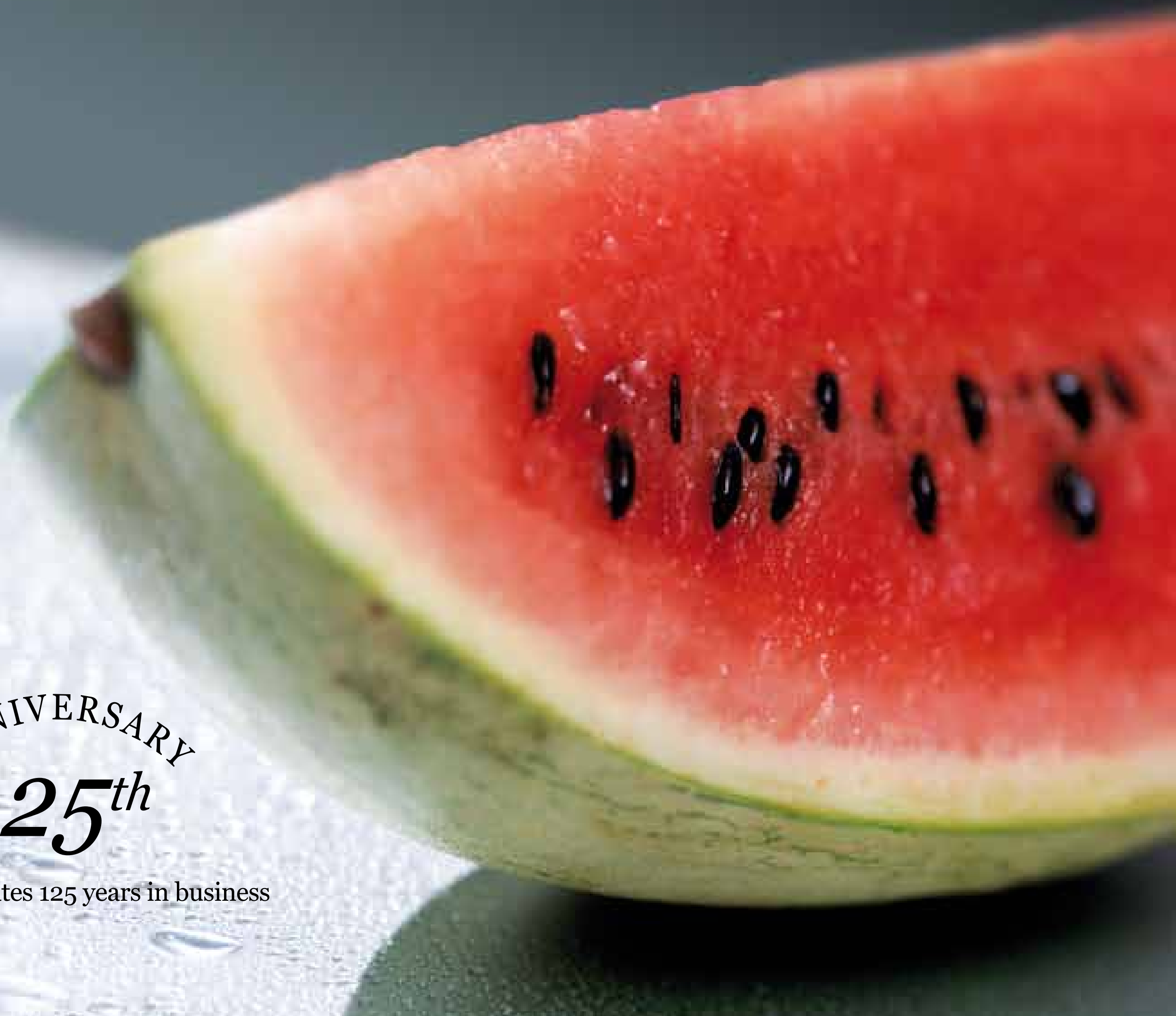
TREATT PLC

Annual Report & Financial Statements **2011**

A world of flavour, fragrance and cosmetic ingredients

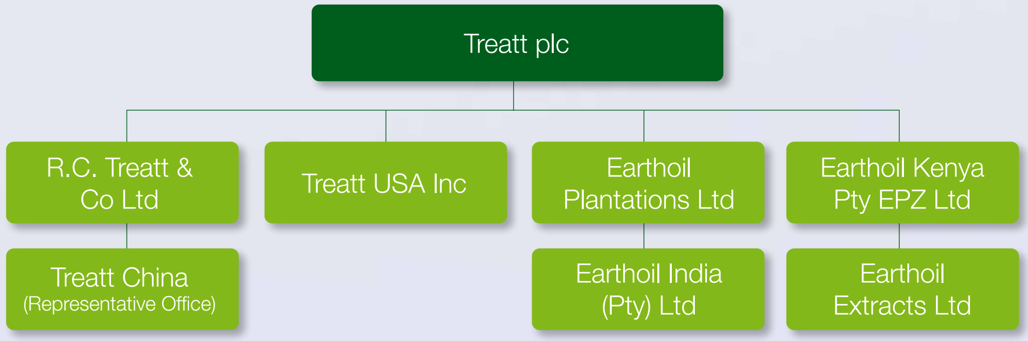


ANNIVERSARY 125th

Treatt celebrates 125 years in business

About THE GROUP

Treatt plc is a global independent ingredients supplier to the flavour, fragrance and cosmetic industries. The company has manufacturing sites in the UK, USA and Kenya as well as sales offices in China and France. Treatt exports to over 90 countries.



The ingredients that R.C. Treatt and Treatt USA manufacture are historically based on essential oils, which are distilled or blended, and the Treattarome® range of natural distillates which are made 'From The Named Food'. Treatt also distributes a range of aroma chemicals to the flavour and fragrance industries. Typical products using a Treatt ingredient could range from 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 is the cosmetic ingredients division of Treatt plc. The company also supplies organic, fair trade certified essential and cold pressed seed oils to the food and personal care industries worldwide.

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.

Financial SUMMARY

Revenue

+17.7%

£74.5m

Profit Before Tax[1]

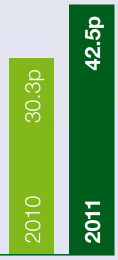
+41.5%

£6.4m

Basic Earnings Per Share

+40.3%

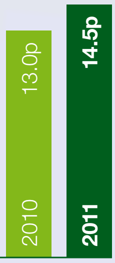
42.5p



Dividends Per Share[2]

+11.5%

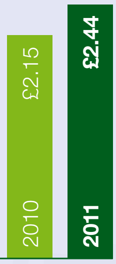
14.5p



Net Assets Per Share

+13.5%

£2.44



1 Excludes goodwill impairment in 2010 of £2.4m.

2 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 9.

Contents

See inside back cover for details of Earthoil's Deep Wells Project.

TreattSweet™ a natural sweet essence blend for low calorie sweetened products

Treatt has launched TreattSweet, which improves the sweetness and transforms the flavour of products sweetened with Stevia and other sweeteners.

This unique product is a non-caloric blend of all-natural essences that imparts desirable flavour and mouthfeel, while smoothing out the sweetness profile and undesirable lingering characteristics associated with Stevia and other sweeteners.

TreattSweet provides a solution for lower calorie products, as formulators seek to reduce the sugar content in their products, while maintaining the mouthfeel and sweetness that consumers crave. Produced entirely from natural ingredients, this water soluble ingredient imparts a mild, sweet, fruity flavour to juices, waters, alcoholic beverages, dairy products and dressings. The "water white' nature of this aqueous distillate makes it particularly suitable for formulating refreshing, clear beverages.

TreattSweet can be incorporated at levels of 1000 ppm upwards to create an overall fruity, sweet effect without introducing any dominant flavour notes. At lower levels between 100 and 250 ppm, TreattSweet adds valuable and appealing mouthfeel, while intensifying sweetness levels by approximately 1.5 Brix.

Treatt's specialised technology ensures maximum flavour entrapment and results in a stable blend of 100% natural sweet essences, enabling formulators to develop much sought after sweet, low calorie, clean label products.

For further information on this product, please email TreattSweet@treatt.com

Earthoil Plantations and East African farmers lead the way in fair trade & sustainable tea tree

Earthoil Plantations, through the Kenya Organic Oil Farmers Association (KOOFA), can now offer soothing, camphorous tea tree oils direct from an organic and sustainable source. This news comes as a welcome development for manufacturers looking to boost the ethical credentials of their products and ensure their widespread consumer appeal.

Earthoil purchases only the tea tree leaves from KOOFA, to produce the aromatic essential oil, leaving the woody stems for the farmers to use as firewood, and for other purposes including fencing. This has the additional benefit of alleviating the need to cut down trees from the protected, local Mount Kenya forest for everyday use. Continuing the sustainability cycle, tea tree oil, with its clean, slightly spicy aroma is widely regarded as having antiseptic and antifungal properties. Earthoil's organic essential oils are finding growing popularity with cosmetics, household, perfumery and personal product developers who are increasingly sourcing more natural and ethical products to respond to the demands of their customers.

Is just-in-time always enough?

Assessing the impact of a just-in-time production strategy and its current effect on the flavour industry

The past two years will certainly go down as some of the most challenging in history for the flavour industry. The impact of global natural disasters – earthquakes in Haiti, Japan and Indonesia, floods in Northern India and a drought in Brazil, for example – have contributed to significant raw material shortages.

Limited supply is naturally affecting those producers who have chosen to adopt a just-in-time production strategy. But how exactly is this effect felt and does this have an impact on the rest of the industry? Hugo Bovill, Managing Director, Treatt plc, considers just-in-time manufacturing and the reasons why it finds favour with many. He also examines the effect it has on the remainder of the supply chain and the impact it is currently having on the flavour industry as a whole.

Please visit the News section of **www.Treatt.com** to read these articles in full.

ANNIVERSARY

125th

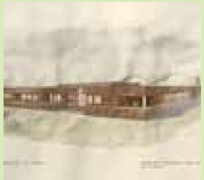
Treatt celebrates 125 years in business

1886

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

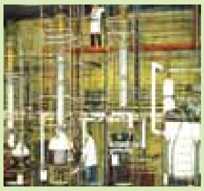
1943

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



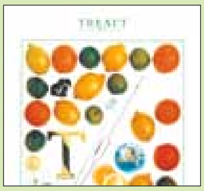
1971

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



1978

R.C. Treatt starts manufacturing by distillation



1989

Treatt plc formed and listed on the London Stock Exchange

1990

Treatt USA is established

1996

Treattarome® product range launched

2007

Treatt plc acquires the Earthoil Group of companies

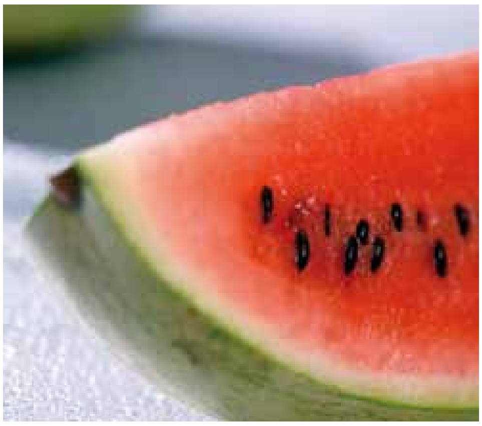
2011

TreattSweet™, natural flavour ingredient launched for low calorie sweetened products

Hibiscus Treattarome® 9766 for a clearly better flavour

Hibiscus Treattarome® 9766 brings natural, exotic flavour and clarity to the beverages industry.

Hibiscus flavours are often associated with adding colouration to products, from pale pink hues to strong reds. Hibiscus Treattarome 9766 delivers a water white flavour, without the typical bright red colour, allowing flavourists to use this herb creatively in new beverage blends.



Clear and clean, ripe watermelon distillate

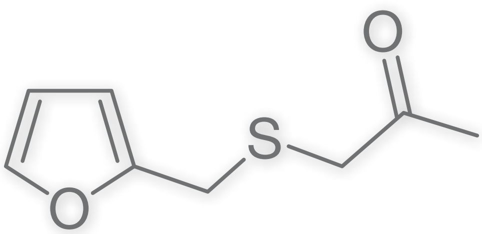
Treatt has released its new Watermelon Extra 9728 Treattarome®.

A 100% natural, FTNF (From The Named Food) clear distillate delivering a fruity, juicy character with balanced flowery and fruity backend notes. Wholly distilled from the watermelon species Citrullus lanatus, Watermelon Extra 9728 has been specially developed to deliver a riper flavour, bringing a more leafy, fruity, pulpy, mouthfeel than its complementary flavour Watermelon 9724, which carries a more rindy, strong flowery front end.

Please visit the News section of **www.Treatt.com** to find out more.

FEMA approves new savoury specialty ingredients

The Flavour and Extract Manufacturers Association, FEMA, has recently published issue 25 of its generally recognized as safe (GRAS) product register.



Global flavour and fragrance ingredients supplier, Treatt plc has responded to this updated listing by offering two newly FEMA approved products to the international marketplace: FEMA 4686, 2 Methyl 3 tetrahydrofuran thioacetate which, imparts a warming roast meat flavour and FEMA 4676, 1 (2 Furfurylthio) propanone which serves up the rich aroma of freshly brewed coffee.

Please visit the News section of **www.foodingredientsfirst.com** to read the full article.

Calendar

2010/11	
Financial year ended	30 September 2011
Results for year announced	5 December 2011
Annual Report and Financial Statements published	16 December 2011
Final dividend for 2011 goes 'ex-dividend'	25 January 2012
Record date for 2011 final dividend	27 January 2012
Last day for Dividend Reinvestment Plan Election	6 February 2012
Annual General Meeting	27 February 2012
Final dividend for 2011 paid	2 March 2012
2011/12	
Interim results to 31 March 2012 announced	21 May 2012*
Financial year ended	30 September 2012
Interim dividend for 2012 paid	19 October 2012*
Results for year announced	10 December 2012*
Final dividend for 2012 paid	8 March 2013*

* These dates are provisional and may be subject to change

Information and Advisers

Directors	James Richard Grace (Chairman and Non-executive Director) Hugo William Bovill (Managing Director) Anita Jane Haines (Human Resources Director) Richard Andrew Hope (Finance Director) David James Johnston (Non-executive Director – appointed 20 May 2011) Ian Anthony Neil (Non-executive Director) Peter Alan Thorburn (Non-executive Director)	
Secretary	Richard Andrew Hope	
Registered Office	Northern Way, Bury St. Edmunds, Suffolk IP32 6NL Tel: + 44 (0) 1284 702500 Fax: + 44 (0) 1284 714880	 Email: co.sec@treatt.com Website: www.Treatt.com
Registered Number	1568937	
Audit Committee	Ian Anthony Neil (Chairman from 18 November 2010), James Richard Grace (Chairman until 18 November 2010) David James Johnston (Appointed 20 May 2011), Peter Alan Thorburn	
Remuneration Committee	Peter Alan Thorburn (Chairman), James Richard Grace, David James Johnston (Appointed 20 May 2011), Ian Anthony Neil	
Nomination Committee	James Richard Grace (Chairman), Hugo William Bovill, David James Johnston (Appointed 20 May 2011), Ian Anthony Neil, 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 Black Horse House, Castle Park, Cambridge CB3 0AR
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 www.ft.com. Annual and interim reports are available on the Group's Website (www.Treatt.com).	

Group Five Year TRADING RECORD

	Years ended 30 September				
	2007 £'000	2008 £'000	2009 £'000	2010 £'000	**2011 £'000**
INCOME STATEMENT					
Revenue	38,066	49,641	56,313	63,298	**74,518**
Profit before taxation and goodwill impairment	2,828	3,064	3,501	4,503	**6,372**
Goodwill impairment	—	—	—	(2,432)	**—**
Profit before taxation	2,828	3,064	3,501	2,071	**6,372**
Taxation	(801)	(1,090)	(1,013)	(1,417)	**(2,017)**
Non-controlling Interest	—	5	(3)	(1)	**(7)**
Profit for the year attributable to owners of the Parent Company	2,027	1,979	2,485	653	**4,348**
BALANCE SHEET					
Goodwill	—	3,763	4,272	1,051	**1,192**
Other intangible assets	455	336	290	250	**742**
Property, plant and equipment	8,456	9,461	9,847	10,250	**10,120**
Interests in joint ventures	2,613	—	—	—	**—**
Deferred tax (liability)/asset	(474)	(94)	245	(19)	**(261)**
Non-current trade and other receivables	—	361	586	586	**586**
Current assets	23,075	32,358	28,687	34,311	**35,847**
Current liabilities	(12,831)	(21,185)	(15,954)	(14,292)	**(12,592)**
Non-current trade and other payables	—	(178)	(789)	—	**(135)**
Non-current bank loans	(1,642)	(2,016)	(1,773)	(7,348)	**(7,606)**
Post-employment benefits	70	(538)	(2,000)	(1,596)	**(803)**
Derivative financial instruments	—	—	—	—	**(864)**
Redeemable loan notes (net)	675	(675)	(675)	(675)	**(675)**
Total equity	20,397	21,593	22,736	22,518	**25,551**
CASH FLOW					
Cash generated from operating activities	657	(951)	10,675	2,361	**8,311**
Corporation tax paid	(628)	(730)	(755)	(1,312)	**(1,999)**
Net interest paid	(512)	(722)	(541)	(387)	**(526)**
Dividends paid	(1,053)	(1,100)	(1,138)	(1,222)	**(1,330)**
Additions to non-current assets	(1,067)	(1,127)	(1,005)	(1,571)	**(1,540)**
Acquisition/disposal of interests in joint ventures or subsidiaries	(1,375)	(735)	—	(38)	**(13)**
Purchase of redeemable loan notes	(1,350)	—	—	—	**—**
Net (purchase)/sale of own shares by Share Trust	(231)	(22)	65	87	**100**
Other cash flows	172	(377)	(407)	(5)	**(16)**
(Decrease)/increase in net cash	(5,387)	(5,764)	6,894	(2,087)	**2,987**
Net borrowings	(10,024)	(15,788)	(8,894)	(10,981)	**(7,994)**
RATIOS					
Basic earnings per share before goodwill impairment	20.0p	19.4p	24.5p	30.3p	**42.5p**
Dividend per share*	10.8p	11.2p	12.0p	13.0p	**14.5p**
Dividend cover (times)*	1.85	1.74	2.03	2.32	**2.92**
Net assets per share	194.6p	206.1p	217.0p	214.9p	**243.8p**

* 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.

Another good year for the Group with operating profit increasing by 40% to £6.9m

R.C. Treatt
Revenues increasing by 4% to £45.3m (2010: £43.6m)

£45.3m

Treatt USA
Year on year US Dollar sales grew by 49%

+49%

Earthoil
Profit before tax improved by £0.6m

+£0.6m

Results

The Group has enjoyed another good year in 2011 with strong growth in both sales and profits, with operating profit up by 40% to £6.9m. Group revenue continued to grow for the thirteenth year in succession with an increase for the year of 18% to £74.5m (2010: £63.3m). Group earnings before interest, tax, depreciation and amortisation increased by 33% to £8.0m (2010: adjusted* £6.0m); operating profits increased by 40% to £6.9m (2010: adjusted* £4.9m) with profit before tax for the year being up by 42% to a new all-time high of £6.4m (2010: adjusted *£4.5m). Basic earnings per share has increased by 40% to 42.5 pence (2010: adjusted* 30.3 pence) per share.

Over the last four years Group revenue has risen by 96% and profits before tax by 125%. This is a reflection of many years of hard work by management and staff in building a business that has been able to prosper in a period of economic and financial uncertainty.

The Board is proposing a final dividend of 9.7 pence (2010: 8.9 pence), increasing the total dividend for the year by 11.5% to 14.5 pence (2010: 13.0 pence) per share. The final dividend will be payable on 2 March 2012 to all shareholders on the register at close of business on 27 January 2012.

As reported at the half year, the Group had an exceptionally strong first six months and, as expected, the second half of the year continued at a steadier pace with some noticeable weakness in the final quarter. A combination of new business wins, continuing growth in the Americas and the well documented increase in global raw material prices has resulted in a significant increase in both revenues and profits for the Group during the year. The cash flows for the year were also good, with overall net debt reducing by £3.0m to £8.0m, with Group net short term borrowings of only £0.2m.

The growth over the last year has largely been driven by a very strong performance by Treatt USA, which principally serves the North American market, together with a marked turn around in the fortunes of Earthoil, the Group's cosmetics ingredients business which specialises in organic and fair trade certified products. This has been underpinned by R.C. Treatt, the UK operating company, which has continued its steady performance of the last few years although, due to a weak Q4, its profits were down on the prior year.

During the year, the Group's most significant raw material, orange oil (an orange juice by-product), rose from the $2/kg level it had been at in recent years, to almost $11/kg, before falling back to the $6-$7/kg range. As a result of this, the value of sales of orange oil products, which represented 24% of Group revenue (2010: 17%), increased by more than 70% during the year although volumes fell by more than 20% as a consequence of the Group's conservative risk management policies during this period of exceptionally high prices. For most of the year, the US Dollar to Pound Sterling exchange rate had a broadly neutral effect on the business, but in the two weeks prior to year end there was a sudden strengthening of the US Dollar, which resulted in a foreign exchange loss of £0.3k on R.C. Treatt's Dollar-denominated debt.

Over the last few years, R.C. Treatt has performed consistently well and whilst 2011 has proved to be a more difficult year, revenues still grew by 4% to £45.3m (2010: £43.6m). The Company began the financial year with a healthy order book, and this, together with the strong orange oil price, resulted in nine months of good profitability, but the final quarter of the year was a disappointment, with sales slowing and margins coming under significant pressure. The Company has benefitted, over the last few years, from its wide geographic spread, exporting to about 90 countries, which has enabled it to maintain a steady performance through turbulent times. Both Europe and Latin America were areas of good growth for the Company, with sales to Germany growing by 24%.

For Treatt USA, 2011 was a year of impressive growth. Although it did enjoy some benefits from the spike in orange oil prices, the underlying performance of the business was at a new level to that seen in previous years. Year on year US Dollar sales grew by 49% although gross margins did fall during the course of the year. As well as a sharp increase in the level of orange oil sales, the growth in specialty sales continued with another year of double digit growth, increasing in US Dollars by 14% (2010: 15%) across a wide range of products, and with total overheads remaining unchanged from the previous year, profits more than doubled compared to 2010.

Following a few years of difficult trading, 2011 has been a good year for Earthoil as it turned into profit. Year on year sales for Earthoil grew by 64%. This did, however, include a substantial shipment which had been delayed from the previous year. On a like for like basis sales grew by an encouraging 23%. This growth was achieved without any increase in overheads and this, together with the absence of the loss-making South African subsidiary which was disposed of last year, resulted in a net improvement to the Group of £0.6m.

For Treatt USA, 2011 was a year of impressive growth

Prospects

The Group has seen significant weakness in R.C. Treatt's order book over the last few months and there is a return to the short term de-stocking practices of two years ago which has been increased by the impact of the current global economic climate. This, coupled with falling raw material prices, does mean that the outlook for 2012 is uncertain.

Over the next few months, orange oil prices are expected to fall but the extent of the likely fall is unclear. However, the Group has many years' experience of managing its risk in periods of price volatility and so, whilst some stock losses are inevitable, this will relate mainly to 'pipeline' inventory and will be controllable.

The year ended 30 September 2011 was characterised by the significant improvements in Earthoil and Treatt USA and these should be consolidated upon over the next twelve months. At R.C. Treatt, however, the final quarter of last year saw a slow-down in activity which has continued into this financial year, where the impact of de-stocking has led to falling raw material prices, lower levels of sales and reduced margins. We do not now anticipate orders picking up much until mid-2012, especially for R.C. Treatt whose customers operate in many of the territories which are currently experiencing significant economic weakness. Consequently, the Board believe that pre-tax profits for the year ended 30 September 2012 will be significantly lower than was previously thought.

Summary

In summary, the Group has performed well over its entire product range over the last four years through difficult times, but the view for the current year ended 30 September 2012 is it will be one of the more challenging years in recent times with profits coming under pressure. However, the world continues to eat, drink and buy quality cosmetics, and overall demand continues to grow in spite of economic conditions. Flavour, fragrance and cosmetics companies look to Treatt to provide quality products in an efficient manner. As a truly independent and global business, Treatt remains well placed to take advantage of competitive opportunities, and through its commitment to continuous improvement, Treatt has become a supplier of choice to many large global businesses as well as national companies.

People

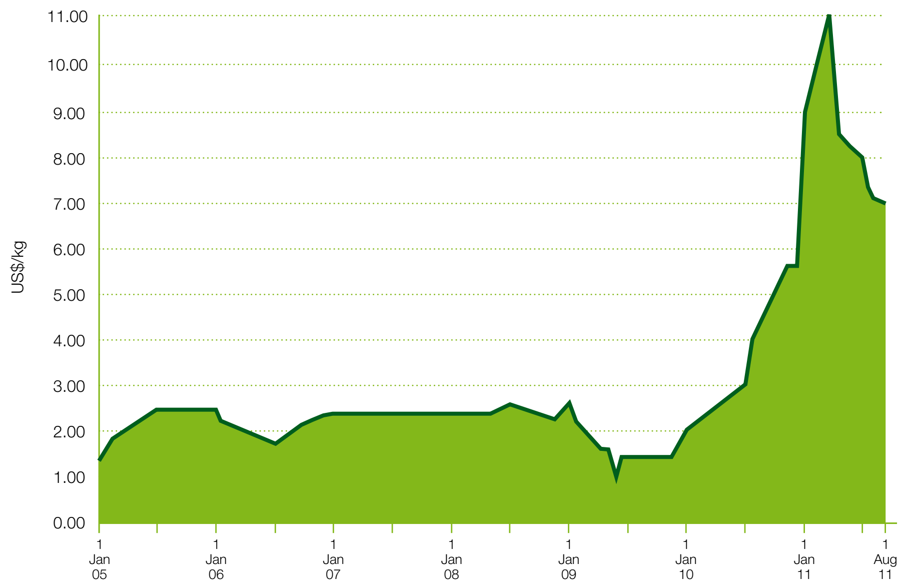
Most importantly, the Board recognise that these results would not have been achieved without the hard work and dedication of colleagues across four continents and would like to place on record its thanks to them.

Finally, following three years as a Non-executive Director and Chairman of Treatt plc, I feel the time is right to hand over the reins, and, as previously announced, I shall be standing down at the AGM. It has been an enormous privilege to have been on the Board during a period of significant growth for the Group and I wish all at Treatt the very best for the future.

JAMES GRACE
Chairman
2 December 2011

* Excluding prior year goodwill impairment

Orange Oil price 2005 - 2011



> It is pleasing to report that Earthoil has made good progress over the last twelve months

Operating Overview

Operationally, the Group performed satisfactorily during the year with on-going focus on efficiency improvements and well-targeted capital investment. It is particularly pleasing to report that Earthoil has made good progress over the last twelve months, where we have seen a significant increase in demand for specialist cosmetics ingredients. Following last year's strengthening of the senior management at Treatt USA, substantial new capital investment has been approved to enable the business in North America to capitalise on the growth achieved in 2011.

Over the last year the Group has invested approximately £1.3m in expanding and enhancing the Group's facilities and operational capabilities, and has already committed to a further £1.3m of investment in the first half of the new financial year, a significant proportion of which relates to increasing Treatt USA's production capacity. As part of the continued development of Earthoil's organic and fair trade vegetable oil operation, during the year important steps were taken to provide greater in-house technical expertise and improve operational capabilities in this area. The Group continues to place a very high level of priority on managing its inventory levels with the value of inventory remaining approximately unchanged over the last year at £20m. Overarching control of inventories is carried out by stock teams in both the UK and US who meet frequently, and review in detail, information using a number of IT tools linked in to the ERP system. As a consequence of the work carried out in this area less than 5% of Group inventory is more than one year old at the year end.

As ever, global legislative developments continue to be a major area of investment for the Group as it is vital that Treatt is at the forefront of regulatory compliance. Part of Treatt's role is, where possible, to support both customers and suppliers in legislative compliance as the regulatory landscape for the chemical industry across the world continues to become more and more complex. Europe continues to lead the way with REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) and CLP (Classification, Labelling and Packaging of Substances and Mixtures) Regulations. However, proposed changes to the US regulatory landscape will also present significant challenges. Treatt continues to play an active role in its sector of the chemical industry in assessing the implications that the changes will have for SMEs and continues to work with its suppliers, within SIEF (Substance Information Exchange Forums) and consortia to ensure that key products to the business are in compliance with the REACH regulation. The Group is well positioned for the registration phases of the regulation, with the next phase coming on stream in 2013, although, due to the Group's wide diversity of products, the main impact on the Group will not occur until 2018. Over the last year, the Group successfully ensured that systems were implemented on time and on budget for CLP compliance, which is Europe's interpretation of the UN GHS (Globally Harmonized System of Classification and Labelling of Chemicals), and the Group also worked closely with its supply chain in order to ensure CLP compliance. 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.

Treatt's truly global supply chain activities resulted in materials being bought and sold in almost one hundred countries around the world. In addition, Earthoil produces organic and fair trade essential and vegetable oils in Kenya 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.

The Group also continues to place significant importance on developing its 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 undertaken regularly and we are utilising the expertise developed during the preparation of this plan in order to incorporate Treatt USA as well. The Group benefits from the fact that there are operational synergies between the UK and US which would enable the Group to put into practice one of many contingency plans in the event of a major incident by moving activities to alternative locations.

Performance & Business Overview

The year began with orange oil reaching unprecedented levels, rising from around \$2/kg to a peak of \$11/kg, which got the financial year off to a very strong start with the Group benefitting from some short term stock profits. In addition, order book levels generally in the first half of the year were good, and the Group was winning healthy levels of new business, particularly in the US and the Group's cosmetics ingredients division, Earthoil.

Similarly, for most of the year the price of many other essential oils and aroma chemicals remained high, but prices did start to weaken in the final quarter of the year, thus discouraging customers from placing annual contracts.

R.C. Treatt

Over the last five years, R.C. Treatt has performed very well but 2011 proved to be a somewhat more challenging year as margins came under pressure. With higher raw material costs, it became noticeably more difficult to pass on these costs as the year progressed and as world economic conditions became more volatile. Having said that, the Company continues to grow and is able to benefit from its wide product portfolio and diversified global reach. Revenue for the year increased by 4% with sales to the top ten customers representing just 39% of turnover, although demand from some of the Company's largest customers did fall as resistance to higher prices began to materialise. As was the case in 2009, many customers began concerted efforts during the year to de-stock again as the shortages which had been experienced over the last year or two began to disappear. However, strategically, the Company continued to hold appropriate levels of inventory throughout the year so that it is well placed to respond to fluctuations in demand.

Sales of orange oil products grew significantly, in terms of value, whilst sales of aroma chemicals fell back marginally, following several years of good growth. Sales of lemon oil products, the Company's second largest raw material, also declined following a strong performance in 2010. Overall, added-value manufactured products performed well.

Treatt USA

Over the years, the performance of Treatt USA has fluctuated significantly from one year to the next, but 2011 bucked this trend as the Company appears to have made a step-change in its level of performance. Following a record year in 2010, Treatt USA has continued to go from strength-to-strength in terms of both sales and profits with US Dollar revenue for the year increasing by 49%. During the previous year, some significant management changes were made at Treatt USA with the appointment of a new CEO who has worked for the Group in the UK since 1991, and the arrival of a new Vice President who has extensive sales experience in both domestic and international flavour and fragrance raw material markets. These changes have helped the Company focus on its strategic strengths predominantly in the North American market, enabling it to win significant new business. This, coupled with a rapid and effective response to the four fold increase in orange oil prices, were the main drivers behind the growth for the year. Overall, specialty non-orange product sales were up in US Dollars by 14% (2010: 15%) year on year, and over the last five years sales of these products have more than doubled. Consequently, this remains a key area of investment for the Group.

Treatt China

China continues to be an area of major strategic importance for the Group, but 2011 proved to be a difficult year, due to an industrial contaminant scare (not relating to Treatt) which resulted in an initial over-reaction affecting the flavour and fragrance industry. This has settled down since the year end, and orders are now returning to normal, but at one point sales to China almost ceased completely due to this issue. Consequently, for the first year in a long time, sales to China grew in single figures, by just 7% having increased by 25% in the previous year. China also remains a very important supply base for raw materials.

Earthoil

As reported earlier, 2011 saw Earthoil become a profitable part of the Treatt Group with sales up by 64%. This did, however, include two years' worth of sales to Earthoil's largest customer as some sales relating to 2010 were delayed into 2011 due to heavy rains in India. Excluding the largest customer, Earthoil's sales still grew by an encouraging 23%. This growth, combined with the disposal last year of the loss-making South African subsidiary, resulted in a £0.6m turnaround in profitability. Over the last eighteen months particular emphasis has been placed on developing Earthoil's specialty vegetable oil business and therefore a small amount of further investment has been made in order to improve its capability in this area. Through Earthoil Kenya, Earthoil also benefits from having its own organic and fair trade vegetable oil pressing facilities which provide the business with an important competitive advantage. Earthoil's innovative fair trade and organic farming projects in Kenya and India are both 'Fair for Life' certified (see **www.fairforlife.net/**) and continued to expand during the year. For further information on Earthoil's range of products visit **www.Earthoil.com**.

Capital Investment

In 2011 R.C. Treatt invested £0.7m (2010: £1.2m) in capital expenditure which was a reduction on previous years as a number of projects were put on hold whilst the Board considers the most effective way to develop and grow the UK operations in order to maximise future growth potential in the most cost efficient way. Many of the projects which were implemented during the year were IT related, as the complex nature of R.C. Treatt's global activities necessitates a strong commitment to state of the art systems in order to grow successfully as a modern manufacturing business. During the year Treatt USA continued its programme of continual investment, investing $1.1m in new projects. On top of this, the Board has approved $3m of new investment in production capacity, with completion due in early 2012, to support this rapidly growing part of the Group. Earthoil did not require any significant capital investment, as the production activities in India and Kenya are not as capital intensive as other parts of the Group.

Personnel

Over the last few years, we have been fortunate that the quality of the Treatt 'brand' has enabled the Group to attract a number of high calibre staff across all disciplines to join the Group. In addition, Treatt remains proud of its experienced, talented and committed workforce, many of whom are longer serving employees, but being mindful of the need for continuous improvement we continue to enhance and strengthen the Group's programme of training and development.

We believe that one of the keys to our success is to blend the fresh ideas and techniques, which come with new recruits, with the experience and know-how which has existed for many years.

Financial Overview

Income Statement

Group revenue increased by £11.2m (18%) during the year to £74.5m (2010: £63.3m). This resulted in an increase in operating profit after foreign exchange translation differences of £2m (40%) to £6.9m (2010: £4.9m).

Earnings before interest, tax, depreciation and amortisation for the year, excluding the prior year goodwill impairment, rose by 33% to £8.0m (2010: £6.0m) and Group profit before tax increased by 42% to a new high of £6.4m (2010: £4.5m before and £2.1m after goodwill impairment). In the prior year, the value of goodwill in relation to Earthoil was impaired by £2.4m, to a carrying value of £1m because at the time Earthoil was continuing to lose money. However, as explained in note 11, following the profitable performance of Earthoil over the last year, and the continuing progress in this business, the impairment review carried out at the balance sheet date resulted in no further impairment being required.

The total dividend for the year has been increased by 11.5% to 14.5p per share, resulting in a dividend cover of 2.9 times earnings for the year. This represents an increase of 38% over the last five years. Basic earnings per share for the year increased by 40% to 42.5 pence (2010: Adjusted - 30.3 pence). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) since they do not rank for dividend, and is based upon profit after tax.

With rising raw material prices throughout most of the financial year, gross margins fell to 23.9% (2010: 24.5%) although over the last five years, margins have remained remarkably steady despite strong competition as customers look to Treatt for a total service package of quality, service and price.

The US Dollar (being Treatt's most significant foreign currency) remained relatively stable for most of the financial year at around $1.60 to the Pound, but in the fortnight prior to year end there was a temporary strengthening of the US Dollar. 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 and, as a result of this sharp movement in the US Dollar/Sterling rate at year end the Group suffered an adverse foreign exchange translation difference of £0.3m in the last month of the financial year. There was a relatively small currency gain of £0.1m in 'The Statement of Comprehensive Income' in relation to the Group's investment in overseas subsidiaries.

Following two years of falling finance costs, 2011 saw the Group's net finance costs increase by £0.2m to £0.5m. During the year, as part of the Group's risk management, R.C. Treatt fixed $9m of US Dollar borrowings at 5.68% for ten years by way of an interest rate swap. This swap has been designated as a 'hedge' in accordance with IFRS and consequently any movements in the mark-to-market of the swap are taken directly to equity. At the balance sheet date, the fair value liability, net of deferred tax, of the swap was £0.7m. Interest cover for the year fell slightly to 14.0 times (2010: 15.7 times).

During the year the Group continued its annual programme of offering share option saving schemes to staff in the UK and USA. Under US tax legislation, staff at Treatt USA are able to exercise options annually, whilst the UK schemes provide for three-year savings plans. As part of these programmes, options were granted over a further 35,000 shares during the year, whilst 49,000 were exercised by UK and US employees under the 2008 Save As You Earn scheme and 2010 Employee Stock Purchase Plan. Following its establishment in 2004, the Employee Benefit Trust (EBT) currently holds 203,000 shares (2010: 252,000) acquired in the market in order to satisfy future option schemes without causing shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Balance Sheet

Group shareholders' funds grew by £3.1m in the year to £25.6m (2010: £22.5m), with net assets per share increasing by 13% to £2.44 (2010: £2.15). Over the last five years, net assets per share have grown by 38%. Following the recent programme of converting as much of the Group's banking facilities from short to medium term, at the year end the Group only had a net £0.2m of short term borrowings. As a consequence, net current assets now represent 91% (2010: 89%) of shareholders' funds. The Board has chosen not to avail itself of the option under IFRS to revalue land and buildings annually and therefore all the Group's land and buildings are held at historical cost, net of depreciation, in the balance sheet. It should be noted that net assets have been reduced by £0.5m (2010: £0.6m) 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.

Cash Flow

In 2011 Group net debt fell to its lowest level since 2006, falling in the year by £3m to £8m with the level of gearing falling from 49% to 31%. The Group has a mix of secured and unsecured borrowing facilities totalling £19.8m, of which £9.4m expire in one year or less. The Group continues to enjoy positive relationships with its banks and expects all facilities to be renewed without difficulty when they fall due. The movement in working capital for the year was unusually low, at just £0.3m, with the largest cash outflows relating to fixed assets, dividends and taxation. Inventory levels for the Group remained relatively high, underpinned by higher raw material costs, at approximately £20m. As an ingredients specialist, Treatt takes many annual, and in some cases longer-term, contracts with customers as well as servicing the immediate spot needs of its diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore it is part of the Group's business model to hold significant levels of inventory.

Final Salary Pension Scheme

Following the last three-year actuarial review in January 2009, contributions to the scheme were increased by a relatively small amount in order to eliminate the actuarial deficit by 2016, in line with the original ten year plan agreed in 2006.

During the year the IAS 19, "Employee Benefits" pension liability, net of deferred tax, fell from £1.2m to £0.6m. The pension scheme deficit benefited from a positive £1.7m due to changes in assumptions, of which £1.1m relates to the change from the UK Government's change from RPI to CPI for annual pension increases and the valuation of deferred pensions.

Following the changes made to the pension scheme in recent years (see note 26), one third of Group employees remain as members of the final salary scheme and this proportion will continue to decline over time.

Treasury Policies

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets.

No investments other than cash and other short-term deposits are currently permitted. Where appropriate these balances are held in foreign currencies, but only as part of the Group's overall hedging activity as explained below.

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

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

Secondly, with R.C. Treatt exporting to over 90 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in three currencies in addition to Sterling, with the US Dollar being by far the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated commodity price and therefore has an impact on the Sterling gross margin. Raw materials are also mainly purchased in US Dollars and therefore US Dollar bank accounts are operated, through which US Dollar denominated sales and purchases flow. Hence it is Sterling's relative strength against the US Dollar that is of prime importance.

As well as affecting the cash value of sales, US Dollar exchange movements can also have a significant effect on the replacement cost of stocks, which affects future profitability and competitiveness.

The Group therefore has a policy of maintaining the majority of cash balances, including the main Group overdraft facilities, in US Dollars as this is the most cost effective means of providing a natural hedge against movements in the US Dollar/Sterling exchange rate. Currency accounts are also run for the other main currencies to which R.C. Treatt is exposed. This policy will protect the Group against the worst of any short-term swings in currencies.

Group Tax Charge

The Group's current tax charge of £1.7m (2010: £1.2m) represents an effective tax rate (based on profit before tax) of 27% (2010: 27%). This is in line with the average rate of UK corporation tax of 27% (2010: 28%) for the year. The overall tax charge of £2.0m (2010: £1.4m) has increased in line with Group profits. There were no significant adjustments required to the previous year's tax estimates.

Financial Statements
The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2011.

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

Comments on the Group's activities, position at year end, and its outlook for the future are given in the Chairman's Statement and Operating & Financial Review (OFR) on pages 7 to 11.

Results and Dividends
The results of the Group for the year are set out on page 24. Profit before tax for the year on a like-for-like basis was £6,372,000 (2010: £4,503,000 excluding goodwill impairment).

The Directors recommend a final dividend of 9.7p (2010: 8.9p) per ordinary share.

This, when taken with the interim dividend of 4.8p (2010: 4.1p) per share paid on 21 October 2011, gives a total dividend of 14.5p (2010: 13.0p) per share for the year ended 30 September 2011.

Business Review
The Group is required to produce a business review complying with the requirements of section 417 of the Companies Act 2006. The Group has complied with this requirement in the Chairman's Statement on page 7 and the OFR on pages 9 to 11. This incorporates a review of the Group's activities, its business performance and developments during the year and an indication of likely future developments. The Group's strategy and business model (further details of which can also be found in the Chairman's Statement and OFR) is to build long term shareholder value by delivering steady growth through continuous improvement and by focussing primarily on the products, customers and territories where the Group has built its reputation over many years.

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

	2011	2010
Group revenue	**£74.5m**	£63.3m
Group profit before tax[1]	**£6.4m**	£4.5m
Group earnings per share (basic)[1]	**42.5p**	30.3p
Group return on capital employed[1,2]	**24.9%**	20.0%

1 Excluding goodwill impairment in 2010

2 Capital employed is defined as total equity

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

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

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

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

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

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

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

Corporate Governance
The Corporate Governance Statement on pages 16 to 18 forms part of this Directors' Report.

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 £5,669,000 shown in the balance sheet. This belief has been confirmed 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 5.

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

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 19. The Executive Directors' contracts are terminable by the Group giving the required notice periods which vary between six months and two years.

In accordance with the Parent Company's Articles of Association and as reported in the Corporate Governance Statement on page 16, in recognition of Provision B.7.1 of the UK Corporate Governance Code R.A. Hope and P.A. Thorburn retire by rotation and D.J Johnston retires, having been appointed during the year. All directors 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.

Non-executive Directors

J.R.Grace

James Grace was appointed a Non-executive Director of the Group in October 2008 and became Chairman in February 2010. He is a director of Corporate Finance at Investec Investment Banking and was a director of UK Land plc from 1993 to 2002 and Novera Energy plc from 2007 to 2009. As confirmed in the Chairman's statement, James will be retiring from the Board at the forthcoming AGM.

D.J. Johnston

Dr. David Johnston was appointed to the Board in May 2011. David has a PhD in Biochemistry and has worked for Firmenich, one of the leading global flavour and fragrance companies for over 10 years in a variety of roles, most recently as Vice President of Innovation and Design, developing new technologies, with responsibility for the development and implementation of global strategy.

I.A. Neil

Ian Neil was appointed to the Board in December 2009. Ian was Vice President Europe, Africa and Middle East ("EAME") Flavors at International Flavors and Fragrances Inc. ("IFF") and 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 Group 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 Group in October 2002.

R.A. Hope

Richard Hope was appointed Group Finance Director and Company Secretary 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 2011 had the following interests in the shares of the Parent Company:

	10p ordinary shares fully paid		Options to acquire 10p ordinary shares	
	2011	2010	**2011**	2010
Hugo William Bovill	**1,521,896**	1,520,654	**4,067**	4,760
Anita Jane Haines	**6,918**	5,329	**4,067**	4,760
Richard Andrew Hope	**8,337**	5,329	**4,067**	4,760
James Richard Grace	**9,410**	9,410	**–**	–
Peter Alan Thorburn	**1,000**	1,000	**–**	–

There have been no changes between 1 October 2011 and 14 November 2011, the latest date practicable to obtain the information prior to publication of this document, other than an additional 89 shares received by R.A. Hope under a dividend reinvestment plan.

Substantial Shareholders

In accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Services Authority, the Parent Company has been notified of the following holdings of 3% or more of the voting rights at 11 November 2011 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	905,000	8.81
G.R. Bovill and A.J. Bovill as Trustees of the W.G. Bovill 1985 Settlement (G.R. Bovill's Childrens' Fund)	749,534	7.29
G.R. Bovill	699,640	6.81
Rights and Issues Investment Trust Plc	555,000	5.40
Discretionary Unit Trust Fund Managers	419,226	4.08
Henderson Fledgling Trust plc	348,000	3.39
Bjornstad and Jendal A/S	338,453	3.29

Bovill Family Shareholdings

Based on an analysis of the shareholders' register at 30 September 2011 H.W. Bovill and G.R. Bovill, along with their dependants, were interested in 2,971,070 (2010: 2,969,828) ordinary shares representing 28.3% (2010: 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 11 November 2011 (the latest practicable reporting date prior to publication of this document) the Bovill Family Shareholdings represented 28.91% (2010:29.02%) of the voting rights.

Contracts of Significance

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

Directors' and Officers' Liability Insurance

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

Policy on the Payment of Creditors

The Group's policy is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The Group trade creditors' balance at the year end represents 33 (2010: 39) days credit based on the whole year's purchases. The Parent Company had no trade creditors at the year end.

Research and Development

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

Financial Instruments

Information on the Group's financial risk management objectives and policies, and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 29 of the financial statements.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 7 and the OFR on pages 9 to 11.

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

- the implications of the challenging economic environment and future uncertainties on the Group revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group has access to overdraft facilities and committed bank facilities to meet day-to-day working capital requirements. During the period all the Group's banking facilities have been renewed on either existing or improved terms, with a further $4 million of committed facilities having been converted from a short term one year facility, to a longer term three year facility. During the period the Group also put in place a ten year fixed interest rate swap for $9m in order to protect (hedge) the Group against possible future increases in interest rates.

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

Charitable Contributions

During the year the Group made charitable donations of £18,000 (2010: £15,876) to local causes.

Social and community issues

The Group endeavours to impact positively on the communities in which it operates. Earthoil is an example of this where the company focuses on fair trade, ensuring farmers are traded with on equitable terms. Earthoil India was instrumental in the formation of the Earthoil Organic Farms Foundation, a not-for-profit organisation which provides funding to local community projects.

Similarly, Earthoil's KOOFA (Kenyan Organic Oil Farmers Association) is situated in the Mount Kenya area and initially began with just 90 farmers growing borage - a pressed seed oil crop. The project has now moved on to tea tree oil and has since expanded to over 450 growers. Through 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 health and safety of employees is the Group's number one priority. In addition, the Group similarly seeks to ensure the safety of all visitors, customers, suppliers, contractors etc. As part of its comprehensive health and safety policies, managed by health and safety professionals employed by the Group, a range of key indicators are maintained and reported at every Board meeting. The Group promotes a positive in-house health and safety culture through regular health and safety committee meetings, internal safety audits and extensive employee training, all of which lead to continuous improvement. Particular emphasis is placed upon the recording and assessment of 'near misses' and the resultant implementation of preventative measures. Employee health and well-being is monitored through confidential on-site occupational health provision. The Group's policy of investment in health and safety was continued during the financial year.

Environment

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

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

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

Treatt USA are undertaking a project to replace its closed loop cooling water circuit with direct cooling from deep well water on all still condensers. This well water is then recycled back into the aquifer via a second deep well. The system will provide significant local environmental benefits as well as reduced energy usage.

R.C. Treatt is currently trialling an initiative to produce electricity by burning waste oil, thereby further reducing the Company's carbon footprint and eliminating disposal costs. Investigations are also underway to enable disposal of waste glass in the same manner.

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

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

Employee Involvement
Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Group through share option schemes (see note 23). In particular, Executive Directors make half yearly results presentations to all employees and encourage questions and dialogue on any matters pertaining to the performance or activities within the Group. In addition, the Information Exchange Committee (IEC) at R.C. Treatt exists in order to encourage a further exchange of ideas and information between the Company and its employees. The IEC is chaired by the Human Resources Director and the members of the committee are all employees below management level who represent all departments and areas of the business in the UK. Board members make a point of visiting all Group affiliates and regularly carry out site visits and tours, and thereby engage in meaningful discussions with employees at all levels within the organisation. Bonus schemes, based on the performance of the business, remain in place.

Structure of share capital
As at 30 September 2011, the Parent Company's share capital comprises ordinary shares with a nominal value of 10 pence each. All of the Parent Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Articles, a copy of which can be obtained on request from the Company Secretary.

Details of the issued ordinary share capital of the Parent Company and movements during the year are set out in note 22 of the financial statements. During both the current and prior period, the Parent Company did not issue any new shares.

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

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

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

Powers of the directors and purchase of own shares
The Directors' authority to effect purchases of the Parent Company's shares on its behalf is conferred by resolution of shareholders and is renewed annually at the Parent Company's Annual General Meeting. At the date of this report, no shares have been purchased under the authority granted at the Annual General Meeting in 2011, to make market purchases up to a further 10% of the Parent Company's shares. At the forthcoming Annual General Meeting in 2012, the Parent Company will be seeking authority again to purchase up to 10% of its ordinary shares, although at present the Directors have no plans to buy back any further shares. It is, however, considered prudent to have the authority in place in order that the Parent Company is able to act at short notice if circumstances warrant. At the Annual General Meeting held in February 2011, the Directors were given the power to issue new shares up to an amount of 33% of the existing issued share capital, of which 5% of the existing issued share capital can be issued by disapplying pre-emption rights. This power will expire at the conclusion of the Annual General Meeting 2012. Accordingly, a resolution will be proposed to renew the Parent Company's authority to issue further new shares. In accordance with the latest institutional guidelines issued by the Association of British Insurers (ABI), the proposed new authority will again allow the Directors to allot ordinary shares equal to an amount of up to one third of the Parent Company's existing issued ordinary share capital.

Treatt Employee Benefit Trust (the 'EBT')
The EBT holds ordinary shares in the Parent Company (acquired in the market) in order to meet obligations under the Group's employee share option schemes. No shares were purchased during the year ended 30 September 2011. The trustees have waived their voting rights and their right to receive dividends (other than 0.001 pence per share) in respect of the ordinary shares held by the trust.

Annual General Meeting and restrictions on voting deadlines
The Annual General Meeting of the Parent Company will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 27 February 2012. The Notice of Meeting and explanatory notes are given on pages 60 to 64. The notice of any general meeting will specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at a general meeting. The number of proxy votes for, against or withheld in respect of each resolution are announced and published on the Treatt website after the meeting.

Auditors
Baker Tilly UK Audit LLP has indicated its willingness to continue in office. On the recommendation of the Audit Committee, resolutions are to be proposed at the Annual General Meeting for the re-appointment of Baker Tilly UK Audit LLP as auditors of the Parent Company and its subsidiaries, and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 September 2011 is fully disclosed in note 5 to the financial statements.

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

This report was approved by the Board on 2 December 2011.

R.A. Hope
Secretary

There is a commitment to high standards of Corporate Governance throughout the Group. The Board confirms that throughout the year ended 30 September 2011 the Group has complied with the provisions set out in the UK Corporate Governance Code[1], except for clause D1.5 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. In addition, and as explained in the Directors' Remuneration Report, the Board does not fully comply with D2.2, in that the remuneration of UK senior managers is determined by the Executive Directors as the Remuneration Committee believe that they are best placed to make this decision. The bonuses of all senior managers in the Group are approved by the Remuneration Committee.

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

Directors

Details of the Directors who served during the year, the positions they hold, and the committees of which they are members are shown on page 5. The Board consists of four Non-executive Directors, of which D.J. Johnston was appointed on 20 May 2011, and three Executive Directors, of which H.W. Bovill is the Managing Director. The Board considers that all the Non-executive Directors are independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. None of them have any significant interest in the shares of the Parent Company and all receive a fixed fee for their services. The Board is satisfied that the Chairman's other commitments do not detract from the extent or the quality of the time which he is able to devote to the Group.

Biographies of the current Board members appear on page 13.

The Board meets at least five times each year and more frequently where business needs require. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. These include matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals and appointments to subsidiary company boards.

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

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

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

The differing roles of Chairman and 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.

Board Committees

The Board has established a number of standing committees to which various matters are delegated according to defined terms of reference. The principal committees are the Nomination Committee, the Remuneration Committee and the Audit Committee. The principal terms of reference for each Committee are as follows:

Nomination Committee

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

The Nomination Committee is also responsible for the annual evaluation of the Board, its committees and its Directors. During the year an evaluation of the Board, its committees and each individual Director was carried out. This evaluation was conducted internally as the Board believe they have the appropriate resources and experience to undertake the reviews. The internal Board and committee reviews were conducted under the supervision of the appropriate Chairmen. The performance of individual Directors, both Executive and Non-executive, was evaluated by the Chairmen, in conjunction with the Managing Director in the case of other Executive Directors. The Board is satisfied with the evidence the Nomination Committee provided about the balance and the effectiveness of the Board and its committees and the effectiveness and commitment of each Director. As a result of this review, the Board confirms that each of the Directors who is proposed for re-election at the AGM, continues to demonstrate the necessary commitment and to be a fully effective member of the Board. The Chairman also meets with the Non-executive Directors at least annually without the Executive Directors present. All of the Non-executive Directors attended the meeting during the year. The Senior Independent Director is 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.

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 5. 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 UK Corporate Governance 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 UK Corporate Governance Code (Provision B.7.1), 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.

1. A copy of the UK Corporate Governance Code can be obtained from www.frc.org.uk\corporate/ukcgcode.cfm

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

Full details of the Directors' remuneration and a statement of the Group's remuneration policy are set out in the Directors' Remuneration Report appearing on pages 19 to 22. Members of the Remuneration Committee throughout the year are shown on page 5. 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.

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

The Audit Committee, on behalf of the Board, reviews the effectiveness of the system of internal control from information provided by management and the Group's auditors. Any system of internal control can only provide reasonable but not absolute assurance of meeting the internal control objectives.

The Audit Committee keeps the scope and cost effectiveness of the external auditors under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears in note 5. The non-audit fees were paid mainly in respect of tax compliance services. The current level of non-audit fees is considered by the Committee not to affect independence or objectivity.

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

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

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in year	**6**	**1**	**2**	**3**
Hugo William Bovill Managing Director	6	N/A	2	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
James Richard Grace Non-executive Director and Chairman	6 Chairman	1	2 Chairman	3
David James Johnston Non-executive Director (appointed 20 May 2011)	2	–	–	2
Ian Anthony Neil Non-executive Director	6	1 Chairman	2	3
Peter Alan Thorburn Non-executive Director	6	1	2	3 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 Group places a great deal of importance on communication with its shareholders. The Parent Company mails to all shareholders its full annual report and financial statements. This information, together with the quarterly interim management statements, half yearly statements and other financial announcements, is also available on the Group's website and, upon request, to other parties who have an interest in the Group's performance.

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

Financial and Internal Control
The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 18 and 23 and the statement of the Directors on going concern appears on page 14.

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: Guidance to Directors' ("the Turnbull guidance"). 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. This covers all controls including those in relation to financial reporting processes (including the preparation of consolidated accounts). In addition to monitoring reports received via the Executive Directors they consider the risks faced by the Group, whether the control systems are appropriate and consult with internal and external experts on environmental, insurance, legal and health and safety compliance. However, such a system can only provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the Directors have established to provide effective internal controls are as follows:

Financial Reporting

A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board. Results for the Group and its main constituent businesses are reported monthly against the budget to the Board and revised forecasts for the year are prepared through the year. The Group uses a standardised consolidation system for the preparation of the Group's monthly management accounts, Half Year and Annual Consolidated Financial Statements, which is subject to review by senior management throughout the consolidation process.

Financial and Accounting Principles

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

Information technology

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

Capital Investment

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

Risk Assessment and Information

Operational management in conjunction with the Executive Directors, who report regularly to the Board, are responsible for identification and evaluation of significant risks applicable to their area of business and design and operate suitable internal controls. Details of the principle risks associated with the Group's activities are given in the Business Review section of the Directors' Report on page 12.

Internal Audit

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

This report was approved by the Board on 2 December 2011.

R.A. Hope
Secretary

Statement of Directors' RESPONSIBILITIES

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

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

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

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

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

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

This statement was approved by the Board on 2 December 2011.

R.A. Hope
Secretary

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 27 February 2012 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 5.

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

Policy on Remuneration of Executive Directors and Senior 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 Group Human Resources Director, A.J. Haines, provided the Remuneration Committee with details of pay and employment conditions of employees of the Group which were taken into consideration by the Remuneration Committee when determining Director' remuneration.

The main components in determining pay are:

- Basic Salary

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

- Bonus Schemes

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

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

- Benefits

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

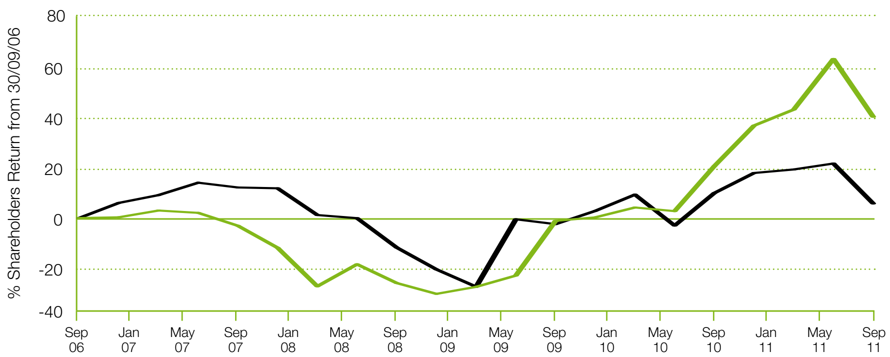
The remuneration of UK senior management is determined by the Executive Directors. Whilst this is not in accordance with clause D2.2 of the UK Corporate Governance Code the Board believe that the Executive Directors are best placed to make this decision. The bonuses of all senior managers in the Group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

Performance Graph

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

Treatt plc

FTSE All Share



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

AUDITED INFORMATION
(a) Directors' Emoluments

The following table shows an analysis of the salary, benefits and bonus elements of remuneration for the individual directors who held office during the year ended 30 September 2011 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	**2011 Total £'000**	2010 Total £'000
Executive Directors					
H.W. Bovill	187	194	4	**385**	236
A.J. Haines	114	134	18	**266**	194
R.A. Hope	133	134	18	**285**	218
Non-executive Directors					
J.R. Grace (Chairman)	30	—	—	**30**	26
D.J. Johnston	11	—	—	**11**	—
I.A. Neil	28	—	—	**28**	22
P.A. Thorburn*	28	—	—	**28**	29
	531	462	40	**1,033**	747

* Included in the salary and fees paid to P.A. Thorburn was £600 (2010: £3,000) in relation to fees for additional time spent supporting local management in the US.

The proportion of fixed and variable pay, exclusive of pension and benefits, is shown below for the three Executive Directors:

	Basic Salary		Annual Bonus	
	2011	2010	**2011**	2010
H.W. Bovill	**50%**	68%	**50%**	32%
A.J. Haines	**46%**	60%	**54%**	40%
R.A. Hope	**50%**	65%	**50%**	35%

(b) Share Option Schemes

The Group believes that share ownership by Executive Directors and Senior Executives continues to strengthen the link between their personal interests and those of the shareholders. The exercise of SAYE share options is not dependent upon performance criteria as these are available to all employees in the UK on the same terms. No options to Executive Directors under the Executive Share Option Schemes have been granted since 2001.

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

	Exercise Dates	Exercise Price	At 1 October 2010	Granted During the Year	Exercised During the Year	Expired During the Year	**At 30 September 2011**
H.W. Bovill	Between Sept 2011 and March 2012	195p	1,542	–	(1,542)	–	**–**
	Between Sept 2012 and March 2013	170p	1,921	–	–	–	**1,921**
	Between Sept 2013 and March 2014	222p	1,297	–	–	–	**1,297**
	Between Sept 2014 and March 2015	340p	–	849	–	–	**849**
			4,760	849	(1,542)	–	**4,067**
A. J. Haines	Between Sept 2011 and March 2012	195p	1,542	–	(1,542)	–	**–**
	Between Sept 2012 and March 2013	170p	1,921	–	–	–	**1,921**
	Between Sept 2013 and March 2014	222p	1,297	–	–	–	**1,297**
	Between Sept 2014 and March 2015	340p	–	849	–	–	**849**
			4,760	849	(1,542)	–	**4,067**
R. A. Hope	Between Sept 2011 and March 2012	195p	1,542	–	(1,542)	–	**–**
	Between Sept 2012 and March 2013	170p	1,921	–	–	–	**1,921**
	Between Sept 2013 and March 2014	222p	1,297	–	–	–	**1,297**
	Between Sept 2014 and March 2015	340p	–	849	–	–	**849**
			4,760	849	(1,542)	–	**4,067**

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £9,000 (2010: £2,000).

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 2011 was £3.61 and the range during the financial year was £3.255 to £4.375.

(c) Directors' Pension Policy

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

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

Pensionable salary is the member's basic salary, excluding all bonuses. From 1 October 2004, pensionable salary has been restricted to the lower of actual salary and salary as at 1 January 2004 as adjusted for the cumulative increase in inflation until retirement.

The pension entitlement of these Directors is as follows:

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Including and Excluding Inflation)		Accumulated Total Pension at	
	2011 £	2010 £	**2011 £**	2010 £	**2011 £**	2010 £
H.W. Bovill	**2,971**	2,196	**27,812**	23,625	**88,202**	82,708
A.J. Haines	**1,810**	1,268	**22,729**	17,189	**38,770**	35,866

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

	Transfer value 30 September 2010* £	Increase in transfer value in the year £	**Transfer value 30 September 2011 £**
H.W. Bovill	857,150	45,186	**902,336**
A.J. Haines	536,199	49,364	**585,563**

* Restated for changes to the scheme rules which took place during the year.

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 26.

R.A. Hope received a contribution of £12,000 (2010: £11,000) towards a money purchase personal pension plan administered by Aviva Plc.

This report was approved by the Board and signed on its behalf on 2 December 2011.

R.A. Hope
Secretary

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 24 to 59. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2011 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 14, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Parent Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review;
- certain elements of the report to shareholders by the board on Directors' remuneration.

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

2 December 2011

Group Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 £'000	2010 £'000
Revenue	4	**74,518**	63,298
Cost of sales		**(56,700)**	(47,759)
Gross profit		**17,818**	15,539
Administrative expenses		**(10,694)**	(10,427)
Operating profit before foreign exchange loss	5	**7,124**	5,112
Foreign exchange loss	5	**(260)**	(208)
Operating profit after foreign exchange loss	5	**6,864**	4,904
Loss on disposal of subsidiary	14	**—**	(88)
Finance revenue	7	**88**	77
Finance costs	7	**(580)**	(390)
Profit before taxation and goodwill impairment		**6,372**	4,503
Goodwill impairment	11	**—**	(2,432)
Profit before taxation		**6,372**	2,071
Taxation	8	**(2,017)**	(1,417)
Profit for the period		**4,355**	654
Attributable to:			
Owners of the Parent Company		**4,348**	653
Non-controlling interests		**7**	1
		4,355	654
Earnings per share			
Basic before goodwill impairment	10	**42.5p**	30.3p
Basic after goodwill impairment	10	**42.5p**	6.4p
Diluted	10	**42.3p**	6.4p

All amounts relate to continuing operations
Notes 1 - 30 form part of these financial statements

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	**2011 £'000**	2010 £'000
Profit for the period		**4,355**	654
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investment	24	**94**	139
Current taxation on foreign currency translation differences	8	**(4)**	(28)
Deferred taxation on foreign currency translation differences	8	**7**	—
Fair value movement on cash flow hedge	29	**(864)**	—
Deferred tax on fair value movement	15	**207**	—
Actuarial gain on defined benefit pension scheme	26	**599**	172
Deferred taxation on actuarial gain	15	**(144)**	(41)
Other comprehensive (expense)/income for the period		**(105)**	242
Total comprehensive income for the period		**4,250**	896
Attributable to:			
Owners of the Parent Company		**4,243**	895
Non-controlling interests		**7**	1
		4,250	896

Notes 1 - 30 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Group	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
1 October 2009	1,048	2,757	(692)	—	741	18,883	**22,737**	(1)	**22,736**
Net profit for the period	—	—	—	—	—	653	**653**	1	**654**
Other comprehensive income/(expense):									
Exchange differences net of tax	—	—	—	—	139	(28)	**111**	—	**111**
Actuarial loss on defined benefit pension scheme net of tax	—	—	—	—	—	131	**131**	—	**131**
Total comprehensive income	—	—	—	—	139	756	**895**	1	**896**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,222)	**(1,222)**	—	**(1,222)**
Share-based payments	—	—	—	—	—	21	**21**	—	**21**
Movement in own shares in share trust	—	—	90	—	—	—	**90**	—	**90**
Loss on release of shares in share trust	—	—	—	—	—	(3)	**(3)**	—	**(3)**
1 October 2010	1,048	2,757	(602)	—	880	18,435	**22,518**	—	**22,518**
Net profit for the period	—	—	—	—	—	4,348	**4,348**	7	**4,355**
Other comprehensive income/(expense):									
Exchange differences net of tax	—	—	—	—	94	3	**97**	—	**97**
Fair value movement on cash flow hedge	—	—	—	(864)	—	207	**(657)**	—	**(657)**
Actuarial gain on defined benefit pension scheme net of tax	—	—	—	—	—	455	**455**	—	**455**
Total comprehensive income	—	—	—	(864)	94	5,013	**4,243**	7	**4,250**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,330)	**(1,330)**	—	**(1,330)**
Share-based payments	—	—	—	—	—	20	**20**	—	**20**
Movement in own shares in share trust	—	—	117	—	—	—	**117**	—	**117**
Loss on release of shares in share trust	—	—	—	—	—	(17)	**(17)**	—	**(17)**
Purchase of shares from non-controlling Interest	—	—	—	—	—	—	**—**	(7)	**(7)**
30 September 2011	**1,048**	**2,757**	**(485)**	**(864)**	**974**	**22,121**	**25,551**	**—**	**25,551**

Group and Parent Company Statements of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011 continued

Parent Company	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
1 October 2009	1,048	2,757	(692)	—	—	1,369	**4,482**	—	**4,482**
Net profit for the period	—	—	—	—	—	1,249	**1,249**	—	**1,249**
Total comprehensive income	—	—	—	—	—	1,249	**1,249**	—	**1,249**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,222)	**(1,222)**	—	**(1,222)**
Movement in own shares in share trust	—	—	90	—	—	—	**90**	—	**90**
Loss on release of shares in share trust	—	—	—	—	—	(3)	**(3)**	—	**(3)**
1 October 2010	1,048	2,757	(602)	—	—	1,393	**4,596**	—	**4,596**
Net profit for the period	—	—	—	—	—	1,285	**1,285**	—	**1,285**
Total comprehensive income	—	—	—	—	—	1,285	**1,285**	—	**1,285**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,330)	**(1,330)**	—	**(1,330)**
Movement in own shares in share trust	—	—	117	—	—	—	**117**	—	**117**
Loss on release of shares in share trust	—	—	—	—	—	(18)	**(18)**	—	**(18)**
30 September 2011	1,048	2,757	(485)	—	—	1,330	**4,650**	—	**4,650**

Notes 1 - 30 form part of these financial statements

Group and Parent Company Balance Sheets

AS AT 30 SEPTEMBER 2011

Registered number: 1568937

	Notes	Group 2011 £'000	Group 2010 £'000	Parent Company 2011 £'000	Parent Company 2010 £'000
ASSETS					
Non-current assets					
Goodwill	11	1,192	1,051	—	—
Other intangible assets	12	742	250	—	—
Property, plant and equipment	13	10,120	10,250	—	—
Investment in subsidiaries	14	—	—	5,328	5,192
Deferred tax assets	15	271	418	—	—
Trade and other receivables	17	586	586	586	586
Redeemable loan notes receivable	29	—	—	1,350	1,350
		12,911	12,555	7,264	7,128
Current assets					
Inventories	16	20,338	20,174	—	—
Trade and other receivables	17	11,854	12,502	230	213
Current tax assets		121	51	—	—
Cash and cash equivalents	18	3,534	1,584	—	—
		35,847	34,311	230	213
Total assets		48,758	46,866	7,494	7,341
LIABILITIES					
Current liabilities					
Borrowings	19	(3,922)	(5,217)	(1,844)	(1,946)
Provisions	20	(79)	(415)	—	—
Trade and other payables	21	(8,363)	(8,213)	(190)	(124)
Current tax liabilities		(228)	(447)	—	—
		(12,592)	(14,292)	(2,034)	(2,070)
Net current assets/(liabilities)		23,255	20,019	(1,804)	(1,857)
Non-current liabilities					
Deferred tax liabilities	15	(532)	(437)	—	—
Borrowings	19	(7,606)	(7,348)	—	—
Trade and other payables	21	(135)	—	(135)	—
Post-employment benefits	26	(803)	(1,596)	—	—
Derivative financial instruments	29	(864)	—	—	—
Redeemable loan notes payable	29	(675)	(675)	(675)	(675)
		(10,615)	(10,056)	(810)	(675)
Total liabilities		(23,207)	(24,348)	(2,844)	(2,745)
Net assets		25,551	22,518	4,650	4,596
EQUITY					
Share capital	22	1,048	1,048	1,048	1,048
Share premium account	24	2,757	2,757	2,757	2,757
Own shares in share trust	24	(485)	(602)	(485)	(602)
Hedging reserve	24	(864)	—	—	—
Foreign exchange reserve	24	974	880	—	—
Retained earnings	24	22,121	18,435	1,330	1,393
Equity attributable to owners of the Parent Company		25,551	22,518	4,650	4,596
Non-controlling interests	24	—	—	—	—
Total equity		25,551	22,518	4,650	4,596

Notes 1 - 30 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 2 December 2011 and were signed on its behalf by:

J.R. Grace
Chairman

R.A. Hope
Finance Director

Group And Parent Company Statement of Cash Flows

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Parent Company 2011 £'000	Parent Company 2010 £'000
Cash flow from operating activities					
Profit before taxation		**6,372**	2,071	**1,267**	1,215
Adjusted for:					
Foreign exchange gain		**111**	109	**–**	–
Depreciation of property, plant and equipment	13	**1,043**	1,042	**–**	–
Amortisation of intangible assets	12	**125**	174	**–**	–
Loss on disposal of property, plant and equipment	13	**8**	3	**–**	–
Loss on disposal of subsidiaries	14	**–**	88	**–**	–
Impairment of goodwill/cost of investment	11,14	**–**	2,432	**–**	3,384
Net interest payable	7	**527**	387	**47**	87
Share-based payments	23	**20**	21	**–**	–
Decrease in post-employment benefit obligation	26	**(194)**	(232)	**–**	–
Operating cash flow before movements in working capital		**8,012**	6,095	**1,314**	4,686
Changes in working capital:					
Increase in inventories	16	**(164)**	(4,169)	**–**	–
Decrease/(increase) in trade and other receivables	17	**649**	(2,614)	**(17)**	(113)
(Decrease)/increase in trade and other payables, and provisions	20,21	**(185)**	3,049	**65**	90
Cash generated from operations		**8,312**	2,361	**1,362**	4,663
Taxation (paid)/received	8	**(1,998)**	(1,312)	**18**	35
Net cash from operating activities		**6,314**	1,049	**1,380**	4,698
Cash flow from investing activities					
Disposal or acquisition of investments in subsidiaries	14	**(14)**	(38)	**–**	(2,000)
Purchase of property, plant and equipment	13	**(1,265)**	(1,437)	**–**	–
Purchase of intangible assets	12	**(275)**	(134)	**–**	–
Interest received	7	**53**	3	**70**	20
		(1,501)	(1,606)	**70**	(1,980)
Cash flow from financing activities					
Increase/(repayment) of bank loans	19	**285**	(163)	**–**	–
Amounts converted to non-current borrowings	19	**–**	5,711	**–**	–
Interest paid	7	**(580)**	(390)	**(117)**	(108)
Dividends paid	9	**(1,330)**	(1,222)	**(1,330)**	(1,222)
Net sales of own shares by share trust	24	**100**	87	**99**	87
		(1,525)	4,023	**(1,348)**	(1,243)
Net increase in cash and cash equivalents		**3,288**	3,466	**102**	1,475
Cash and cash equivalents at beginning of period		**(3,471)**	(6,962)	**(1,946)**	(3,421)
Effect of foreign exchange rates		**5**	25	**–**	–
Cash and cash equivalents at end of period	18,19	**(178)**	(3,471)	**(1,844)**	(1,946)
Cash and cash equivalents comprise:					
Cash and cash equivalents	18	**3,534**	1,584	**–**	–
Bank borrowings	19	**(3,712)**	(5,055)	**(1,844)**	(1,946)
		(178)	(3,471)	**(1,844)**	(1,946)

Notes 1 - 30 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 £'000	2010 £'000
Increase in cash and cash equivalents	18	**3,293**	3,491
(Increase)/repayment of bank loans	19	**(285)**	163
Amounts converted from current borrowings	19	**—**	(5,711)
Cash inflow/(outflow) from change in net debt in the period		**3,008**	(2,057)
Effect of foreign exchange rates	25	**(21)**	(30)
Movement in net debt in the period	25	**2,987**	(2,087)
Net debt at start of the period	25	**(10,981)**	(8,894)
Net debt at end of the period	25	**(7,994)**	(10,981)

Notes 1 - 30 form part of these financial statements

1. GENERAL INFORMATION

Treatt plc ('the Parent Company') is a public limited company incorporated in the United Kingdom and domiciled in England and Wales. The Parent Company's shares are traded on the London Stock Exchange. The address of the registered office is included within the Parent Company Information section on page 5. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 12.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amended accounting standards
The following new standards and amendments to standards are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2011:

- Annual Improvements 2008-2010 – published April 2009 and May 2010. The effective dates vary from standard to standard but most are effective from January 2010. These amendments do not have a material impact on these financial statements.
- IFRS 2 Share-based payments (amendment) – Group cash-settled share-based transactions – published June 2009. The amendment clarifies the accounting for group cash-settled share based transactions and has not had a material effect on the financial statements.
- IAS 32 Financial instruments: Presentation – Classification of rights issues – published October 2009. This standard, in the absence of any rights issues, will not have any effect on the financial statements for the foreseeable future.
- IFRIC[2] 19 Extinguishing financial liabilities with equity instruments – published November 2009. IFRIC 19 provides accounting guidance where a financial liability is extinguished by the issue of equity instruments and does not therefore have a material effect on the financial statements.

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

IAS 1 Presentation of financial statements – amendments to revise presentation of other comprehensive income – published June 2011
IAS 19 Employee benefits – amendments from post-employment benefits project – published June 2011
[1]IAS 24 Related party transactions – revised definition of related parties – published November 2009
IAS 27 Separate financial statements – published May 2011
IAS 28 – Investments in associates and joint ventures – published May 2011
IFRS 7 Financial instruments: Disclosures – Transfer of financial assets – published October 2010
IFRS 9 Financial instruments: Classification and measurement – published November 2009
IFRS 10 Consolidated financial statements – published May 2011
IFRS 11 Joint arrangements – published May 2011
IFRS 12 Disclosure of interests in other entities – published May 2011
IFRS 13 Fair value measurement – published May 2011
Annual improvements 2010 – published May 2010
IFRIC[2] 14 Prepayments of a minimum funding requirement – published November 2009

1 EU endorsed
2 International Financial Reporting Interpretations Committee

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Of the profit for the financial year, £1.3m (2010: £1.3m) has been dealt with in the accounts of the Parent Company. The Parent Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Parent Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 14.

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

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

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

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

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

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

Effect of changes in foreign exchange rates
Transactions in currencies other than Pounds Sterling are recorded at the rate of exchange at the date of transaction or, if hedged forward, at the rate of exchange under related forward currency contracts. Assets and liabilities in foreign currencies are translated into Pounds Sterling in the balance sheet at the year end or contract exchange rate, as appropriate. The exchange rate of the US Dollar, the principal foreign currency, was $1.56 (2010: $1.58) at the year end.

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

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiaries and from translating the income statement at an average rate are taken to reserves. Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", these cumulative translation differences which are recognised in the Statement of Comprehensive Income are separately accounted for within reserves and are transferred from equity to the income statement in the event of the disposal of a foreign operation. All other exchange differences are taken to the income statement.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

Post balance sheet events and dividends

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

Cash flow

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

Property, plant and equipment

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

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

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

During the year the estimated residual values of the buildings in the UK were revised to £nil. This change in estimate has resulted in an additional depreciation charge of £76,000 for the year.

3. SIGNIFICANT 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:

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

(b) Goodwill

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

Impairment of property, plant and equipment and intangible assets

Provision will be made should any impairment in the value of properties or other non-current assets occur.

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

Inventories

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

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

Onerous contracts

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

Financial instruments

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

(a) Financial assets

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

Trade and other receivables

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

Loans receivable

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

(b) Financial liabilities and equity instruments

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

Interest-bearing loans and borrowings

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

Trade payables

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

Equity instruments

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

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to both the financial risks of changes in foreign currency exchange rates and interest rates. From time to time the Group uses foreign exchange forward contracts and interest rate swap contracts to hedge some of these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the board. Further information on currency and interest rate management is provided in note 29, 'Financial Instruments'. Changes in the fair value of derivative financial instruments that are designated and effective as hedging instruments are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had been previously recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss for the period.

Pension costs

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

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

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

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

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

Share options and the employee benefit trust

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payments

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

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

Savings-related share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expense that would have arisen over the remainder of the original vesting period.

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 23.

Critical accounting estimates and judgements

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

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

Pensions – movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The key assumptions used to value pension assets and liabilities are set out in note 26 'Pension schemes';

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

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

Share-based payments – in accordance with IFRS 2 'Share-based payments', share options and other share awards are measured at fair value at the date of grant. The fair value determined is then expensed in the income statement on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of the options is measured using the Black-Scholes option pricing model. The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised. Details of the assumptions made in respect of each of the share-based payment schemes are disclosed in note 23 'Share-based payments'. Changes in these assumptions could lead to changes in the income statement expense in future periods;

Goodwill – Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Goodwill also includes an estimate of deferred consideration payable using assumptions which are consistent with those used to determine the carrying value of goodwill. Revisions to the estimate of deferred consideration will impact the carrying value of goodwill, and therefore could impact on its impairment. Movements in deferred consideration do not directly impact upon the income statement. Future changes in performance or disposals could also impact the value of goodwill. Details of the assumptions made in respect of goodwill and deferred consideration are disclosed in note 11. These estimates could change materially in future years in line with actual and expected future performance.

4. SEGMENTAL INFORMATION

Group

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

(1) Business segments

The Group has identified two operating segments as follows:

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

4. SEGMENTAL INFORMATION continued

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

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

Year ended 30 September 2011

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

Year ended 30 September 2010

	Manufacturing	Aroma chemicals & other	Unallocated	Total
Revenue	29,919	33,379	—	63,298
Segment profit	3,414	1,402	—	4,816
Goodwill impairment			(2,432)	(2,432)
Net finance costs	—	—	(313)	(313)
Profit before taxation	3,414	1,402	(2,745)	2,071
Taxation	—	—	(1,417)	(1,417)
Profit after taxation	**3,414**	**1,402**	**(4,162)**	**654**
Segment assets	26,587	20,279	—	46,866
Segment liabilities	(9,997)	(12,755)	(1,596)	(24,348)
Net segment assets	**16,590**	**7,524**	**(1,596)**	**22,518**
Segment capital expenditure	**812**	**761**	**—**	**1,573**
Segment depreciation and amortisation	**699**	**517**	**—**	**1,216**

Earthoil belongs to both segments and therefore it was not possible to identify the split of the prior year impairment between the segments. Consequently the impairment in 2010 has been disclosed as unallocated.

4. SEGMENTAL INFORMATION continued

(2) Geographical segments

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

	2011 £'000	2010 £'000
Revenue by destination		
United Kingdom	8,755	8,950
Rest of Europe	20,949	18,551
The Americas	27,909	19,238
Rest of the World	16,905	16,559
	74,518	63,298

All Group revenue is in respect of the sale of goods, other than property rental income of £16,000 (2010: £28,000).

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

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

Group	2011 £'000	2010 £'000
Depreciation of property, plant & equipment	1,043	1,042
Amortisation of intangible assets (included in administrative expenses)	125	174
Loss on disposal of property, plant & equipment	8	3
Research and development costs	514	517
Operating leases		
- plant & machinery	32	14
- land & buildings	49	103
Net exchange loss on trading activities	260	208
Rent receivable	(16)	(28)
Cost of inventories recognised as expense	47,443	38,135

The analysis of auditor's remuneration is as follows:

	2011	2010
Fees payable to the Parent Company's auditors for the audit of the Parent Company and Group accounts	27	27
Fees payable to the Parent Company's auditors and their associates for other services to the Group:		
- audit of the Parent Company' s subsidiaries pursuant to legislation	54	55
Total audit fees	81	82
- tax services	13	10
Total non-audit fees	13	10

6. EMPLOYEES

Group

(1) Number of employees

During the year the average number of staff employed by the Group, including Directors, was as follows:

	2011 Number	2010 Number
Technical and production	152	126
Administration and sales	124	118
	276	244

6. EMPLOYEES continued

(2) Employment costs

The followings costs were incurred in respect of the above:

	2011 £'000	2010 £'000
Wages and salaries	**8,879**	8,392
Social security costs	**853**	758
Pension costs (see note 26)	**801**	772
Share-based payments (see note 23)	**20**	21
	10,553	9,943

(3) Directors

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

7. NET FINANCE COSTS

Group		2011 £'000	2010 £'000
(1) Finance revenue	- bank interest received	**53**	3
	- pension finance income (see note 26)	**35**	74
		88	77
(2) Finance costs	- bank overdraft interest paid	**(442)**	(247)
	- other interest paid	**(53)**	(50)
	- loan interest paid	**(75)**	(83)
	- loan note interest paid	**(10)**	(10)
		(580)	(390)

8. TAXATION

Group	2011 £'000	2010 £'000
(a) Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**665**	950
Adjustments to UK tax in respect of previous periods	**(2)**	(8)
Overseas tax for the period	**1,038**	253
Adjustments to overseas tax in respect of previous periods	**11**	4
Total current tax	**1,712**	1,199
Deferred tax:		
Origination and reversal of timing differences	**216**	179
Effect of reduced rate on opening asset or liability (see note 15)	**—**	8
Adjustments in respect of previous periods	**(40)**	31
Change in manner of recovery of fixed assets	**129**	—
Total deferred tax (see note 15)	**305**	218
Tax on profit on ordinary activities	**2,017**	1,417

Current tax of £4,000 (2010: £28,000) was debited, and deferred tax of £7,000 was credited, to equity in respect of foreign currency translation differences. Deferred tax of £144,000 (2010: £41,000) was debited to equity in respect of post-employment benefit obligations and £207,000 of deferred tax was credited to equity in relation to fair value movements on hedged items.

8. TAXATION continued

(b) Factors affecting tax charge for the year
The tax assessed for the year is different from that calculated at the standard rate of corporation tax in the UK of 27% (2010: 28%). The differences are explained below:

	2011 £'000	2010 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 27% (2010: 28%)	**1,720**	580
Effects of:		
Expenses not deductible in determining taxable profit and other items	**72**	84
Difference in tax rates on overseas earnings	**256**	47
Adjustments to tax charge in respect of prior years	**(31)**	25
Goodwill impairment not allowable	**—**	681
Total tax charge for the year	**2,017**	1,417

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

9. DIVIDENDS

Parent Company and Group	2011 £'000	2010 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2009 – 3.7p per share	**—**	376
Final dividend for year ended 30 September 2009 – 8.3p per share	**—**	846
Interim dividend for year ended 30 September 2010 – 4.1p per share	**419**	—
Final dividend for year ended 30 September 2010 – 8.9p per share	**911**	—
	1,330	1,222

The declared interim dividend for the year ended 30 September 2011 of 4.8 pence was approved by the Board on 20 May 2011 and was paid on 21 October 2011. Accordingly it has not been included as a deduction from equity at 30 September 2011. The proposed final dividend for the year ended 30 September 2011 of 9.7 pence will be voted on at the Annual General Meeting on 27 February 2012. Both dividends will therefore be accounted for in the results for the year ended 30 September 2012.

10. 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 10,238,837 (2010: 10,199,504) and earnings of £4,355,000 (2010: £3,086,000 before and £654,000 after goodwill impairment in the prior year).

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

(2) Diluted earnings per share
Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares, of 10,285,902 (2010: 10,237,603), and earnings of £4,355,000 (2010: £654,000 after goodwill impairment).

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

	2011 No ('000)	2010 No ('000)
Weighted average number of shares	**10,481**	10,481
Weighted average number of shares held in employee benefit trust	**(242)**	(281)
Weighted average number of shares used for calculating basic EPS	**10,239**	10,200
Executive share option schemes	**—**	4
Savings-related share options	**47**	34
Weighted average number of shares used for calculating diluted EPS	**10,286**	10,238

11. GOODWILL

Group	Goodwill £'000
Cost	
1 October 2009	*4,272*
Decrease in estimated deferred consideration	*(789)*
Impairment	*(2,432)*
1 October 2010	1,051
Increase in estimated deferred consideration	135
Goodwill on purchase of shares from non-controlling interest	6
30 September 2011	**1,192**

In March 2007 the Parent Company acquired 50% of Earthoil Plantations Limited and Earthoil Kenya EPZ Pty Limited (collectively known as 'Earthoil') and in the financial year ending 30 September 2008 the remaining 50% of Earthoil was acquired. The consideration for the second 50% is entirely based upon an earn-out formula in relation to the profits of Earthoil in the calendar years 2010 and 2011. This contingent consideration has been estimated at £135,000 (2010: £Nil) 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. In 2010 the Group impaired the goodwill of Earthoil by £2,432,000. As at the year ended 30 September 2011, the impairment review has concluded that the value in use of Earthoil now significantly exceeds its carrying value. In performing this impairment review, the Group has prepared cash flow forecasts derived from the most recent financial budgets approved by the Board, and then estimates revenue growth for the following four years at 6.25% (2010: 6.25%) per annum, with overheads assumed to increase at 5% (2010: 5%) per annum. Thereafter, a growth rate for pre-tax profit of 2% (2010: 2%) per annum is assumed into perpetuity. A rate of 12.5% (2010: 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 the 2010 and 2011 calendar years. The key assumptions are based on past experience adjusted for expected changes in future conditions.

Based upon this impairment review the recoverable amount of Earthoil exceeds its carrying amount by £8.6m. The recoverable amount is most sensitive to changes in the discount rate and sales growth. A 1% change in the discount rate would affect the recoverable amount by £0.8m and a 1% change in sales growth would also change the recoverable mount by £0.8m.

12. OTHER INTANGIBLE ASSETS

Group	Lease premium £'000	Software licences £'000	Total £'000
Cost			
1 October 2009	—	*1,117*	*1,117*
Additions	—	*134*	*134*
Disposals	—	*(2)*	*(2)*
1 October 2010	—	1,249	1,249
Reclassification	343	—	343
Additions	—	275	275
Disposals	—	(895)	(895)
30 September 2011	**343**	**629**	**972**
Amortisation			
1 October 2009	—	*827*	*827*
Charge for period	—	*174*	*174*
Disposals	—	*(2)*	*(2)*
1 October 2010	—	999	999
Reclassification	1	—	1
Charge for period	4	121	125
Disposals	—	(895)	(895)
30 September 2011	**5**	**225**	**230**
Net book value			
30 September 2011	**338**	**404**	**742**
30 September 2010	—	250	250

Intangible assets with a net book value of £5,000 (2010: £7,000) have been pledged as security in relation to the Industrial Development Loan detailed in note 19.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2009	*6,271*	*8,612*	*14,883*
Exchange adjustment	*50*	*34*	*84*
Additions	*356*	*1,083*	*1,439*
Disposals	*—*	*(244)*	*(244)*
1 October 2010	6,677	9,485	16,162
Exchange adjustment	36	(12)	24
Reclassification	(343)	—	(343)
Additions	9	1,261	1,270
Disposals	—	(1,745)	(1,745)
30 September 2011	**6,379**	**8,989**	**15,368**
Depreciation			
1 October 2009	*478*	*4,558*	*5,036*
Exchange adjustment	*6*	*25*	*31*
Charge for period	*74*	*968*	*1,042*
Disposals	*—*	*(197)*	*(197)*
1 October 2010	558	5,354	5,912
Exchange adjustment	8	18	26
Reclassification	(1)	—	(1)
Charge for period	145	898	1,043
Disposals	—	(1,732)	(1,732)
30 September 2011	**710**	**4,538**	**5,248**
Net book value			
30 September 2011	**5,669**	**4,451**	**10,120**
30 September 2010	6,119	4,131	10,250

Analysis of land & buildings

	2011 £'000	2010 £'000
Net book value		
Freehold	**4,882**	4,973
Long Leasehold	**787**	1,146
	5,669	6,119

Included in plant and machinery are assets in the course of construction totalling £789,000 (2010: £357,000).

Property, plant and equipment with a net book value of £4.1m (2010: £3.7m) has been pledged as security in relation to the Industrial Development Loan detailed in note 19.

Capital commitments

	2011 £'000	2010 £'000
Contracted but not provided for	**1,289**	137

14. INVESTMENTS IN SUBSIDIARIES

Parent Company	Total £'000
Cost	
1 October 2009	*7,365*
Acquisition of new shares issued by subsidiary	*2,000*
Decrease in estimated deferred consideration	*(789)*
Impairment	*(3,384)*
1 October 2010	5,192
Increase in estimated deferred consideration	136
30 September 2011	**5,328**

Parent Company	2011 £'000	2010 £'000
Subsidiary:		
R.C. Treatt & Co. Limited - at cost 50,000 ordinary shares of £1 each, fully paid	**2,299**	2,299
Treatt USA Inc. - at cost 2,975,000 common stock of US$1 each, fully paid	**1,842**	1,842
Earthoil Plantations Limited 4,051,000 (2010: 4,051,000) ordinary shares of 50p each, fully paid	**979**	911
Earthoil Kenya Pty Limited 2,500 'A' ordinary shares of KES20 each, fully paid 2,500 'B' ordinary shares of KES20 each, fully paid	**208**	140
	5,328	5,192

Subsidiary	Country	Holding	Principal activity
R.C. Treatt & Co. Limited	England	100%	Supply of flavour and fragrance ingredients
Treatt USA Inc.	USA	100%	Supply of flavour and fragrance ingredients
Earthoil Plantations Limited	England	100%	Supply of natural cosmetic ingredients, specialising in organic and fair trade
Earthoil Kenya EPZ Pty Limited	Kenya	100%	Supply of organic & fair trade vegetable oils
Earthoil Extracts Limited	Kenya	100%	Supply of organic & fair trade essential oils
Earthoil India Private Limited	India	100%	Supply of organic & fair trade essential oils

During the year the Group acquired the remaining 20% of Earthoil India Private Limited for £13,000 which generated goodwill on consolidation of £6,000 neither of which is considered to be material.

15. DEFERRED TAXATION

Group	2011 £'000	2010 £'000
UK deferred tax asset	**271**	418
Overseas deferred tax liability	**(532)**	(437)
Net deferred tax liability	**(261)**	(19)

A reconciliation of the net deferred liability is shown below:

	UK Deferred Tax				Overseas Deferred Tax		
Group	Post-employment benefits £'000	Fixed assets £'000	Cash flow hedge £'000	Other temporary timing differences £'000	Accelerated capital allowances £'000	Other temporary timing differences £'000	Total £'000
1 October 2009	*560*	*(162)*	—	*218*	*(453)*	*82*	*245*
Exchange differences	—	—	—	—	*(6)*	*1*	*(5)*
(Charge)/credit to income statement	*(136)*	*17*	—	*(38)*	*(55)*	*(6)*	*(218)*
Credited to equity	*(41)*	—	—	—	—	—	*(41)*
1 October 2010	383	(145)	—	180	(514)	77	(19)
Exchange differences	—	—	—	—	(9)	2	(7)
(Charge)/credit to income statement	(46)	(115)	—	(56)	(108)	20	(305)
(Charge)/income to equity	(144)	—	207	7	—	—	70
30 September 2011	**193**	**(260)**	**207**	**131**	**(631)**	**99**	**(261)**

Included in 'Other temporary timing differences' is deferred tax in relation to unused tax losses. At the balance sheet date, Earthoil Plantations Limited had unused tax losses of £548,000 (2010: £751,000) available for offset against its future profits. The deferred tax asset for Earthoil Plantations has been recognised as the projections for the company demonstrate that it is expected to trade profitably in the future. At the balance sheet date, R.C. Treatt & Co Limited had a deferred tax asset in relation to its pension liability. R.C. Treatt & Co Limited have a specific plan in place to reverse the deficit and so this deferred tax asset has also been recognised.

The deferred tax rate applied to UK companies within the Group is 24% (2010: 24%). Legislation has been substantively enacted which reduces the main rate of UK corporation tax from 26% in 2011 and to 25% in 2012, and it has been announced that this will be further reduced to 23% by 2014. It is considered to be materially correct to assume that the most suitable rate of deferred tax to apply to UK companies within the Group is 24%.

16. INVENTORIES

Group	2011 £'000	2010 £'000
Raw materials	**9,200**	9,321
Work in progress	**4,826**	6,993
Finished goods	**6,312**	3,860
	20,338	20,174

Inventory with a carrying value of £6.6m (2010: £4.8m) has been pledged as security in relation to the Industrial Development Loan detailed in note 19.

17. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2011	2010	**2011**	2010
Current	**£'000**	£'000	**£'000**	£'000
Trade receivables	**10,598**	11,027	**—**	—
Amounts owed by subsidiaries	**—**	—	**203**	180
Other receivables	**576**	873	**27**	33
Prepayments	**680**	602	**—**	—
	11,854	12,502	**230**	213

	Group		Parent Company	
	2011	2010	**2011**	2010
Non-current	**£'000**	£'000	**£'000**	£'000
Other receivables	**586**	586	**586**	586

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

The Group's credit risk is primarily attributable to its trade receivables. Before accepting any new customer, the Group uses a range of information, including credit reports, industry data and other publicly or privately available information in order to assess the potential customer's credit quality and defines credit limits by customer, and where appropriate will only accept orders on the basis of cash in advance, or if secured through a bank letter of credit. Processes are in place to manage trade receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of any specific changes in circumstances. The average credit period taken for trade receivables is 53 days (2010: 57 days). An impairment review has been undertaken at the balance sheet date to assess whether the carrying amount of financial assets is deemed recoverable. The primary credit risk relates to customers which have amounts due outside of their credit period. A provision for impairment is made when there is objective evidence of impairment which is usually indicated by a delay in the expected cash flows or non-payment from customers. The amounts presented in the balance sheet are net of amounts that are individually determined to be impaired of £0.1m (2010: £0.2m), estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's top five customers represent 23% (2010: 25%) of the Group's turnover. These customers have favourable credit ratings and consequently reduce the credit risk of the Group's overall trade receivables. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group holds no collateral against these receivables at the balance sheet date.

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

	Number of days past the due date		
	1-30	**31-60**	**Over 60**
Group	**£'000**	**£'000**	**£'000**
2011	**954**	**375**	**—**
2010	1,661	245	154

The ageing profile of impaired trade receivables is as follows:

		Number of days past the due date		
	Current	**1-30**	**31-60**	**Over 60**
Group	**£'000**	**£'000**	**£'000**	**£'000**
2011	**49**	**22**	**24**	**38**
2010	58	41	24	87

At 30 September 2011 £3.1m (2010: £3.0m) of trade receivables were denominated in Sterling, £5.9m (2010: £6.6m) in US Dollars and £1.2m (2010: £1.4m) 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 29 and the OFR on pages 9 to 11.

Trade receivables with a carrying value of £1.9m (2010: £2.0m) have been pledged as security in relation to the Industrial Development Loan detailed in note 19.

There is no credit risk associated with non-current other receivables of £0.6m (2010: £0.6m) as these amounts are contractually fully recoverable against loan notes payable of £0.7m (2010: £0.7m) when they fall due, and are recoverable at an earlier date if deferred consideration in respect of Earthoil becomes payable.

18. CASH AND CASH EQUIVALENTS

Group

Cash and cash equivalents of £3,534,000 (2010: £1,584,000) 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 29. All material cash balances are held with the Group's main banks, being Lloyds Banking Group, HSBC and Bank of America. Cash on deposit is also held with Santander from time to time. The credit ratings of these banks are considered to be satisfactory.

19. BORROWINGS

	Group		Parent Company	
Current	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
US industrial development loan	**210**	162	**—**	—
Bank borrowings	**3,712**	5,055	**1,844**	1,946
	3,922	5,217	**1,844**	1,946

	Group	
Non-current	**2011 £'000**	2010 £'000
US industrial development loan	**1,829**	1,637
UK revolving credit facility	**5,777**	5,711
	7,606	7,348

US loans and borrowings

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 £220,000 (2010: £238,000) based on year end exchange rates. The fair values of US 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 in respect of US borrowings due to the lack of materiality of the items involved.

During the period, the US Dollar overdraft facility ('line of credit') of US$4 million was renegotiated as a three year facility instead of just a one year facility, therefore the bank borrowings in relation to the line of credit are now included in non-current borrowings. The industrial development loan and line of credit, both held by Treatt USA Inc., are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

Other borrowings

The Group's main UK overdraft facilities are unsecured and committed. US$9m of UK borrowings are held on a three year revolving credit facility which expires in 2013. All other UK borrowings have expiry dates in 2012 other than overdrafts totalling £Nil (2010: £1.4m) which were repayable on demand.

The US loan and UK revolving credit facility are repayable as follows:

	2011 £'000	2010 £'000
- in one year or less	**210**	162
- in more than one year but not more than two years	**5,955**	162
- in more than two years but not more than five years	**728**	6,197
- in more than five years	**923**	989
	7,816	7,510

During the period the rate of interest on the $9m UK revolving credit facility has been fixed for ten years at a rate of 5.68% through an interest rate swap. Hedge accounting has been applied to the fair value of this swap, details of which are provided in note 29.

Further information on Group borrowing facilities is given in notes 28 and 29, including a detailed analysis of cash balances by currency.

Borrowing facilities

At 30 September 2011, the Group had total borrowing facilities of £19.8m (2010: £17.6m) of which £9.4m (2010: £11.9m) expire in one year or less and £11.8m (2010: £6.8m) were undrawn.

20. PROVISIONS

Group	2011 £'000	2010 £'000
Onerous contract provision:		
At start of year	415	—
Utilised in year	(415)	—
Additional provision in year	79	415
Balance at end of year	79	415

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

21. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	5,026	5,013	—	—
Amounts owed to subsidiaries	—	—	187	123
Other taxes and social security costs	637	423	3	1
Accruals	2,700	2,777	—	—
	8,363	8,213	190	124

	Group		Parent Company	
Non-current	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Other creditors and accruals	135	—	135	—

Trade payables principally comprise amounts for trade purchases and on-going costs. The average credit period taken for trade payables is 33 days (2010: 39 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

At 30 September 2011 £1.2m (2010: £1.2m) of trade payables were denominated in Sterling, £2.6m (2010: £3.3m) in US Dollars and £0.4m (2010: £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 29 and the OFR on pages 9 to 11.

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.

22. SHARE CAPITAL

Parent Company and Group Called up, allotted and fully paid	2011 £'000	2011 Number	2010 £'000	2010 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.

23. 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 2011 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	—	6,550	209p	Between June 2004 and June 2011

(b) The options outstanding at 30 September 2011 for which a share-based payment charge of £20,000 (2010: £21,000) has been made are as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
R. C. Treatt Employee Save As You Earn Share Scheme 2009 "SAYE 2009"	48,025	330	170.0p	Between September 2012 and March 2013
R. C. Treatt Employee Save As You Earn Share Scheme 2010 "SAYE 2010"	37,199	—	222.0p	Between September 2013 and March 2014
R. C. Treatt Employee Save As You Earn Share Scheme 2011 "SAYE 2011"	28,431	—	340.0p	Between September 2014 and March 2015
Treatt USA Employee Stock Purchase Plan 2010 "TUSA 2011"	6,628	—	364.0p	July 2012

23. SHARE-BASED PAYMENTS continued

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 2009	SAYE 2010	SAYE 2011	TUSA 2011
Share price at date of grant	233.5p	299.5p	422.5p	422.5p
Contractual life	3.5 years	3.5 years	3.5 years	1 year
Expected life	3 years	3 years	3 years	1 year
Expected volatility	19.2%	21.7%	21.8%	19.8%
Risk free interest rate	3.10%	2.08%	1.83%	1.83%
Dividend yield	4.8%	4.1%	3.2%	2.9%
Expected cancellations	15.0%	15.0%	15.0%	10.0%
Expected forfeitures	15.0%	15.0%	15.0%	15.0%
Fair value per option at date of grant	45.1p	58.9p	76.5p	57.3p

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:

	2011 No of options	2011 Weighted average exercise price	2010 No of options	2010 Weighted average exercise £'000
Outstanding at start of period	**142,343**	**£1.36**	155,946	£2.01
Granted during the period	**35,059**	**£3.45**	41,839	£2.23
Forfeited during the period	**(3,648)**	**£1.90**	(9,694)	£1.99
Exercised during the period	**(49,109)**	**£2.03**	(36,488)	£2.40
Expired during the period	**(1,098)**	**£2.58**	(3,008)	£2.50
Cancelled during the period	**(3,264)**	**£1.83**	(7,653)	£2.03
Outstanding at end of period	**120,283**	**£1.70**	140,942	£2.07
Exercisable at end of period	**–**	**–**	9,992	£2.26

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

The options outstanding had a weighted average remaining contractual period of 2.2 years (2010: 2.3 years). The weighted average actual market share prices on date of exercise for share options exercised during the year was 383.3 pence (2010: 305.4 pence) and the weighted average fair value of options granted during the year was 72.8 pence (2010: 58.6 pence).

24. RESERVES

Group	No	Own shares in share trust £'000	Share premium £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
1 October 2009	*288*	*(692)*	*2,757*	*—*	*741*	*18,883*	*(1)*	*21,688*
Net profit for the period	*—*	*—*	*—*	*—*	*—*	*653*	*1*	*654*
Dividends	*—*	*—*	*—*	*—*	*—*	*(1,222)*	*—*	*(1,222)*
Shares disposed of in the period	*(36)*	*90*	*—*	*—*	*—*	*—*	*—*	*90*
Loss on release of shares in share trust	*—*	*—*	*—*	*—*	*—*	*(3)*	*—*	*(3)*
Share-based payments	*—*	*—*	*—*	*—*	*—*	*21*	*—*	*21*
Exchange differences	*—*	*—*	*—*	*—*	*139*	*(28)*	*—*	*111*
Actuarial gain on defined benefit pension scheme net of deferred tax	*—*	*—*	*—*	*—*	*—*	*131*	*—*	*131*
1 October 2010	252	(602)	2,757	—	880	18,435	—	21,470
Net profit for the period	—	—	—	—	—	4,348	7	4,355
Dividends	—	—	—	—	—	(1,330)	—	(1,330)
Shares disposed of in the period	(49)	117	—	—	—	—	—	117
Shares acquired from non-controlling interest	—	—	—	—	—	—	(7)	(7)
Loss on release of shares in share trust	—	—	—	—	—	(17)	—	(17)
Share-based payments	—	—	—	—	—	20	—	20
Exchange differences	—	—	—	—	94	3	—	97
Fair value movement in cash flow hedge	—	—	—	(864)	—	207	—	(657)
Actuarial gain on defined benefit pension scheme net of deferred tax	—	—	—	—	—	455	—	455
30 September 2011	**203**	**(485)**	**2,757**	**(864)**	**974**	**22,121**	**—**	**24,503**
Parent Company								
1 October 2009	*288*	*(692)*	*2,757*	*—*	*—*	*1,369*	*—*	*3,434*
Net profit for the period	*—*	*—*	*—*	*—*	*—*	*1,249*	*—*	*1,249*
Dividends	*—*	*—*	*—*	*—*	*—*	*(1,222)*	*—*	*(1,222)*
Shares disposed of in the period	*(36)*	*90*	*—*	*—*	*—*	*—*	*—*	*90*
Loss on release of shares in share trust	*—*	*—*	*—*	*—*	*—*	*(3)*	*—*	*(3)*
1 October 2010	252	(602)	2,757	—	—	1,393	—	3,548
Net profit for the period	—	—	—	—	—	1,285	—	1,285
Dividends	—	—	—	—	—	(1,330)	—	(1,330)
Shares disposed of in the period	(49)	117	—	—	—	—	—	117
Loss on release of shares in share trust	—	—	—	—	—	(18)	—	(18)
30 September 2011	**203**	**(485)**	**2,757**	**—**	**—**	**1,330**	**—**	**3,602**

Own shares in share trust

Own shares in share trust, relate to shares held in the Treatt Employee Benefit Trust (the 'EBT'). The shares held in the EBT are all held to meet options to be exercised by employees. The number of shares held by the EBT, together with the net acquisition costs, are shown 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 EBT at 30 September 2011 was £732,000 (2010: £813,000).

24. RESERVES continued

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

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

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

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

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

25. ANALYSIS OF NET DEBT

Group	2010 £'000	Cash flow £'000	Exchange difference £'000	**2011 £'000**
Cash at bank	1,584	1,945	5	**3,534**
Bank overdrafts	(5,055)	1,343	—	**(3,712)**
Bank loans due in one year	(162)	(46)	(2)	**(210)**
Bank loans due after more than one year	(7,348)	(239)	(19)	**(7,606)**
	(10,981)	3,003	(16)	**(7,994)**

26. PENSION SCHEMES

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

In 2010, the UK Government changed the inflation measure used to determine the minimum pension increases to be applied to the statutory index-linked features of retirement benefits from the retail Prices Index (RPI) to the Consumer Prices Index (CPI). In general, annual CPI increases have been lower than annual RPI increases and therefore the change has reduced the overall liabilities of the Scheme. The UK Accounting Standards Board has published guidance on how to account for this situation for companies that report under UK GAAP. Urgent Issues Task Force (UITF) Abstract 48 'Accounting implications of the replacement of the retail prices index with the consumer prices index for retirement benefits, sets out how to apply the requirements of the UK standard FRS 17, 'Retirement Benefits', to the change from using RPI to using CPI. The Group considers that this guidance is relevant and useful when determining how to account for this change under its IFRS accounting policies as the requirements of FRS 17 are substantially the same as the equivalent requirements of IAS 19 'Employee Benefits'. As the Scheme was not obligated to increase deferred pensions or pensions in payment in line with RPI, the change to using CPI is considered to be a change in assumption, and gives rise to an actuarial gain in accordance with IAS 19. The change to CPI affects the revaluation of pensions in deferment as well as pensions already in payment.

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

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

	2011 £'000	2010 £'000
Defined benefit scheme – current service cost	**527**	525
Defined contribution schemes	**251**	225
Other pension costs	**24**	22
	802	772

26. PENSION SCHEMES continued

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

The valuation used for IAS 19 disclosures in respect of the defined benefit pension scheme ("the scheme") has been based on the most recent actuarial valuation at 1 January 2009 and updated by Mr N.P. Hacking, a Fellow of the Institute of Actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2011. Scheme assets are stated at their market value as at that date.

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

	2011	2010
Discount rate	5.50%	5.30%
Expected return on scheme assets	6.11%	6.13%
Rate of increase in salaries	2.75%	2.75%
Rate of increase in pensions in payment – RPI 5%(2010), CPI 5% (2011)	2.00%	2.75%
Rate of increase in pensions in payment – RPI 2.5%(2010), CPI 2.5% (2011)	1.80%	2.20%
Rate of increase in pensions in deferment	2.00%	2.75%
Rate of inflation	2.75%	2.75%
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 1.0% p.a. improvements with 110% scaling of mortality rates
Life expectancy for current 65 year old male	21.9	21.8
Life expectancy for male aged 65 in 10 years time	23.1	22.9
Commutation allowance	20%	20%

The expected return on individual classes of pension scheme assets are determined by reference to external indices and after taking advice from external advisers. The overall expected rate of return shown above is the weighted average of the returns allowing for anticipated balances held in each asset class according to the scheme's investment strategy. The actual return on scheme assets was a loss of £0.25m (2010: gain of £1.02m). The Group expects to make on-going contributions of approximately £695,000 to its defined benefit pension scheme in 2012 (2011: £680,000).

	2011 £'000	2010 £'000
Scheme assets:		
Equities	8,189	8,470
Bonds	4,573	4,550
Other	912	717
Fair value of scheme assets	13,674	13,737
Present value of funded obligations (scheme liabilities)	(14,477)	(15,333)
Deficit in the scheme recognised in the balance sheet	(803)	(1,596)
Related deferred tax	193	383
Net pension liability	(610)	(1,213)
Changes in scheme liabilities		
Balance at start of period	(15,333)	(14,427)
Current service cost	(527)	(525)
Interest cost	(817)	(796)
Benefits paid	502	394
Actuarial gains	1,698	21
Balance at end of period	(14,477)	(15,333)
Changes in scheme assets		
Balance at start of period	13,737	12,427
Expected return on scheme assets	852	870
Employer contributions	686	683
Benefits paid	(502)	(394)
Actuarial (loss)\gain	(1,099)	151
Balance at end of period	13,674	13,737

26. PENSION SCHEMES continued

	2011 £'000	2010 £'000
Amount charged to operating profit		
Current service cost	(527)	(525)
Total operating charge	(527)	(525)
Amount credited to finance revenue		
Expected return on assets	852	870
Interest on scheme liabilities	(817)	(796)
Net finance revenue	35	74
Net expense recognised in income statement	(492)	(451)
Amount recognised in statement of comprehensive income		
Actual less expected return on assets	(1,099)	151
Experience gains on liabilities	20	110
Effect of change in assumptions on liabilities	1,678	(89)
Total gain recognised in statement of comprehensive income	599	172
Actual return on scheme assets	(247)	1,021
Statement of comprehensive income		
Actuarial (loss)/gain from assets	(1,099)	151
Actuarial gain from liabilities	1,698	21
Actuarial gain recognised in statement of comprehensive income	599	172
Cumulative actuarial loss recognised in statement of comprehensive income	(807)	(1,406)
Movement in balance sheet net liability during the period		
Net liability at start of period	(1,596)	(2,000)
Current service cost	(527)	(525)
Cash contribution	686	683
Other finance income	35	74
Actuarial gain/(loss)	599	172
Net liability at end of period	(803)	(1,596)

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Scheme assets	13,674	13,737	12,427	10,489	12,092
Scheme liabilities	(14,477)	(15,333)	(14,427)	(11,027)	(12,022)
Net (liability)/asset	(803)	(1,596)	(2,000)	(538)	70
Difference between expected and actual returns on scheme assets:	(1,099)	151	544	(2,989)	342
Experience gains/(losses) on scheme liabilities:	20	110	(190)	1	112
Total actuarial gain/(loss):	599	172	(1,821)	(1,011)	1,900

27. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2011, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 £'000	2010 £'000
Within one year	**65**	55
Within one to two years	**55**	44
In two to five years	**38**	20
	158	119

The Group as lessor

As at 30 September 2011, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2011 £'000	2010 £'000
Within one year	**8**	16
Within one to two years	**—**	7
	8	23

28. 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$2,580,000 (£1,656,000) (2010: US$2,835,000 (£1,799,000)).

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 £7,568,000 (2010: £8,821,000).

29. FINANCIAL INSTRUMENTS

Group and Parent Company

Capital risk management

The Group and Parent Company manage their capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt, as disclosed in note 25, and equity shareholders' funds, as disclosed in notes 22 and 24. The Group is not subject to any externally imposed capital requirements. Board policy is to operate with a mix of short and medium term borrowings, and during the year the US $4m line of credit was switched from a short-term one year facility to a medium-term three year facility, having similarly converted $9m of borrowings in the previous year. The Group's net debt position is monitored daily and reviewed by management on a weekly basis. Further details of the Group's capital management are given in the Chairman's Statement and OFR on pages 7 to 11.

Categories of financial instruments

	Group		Parent Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Financial assets				
Redeemable loan notes receivable from subsidiaries	**—**	—	**1,350**	1,350
Trade receivables	**10,598**	11,027	**—**	—
Cash and cash equivalents	**3,534**	1,584	**—**	—
	14,132	12,611	**1,350**	1,350
Financial liabilities				
Redeemable loan notes payable	**675**	675	**675**	675
Trade payables	**5,026**	5,013	**—**	—
Bank borrowings	**3,712**	5,055	**1,844**	1,946
UK revolving credit facility	**5,777**	5,711	**—**	—
US industrial development loan	**1,656**	1,799	**—**	—
Derivative financial instruments – interest rate swap	**864**	—	**—**	—
	17,710	18,253	**2,519**	2,621

29. FINANCIAL INSTRUMENTS continued

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

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

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Parent Company. The Group's credit risk is primarily attributable to its trade receivables and details of how this risk is managed are explained in note 17. The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies as outlined in note 18. The Directors are of the opinion that there are no significant concentrations of credit risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group and Parent Company's maximum exposure to credit risk.

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

	2011 £'000	2010 £'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 30, the loan notes are receivable by the Parent Company from two of its wholly-owned subsidiaries and therefore there is no credit risk attaching to them.

Further details of the Group's credit risk management are given in notes 17 and 18.

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

The Group has a number of debt facilities, details of which, including their terms and maturity profile, are given in note 19.

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

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

During the year, the Group hedged a portion of its interest rate risk through an interest rate swap which had the effect of fixing the interest rate on a notional principal of US$9 million of borrowings. The interest rate swap is for a period of ten years ending in 2020 and swaps variable 3 month US LIBOR for a fixed rate of 5.68%. The Group has complied with the requirements of IAS39, 'Financial Instruments: Recognition and Measurement' and designated this interest rate swap as a cash flow hedge. The hedge was 100% effective during the period and is expected to be going forward, and consequently the carrying value (which is the same as the fair value) of the interest rate swap has been taken to the hedging reserve, and the corresponding liability as at 30 September 2011 of £864,000 (2010: £Nil) is shown under non-current liabilities – 'Derivative Financial Instruments'. The fair value of the interest rate swap equates to the mark-to-market valuation of the swap provided by HSBC and represents the amount which the Group would need to pay in order to close the swap contract. The loss for the period of £864,000 (2010: £Nil) is shown in the 'Statement of Comprehensive Income'.

29. FINANCIAL INSTRUMENTS continued

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

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

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

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

Group	Floating rate financial liabilities		Fixed rate financial liabilities		Total	
Financial liabilities	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Bank borrowings:						
US Dollars	**4,086**	10,165	**7,433**	1,799	**11,519**	11,964
Sterling	**—**	—	**—**	—	**—**	—
Other currencies	**975**	761	**—**	—	**975**	761
Loan notes payable:						
Sterling	**675**	675	**—**	—	**675**	675
	5,736	11,601	**7,433**	1,799	**13,169**	13,400

The Parent Company bank borrowings were all held in Sterling.

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

Fixed rate financial liabilities comprise the Industrial Development Loan of US$2,580,000 (see note 19) (2010: US$2,835,000). Interest on bank overdrafts is charged at 1.35%-2% above bank base or currency LIBOR rates. The terms of the loan notes payable are shown within this note.

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

	2011 £'000	2010 £'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.

Interest rate sensitivity analysis has been performed on the floating rate financial liabilities to illustrate the impact on Group profits if interest rates increased or decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 bps increase or decrease has been used, comprising management's assessment of reasonably possible changes in interest rates. If interest rates had been 100 bps higher or lower, then profit before taxation for the year ended 30 September 2011 would have decreased or increased as follows:

	Group		Parent Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Impact on profit before tax of 1% interest rate movement	**118**	132	**12**	13

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

29. FINANCIAL INSTRUMENTS continued

Foreign currency risk management

Foreign currency risk management occurs at a transactional level on revenues and purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. The Group's main foreign exchange risk is the US Dollar. Board policy is for UK businesses to mitigate US Dollar transactional exposures by holding borrowings in US Dollars. Further details of the Group's foreign currency risk management can be found in the Chairman's Statement and OFR on pages 7 to 11.

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

Net foreign currency financial assets/(liabilities):

	US Dollar £'000	Other £'000	Total £'000
At 30 September 2011	**(1,490)**	**81**	**(1,409)**
At 30 September 2010	(8,212)	363	(7,849)

A currency sensitivity analysis has been performed on the financial assets and liabilities to sensitivity of a 10% increase/decrease in the pounds Sterling to US Dollar exchange rate. A 10% strengthening of the US Dollar has been used, comprising management's assessment of reasonably possible changes in US Dollar exchange rates. The impact on profit for the period in the income statement would be a loss on net monetary assets or liabilities of £166,000 (2010: £912,000).

30. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Group

Remuneration of key management personnel

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

	2011 £'000	2010 £'000
Short-term employee benefits	**1,023**	737
Employers' social security costs	**141**	94
Pension contributions to money purchase schemes	**12**	11
Share-based payments	**2**	2
	1,178	844

During the year two Directors (2010: two) were members of a defined benefit pension scheme. The aggregate accumulated total pension as at 30 September 2011 was £127,000 (2010: £119,000).

30. RELATED PARTY TRANSACTIONS continued

Parent Company	2011 £'000	2010 £'000
Interest received from:		
Earthoil Plantations Limited	**64**	14
Earthoil Kenya PTY EPZ Limited	**6**	6
Dividends received from:		
R.C.Treatt & Co Limited	**1,331**	4,723
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	**192**	(123)
R.C.Treatt & Co Limited	**(176)**	180

During the period, the Group acquired the remaining 20% of Earthoil India Private Limited ("Earthoil India"). As a wholly owned subsidiary there is no longer a requirement to disclose related party transactions between Earthoil India and other Group companies. In the comparative periods, the value of goods purchased by Earthoil Plantations Limited from Earthoil India Private Limited and amounts outstanding were as follows:

	2011 £'000	2010 £'000
Purchases by Earthoil Plantations from Earthoil India	**N/A**	603
Amount owed by Earthoil India to Earthoil Plantations	**N/A**	934

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.

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 27 February 2012 at 10.00 am at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL is set out below.

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

Notice is hereby given that the Annual General Meeting of the Shareholders of Treatt plc (the "Company") will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 27 February 2012, at 10.00 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2011, 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 9.7p per share on the ordinary shares of the Company for the year ended 30 September 2011.

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

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

6. To re-elect D.J. Johnston 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 26 May 2013; and

      (ii) this authority shall be limited to the allotment of shares and the granting of Rights up to an aggregate nominal amount of £345,850 (representing approximately 33 per cent of the existing issued share capital of the Company).

   (b) For the purpose of sub-paragraph (a) above:

      (i) the said power shall allow and enable the Directors to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares and grant Rights in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and

(ii) words and expressions defined in or for the purpose of Part 17 of the Act shall bear the same meaning herein.

10. THAT:

(a) Conditionally upon the passing of Resolution 9 above and in accordance with Section 570 of the Act, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 9 above as if Section 561 of the said Act did not apply to any such allotment provided that:

(i) the power hereby granted shall be limited:

(aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and

(bb) to the allotment (otherwise than pursuant to sub-paragraph (i)(aa) of this proviso) of equity securities up to an aggregate nominal amount of £52,400 (representing approximately 5 per cent of the existing issued share capital of the Company);

(ii) the power hereby granted shall expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 26 May 2013;

(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 2013, 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
16 December 2011	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 62 to 64 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 6.00pm on 23 February 2012 (the Record Date) shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares in the capital of the Company registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Record Date shall be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Record Date, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, to be so entitled, members must have been entered on the Register by 6.00pm two days prior to the adjourned AGM (excluding weekends and public holidays) or, if the Company gives notice of the adjourned AGM, at the time specified in such notice.

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 27 February 2012 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following:

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

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

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

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

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

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

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

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details 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 16 December 2011 the Company's issued share capital consists of 10,481,034 ordinary shares, The total number of voting rights in the Company as at 11 November 2011 (the latest practicable reporting date prior to publication of this document) is 10,278,195.

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 19.

Declaration of a dividend (Resolution 3)
A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 9.7p 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 27 January 2012. If approved, the date of payment of the final dividend will be 2 March 2012. An interim dividend of 4.8 pence per ordinary share was paid on 21 October 2011. This represents an increase of 1.5 pence per share, or 11.54 per cent, on the total 2010 dividend.

Re-election of Directors (Resolutions 4, 5 and 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 UK Corporate Governance Code (Provision B.7.1), 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, R.A. Hope, P.A. Thorburn and D.J. Johnston will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 13. P.A. Thorburn will retire by rotation but has decided not to seek re-election and will retire from the Board at the conclusion of the Annual General Meeting. Having considered the performance of and contribution made by each of the Directors standing for re-election the Board remains satisfied that the performance of each of the relevant Directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

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

Directors' authority to allot securities (Resolution 9)
Your Directors may only allot ordinary shares or grant Rights over ordinary shares if authorised to do so by Shareholders. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, this resolution seeks to grant a new authority to the Directors to allot unissued share capital of the Company and grant Rights and will expire at the conclusion of the next Annual General Meeting of the Company in 2013 or, if earlier, on 26 May 2013 (the date which is 15 months after the date of passing of the resolution). There is no present intention of exercising this authority, which would give Directors authority to allot relevant securities up to an aggregate nominal value of £345,850 approximately 33 per cent of the Company's issued ordinary share capital as at 16 December 2011.

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 16 December 2011. 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 2013 or, if earlier, 26 May 2013 (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 16 December 2011) 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 11 November 2011 (the latest practicable reporting date prior to publication of this document) was 120,283. The proportion of issued share capital that they represented at that time was 1.15 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 1.28 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 2013 or, if earlier, 26 May 2013 (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.

Earthoil digs deep

Earthoil Plantations Ltd, a subsidiary of Treatt plc, supplier of organic and fair trade certified essential and cold pressed seed oils, has facilitated the development of twenty four fresh water wells in its Indian mint growing regions.

The Deep Wells Project, funded through the Earthoil Organic Farms Foundation (EOFF) improves local health by bringing high quality drinking water to thousands of villagers in India's Uttar Pradesh region.

Continuing its ethical approach to sourcing natural organic oils, Earthoil remains committed to supporting its local farmers growing and harvesting mint in India. Earthoil-approved farmers receive an organic premium for their crop as well as a further contribution to a community fund, to be spent on projects to improve facilities and the well-being of the local villagers.

The EOFF investment panel, which includes representatives of the head farmers, women from the community, Earthoil, key buyers and a local Red Cross representative, meets to identify key projects to be supported by the community fund. Whilst access to healthcare may seem an obvious priority, availability of good quality drinking water offers prevention rather than cure. Where wells already exist, they are shallow and susceptible to contamination, struggling to support increasing demands of irrigation and a growing population. The basic need is not for just any water, but for good quality drinking water, which has to be sourced from far below the surface.

Work began in April 2011, and by July 2011, the new deep wells were constructed. The wells are approximately 40 metres deep and produce much cleaner, better tasting water for a local population of around 28,000 people.

Basic necessities vastly improve the quality of life in rural areas and Earthoil intends for this deep wells initiative to be the first of many projects to improve life in this region. Hugo Bovill, Group CEO, stated "Treatt, through investment in Earthoil, is delighted to help farmers and loyal suppliers improve the quality of life in local communities".