in the Register of Members of the Company (the Register) as at 9.30am on 17 February 2010 (the Record Date) shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares in the capital of the Company registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Record Date shall be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Record Date, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, to be so entitled, members must have been entered on the Register by 9.30am two days prior to the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in such notice.

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him or her. The proxy need not be a member of the Company. A form of proxy is provided with this notice and instructions for use are shown on the form. Additional forms of proxy can be obtained from the Company's registrars on tel no 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday). 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.

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 19 February 2010 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following.

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

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

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

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

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

NOTE ON VOTING PROCEDURES AND GENERAL RIGHTS OF SHAREHOLDERS: (continued)

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

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

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

As at 18th December 2009 the Company's issued share capital consists of 10,481,034 ordinary shares, The total number of voting rights in the Company as at 16 November 2009 (the latest practicable reporting date prior to publication of this document) is 10,193,381.

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

Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so using the following means:

Calling the Company Secretary on +44 1284 702500;
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 16.

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 8.3p 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 29 January 2010. If approved, the date of payment of the final dividend will be 5 March 2010. An interim dividend of 3.7 pence per ordinary share was paid on 2 October 2009. This represents an increase of 0.8 pence per share, or 7 per cent, on the total 2008 dividend.

Re-election of Directors (Resolutions 4 to 6)
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, H.W. Bovill, P.A. Thorburn and I.A. Neil will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 10. Having considered the performance of and contribution made by each of the Directors standing for re-election the Board remains satisfied that the performance of each of the relevant Directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

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

Directors' authority to allot securities (Resolution 9)
Your Directors may only allot ordinary shares or grant Rights over ordinary shares if authorised to do so by Shareholders. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, this resolution seeks to grant a new authority to the Directors to allot unissued share capital of the Company and grant Rights and will expire at the conclusion of the next Annual General Meeting of the Company in 2010 or, if earlier, on 18 May 2011 (the date which is 15 months after the date of passing of the resolution). There is no present intention of exercising this authority, which would give Directors authority to allot relevant securities up to an aggregate nominal value of £201,500, approximately 19.2 per cent of the Company's issued ordinary share capital as at 18 December 2009.

Disapplication of pre-emption rights (Resolution 10)
Under section 561 of the Act, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing Shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing Shareholders. This cannot be done under the Act unless the Shareholders have first waived their pre-emption rights.

Resolution 10 asks the Shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £52,400 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 18 December 2009. 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, 18 May 2011 (the date which is 15 months after the date of passing of the resolution).

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

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

The resolution specifies the maximum number of ordinary shares that may be acquired (approximately 10 per cent of the Company's issued ordinary share capital as at 18 December 2009) 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 16 November 2009 (the latest practicable reporting date prior to publication of this document) was 154,069. The proportion of issued share capital that they represented at that time was 1.47 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 11 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next Annual General Meeting of the Company in 2010 or, if earlier, 18 May 2011 (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.

Organic and fair trade mint oils – Earthoil India


Indian farmer ploughing field for mint planting.


Indian farmer in field.


Indian mint grower group with sickles.

The organic grower Group, managed and overseen by Earthoil India, consists of over 600 small-scale mint farmers who produce fair trade and organically certified peppermint, spearmint and corn mint oils. These farmers had previously grown mint oils via conventional methods, but in 2003 Earthoil encouraged them to convert to organic practices. Importantly, the company also provided the support and logistics to do this. Earthoil ensures premium payments are made to individual farmer members in this project. It also makes payments into a community fund, and democratically elected farmers' organisations decide how this money will be spent – whether on health, education or cultural enhancement.

This project was recently awarded Fair for Life accreditation from the Institute of Marketecology (IMO). This third-party fair trade seal of approval officially recognises Earthoil's contribution to sustainable development and secures the rights of producers, workers and their communities in developing countries.

For further details on Earthoil and their projects please visit www.earthoil.com

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