Annual Report & Financial Statements **2015**

innovative ingredient solutions

TREATT

the group

TREATT IS A WORLD LEADER IN PROVIDING INNOVATIVE INGREDIENT SOLUTIONS TO THE FLAVOUR, FRAGRANCE AND FMCG INDUSTRIES, SUPPLYING CUSTOMERS GLOBALLY FROM BASES IN THE UK, USA, CHINA AND AFRICA.

Treatt's reputation and in-depth knowledge of flavour and fragrance ingredients and their sources is recognised as a trusted resource by its customers worldwide. We offer our customers exceptional service along with cutting-edge solutions so that they can create unique and innovative products to help drive their own commercial success.

Our business

Our products and solutions range from ingredients for the flavour and fragrance industry such as essential oils – especially citrus, aroma chemicals, and specialty products developed by Treatt, to functional ingredient ranges such as wellness and beverage specialties. We supply a diverse client portfolio including many leading flavour & fragrance manufacturers, as well as FMCG companies. Our products are found in a myriad of consumer goods worldwide, from beverages and food products to perfumery and household goods.

the report

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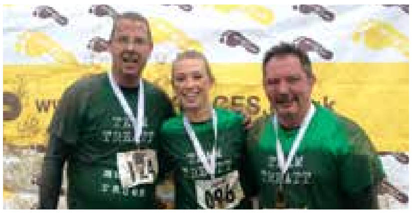
What makes us special

Our people are the cornerstone of our success. Their engagement in the business, together with their expertise and experience, are key to our success in creating value for our customers through innovative and exciting ingredient solutions. Our knowledge, customer partnerships, unique products, services and operational excellence also give us the edge.



Treatt's Mucky Races team

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Strategy objectives

Our strategy of delivering added-value ingredient solutions across key market sectors continues. We are making particularly good progress in the beverage sector which itself breaks down into a number of important segments for Treatt, including the fast-growing craft beer market.

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Our ingredient solutions

We offer innovative and trend-setting product concepts for our customers. Our experts such as tea sommeliers, brewers and citrus gurus inspire innovation and customers alike.

Contents

what makes Treatt special

Diverse workforce

Our diverse workforce holds the key to developing new ways of thinking, enabling Treatt to reach a wider range of customers and grow our business.

Our Certified Tea Sommelier gives us a greater understanding of tea

People

Our people are the cornerstone of our success. The deep engagement of our employees in the business, together with their expertise and experience, are the key to creating added value for our customers. It is this passion that drives the development of innovative and exciting ingredient solutions which in turn allows our customers' products to stand out. The unique combination of our unrivalled knowledge, strong customer partnerships, tailored solutions and operational excellence really does give us the edge.

Knowledge

Our long tradition of sourcing natural raw materials from all over the world gives us industry-leading experience in the field of ingredients for the flavour and fragrance, and personal care and cosmetic industries. Travelling the world building personal relationships with our producers and farmers gives us first-hand in-depth knowledge that we then pass on to our customers. We help our customers to succeed and serve as a source of information in various aspects of the challenges facing the flavour and fragrance industry. Treatt's Market Reports, which are available on our website, are widely recognised by industry experts globally for the insight they provide on market conditions worldwide.

Our capabilities

We are passionate about developing creative, innovative solutions for our customers and the recent investment in our new applications centre means that we can now collaborate even more closely with our customers to add further value to their products by developing new flavour combinations and formulating blends. Our tasting panels provide the quantitative data on which customers can assess and identify solutions in different beverage applications.

Operational excellence

With manufacturing bases in the UK, the USA and in Kenya, we offer a geographical spread of risk and access to world markets and are flexible enough to adjust to customers' needs. Production efficiencies are assured by sharing best practices in technical and management processes.

CREATING A DIVERSE AND POSITIVE ENVIRONMENT FOR OUR PEOPLE TO SUCCEED

Growth strategy

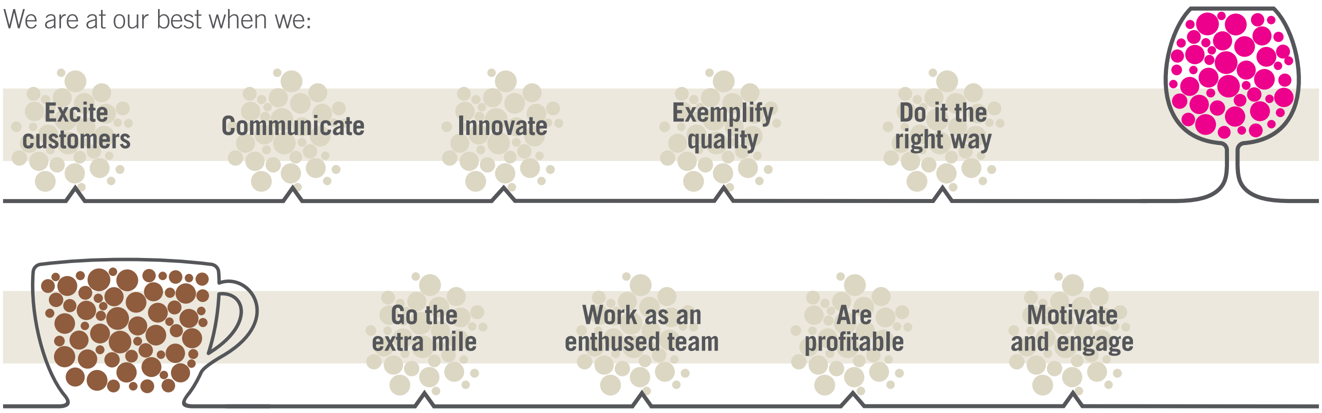
We continue on our path towards sustainable long-term growth by providing an environment and culture for innovation and success.

Strategic developments

Our strategy of delivering added-value ingredient solutions across key market sectors continues. We have made significant inroads into the beverage sector, which itself breaks down into a number of segments with considerable potential for Treatt, including the exciting and fast-growing craft beer market with its increasing experimentation with flavours. The beverage market continues to innovate and brings opportunities to develop new products in these areas, especially the wellness and natural areas as demand grows for lower calorie and health-conscious products. We have recently invested in a new beverage applications centre from which we can partner with our customers to develop new flavour combinations, formulate blends, conduct taste trials and explore different beverage applications. In our Analytical Department we have a new robotic MultiFlex Dynamic Headspace GC-MS Olfactometer with odour detection, giving us scope for new opportunities. It brings new technology into Treatt which permits direct analysis of liquid products such as consumer goods and beverages. This technology is used by the leading companies in the beverage industry in their new product development and QC functions. It allows Treatt to get much closer to understanding the issues of FMCGs, investigate real products on the shelf and transfer the knowledge to our global new product development and applications efforts. It enables closer co-operation between QC and Innovation departments across the Group and undoubtedly increases our capability in developing flavour solutions for our customers.

Our values

We are at our best when we:



our ingredient solutions



100%

Natural ingredients

We travel the world to source the highest quality flavour and fragrance ingredients

We offer innovative and trend-setting product concepts for our customers. Our own in-house experts such as tea sommeliers, brewers and citrus gurus inspire innovation, whilst also ensuring the ingredients used and the final solutions excite our customers.

Being the manufacturer of our own raw materials allows us costing flexibility as, for example, we can break apart orange and other oils. We can also take advantage of production economies of scale based on volume requirements.

WE SUPPLY A DIVERSE CLIENT PORTFOLIO OF LEADING FLAVOUR & FRAGRANCE AND FMCG COMPANIES

Through the fractional distillation of essential oils we are able to isolate components and/or add ingredients, providing customers with bespoke solutions. We tailor these solutions for our clients on a project-by-project basis, working with them throughout their product development process. Building deep relationships with our customers is an important factor for their success as well as our own.

Our customers are reassured by our stable supply chain and full traceability. They have confidence in our rigorous quality assurance, composition and contaminant analysis, together with appropriate labelling for smooth, safe transportation across the globe.

looking ahead

LOOKING AHEAD AT THE CHALLENGES AND TRENDS INFLUENCING THE FOOD AND DRINKS INDUSTRY

Health and Wellness – sugar reduction

Consumer priorities such as health and wellness are a key focus area for us. Reducing sugar consumption continues to be top of the agenda for the food industry. It takes a lot of effort and expertise to reduce sugar so that the product still tastes good. Treatt has been working on this for a number of years and our innovation teams now have a variety of non-caloric tailored solutions to reduce calories without sacrificing the sweet taste that everyone loves. The results of our in-house sensory tests have concluded that a combination of proprietary sweet essences with natural specialty ingredients is very effective in dealing with the slow initial sweetness profile and bitter aftertaste associated with stevia and other non-nutritive sweeteners. Our new line of innovative sugar solutions does just this, imparting a sugar cane juice note and increasing the perception of greater sweetness without introducing any dominant flavour notes.

21%
Natural flavours
forecast to grow in demand over the next 5 years by 21 percent

Trend forecasting

The shape of the food industry is changing rapidly. As a result of the global community in which we live and the heightened role of social media, consumer trends move quickly and encompass the globe, no longer being limited to a given region or demographic segment of the population. We are committed to identifying and understanding such trends to allow us to develop ingredients and solutions that provide value to our customers. By basing our business development and R&D efforts on such trends, we can ensure we are aligned with the market to deliver sustainable and profitable growth. The flavour concepts that we have identified show that consumers are increasingly choosing beverages that use natural ingredients. Recent analysis for example has shown that melon, especially the exotic varieties such as kiwano melon, is trending. This concept is likely to fit well with the desire for naturally lower sugar content beverages while still offering a distinctive range of flavours for those looking for new taste experiences whilst not straying too far from the familiar.

$10bn
Global market
for flavoured alcoholic beverages

252bn
Litres
of carbonated soft drinks consumed globally in 2014

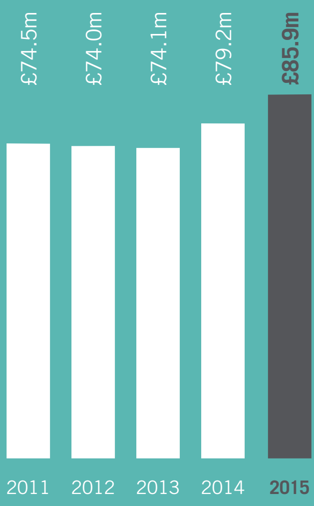
Source: Foodtrending.com

$140bn **Global market**
for juices, juice drinks and nectars

2015 review

Financial performance

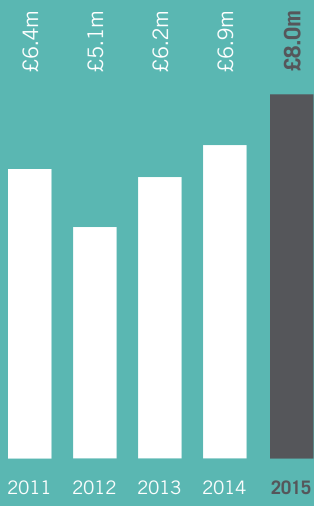
Revenue



£85.9m

Revenue represents the total sales of all businesses in the Group, and reflects both underlying business growth as well as being impacted by movements in raw material prices.

Adjusted Profit Before Tax



£8.0m

Adjusted profit before tax shows the trend in profits before tax (but ignoring exceptional items).

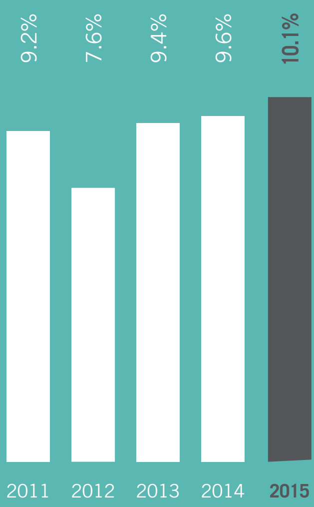
Dividends Per Share* (pence)

4.04p

Dividends per share shows the total dividend (interim plus final) per share relating to each financial year.

Key performance indicators

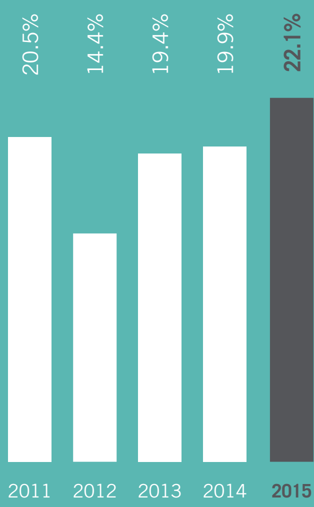
Net Operating Margin



10.1%

Net operating margin reflects the overall profitability of the business before financing costs.

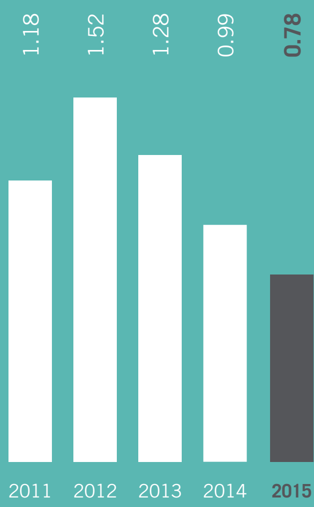
Return on Capital Employed



22.1%

Return on capital employed is a measure of the Group's profitability relative to the assets invested in the business.

Average Net Debt to EBITDA



0.78

Average net debt to EBITDA measures the debt of the Group relative to its profitability. The lower the ratio is, the more manageable the level of debt.

*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 accounted for in the subsequent financial year.

Overview

Group five year trading record

	2011 £'000	2012 £'000	2013 £'000	2014 £'000	**2015 £'000**
INCOME STATEMENT					
Revenue	74,518	74,009	74,097	79,189	**85,934**
EBITDA (pre-exceptionals)	8,032	6,891	8,278	9,022	**10,109**
Operating profit	6,864	5,628	6,938	7,628	**8,690**
Adjusted profit before taxation	6,372	5,060	6,227	6,904	**7,950**
Growth in adjusted profit before taxation	*41.5%*	*(20.6%)*	*23.1%*	*10.9%*	***15.2%***
Exceptional items	—	(598)	(1,093)	(1,402)	**(174)**
PROFIT BEFORE TAXATION	6,372	4,462	5,134	5,502	**7,776**
Taxation	(2,017)	(1,390)	(1,655)	(1,553)	**(1,786)**
Non-controlling interest	(7)	—	—	—	**—**
Profit for the year attributable to owners of the Parent Company	4,348	3,072	3,479	3,949	**5,990**
BALANCE SHEET					
Goodwill	1,192	1,080	1,075	1,075	**1,075**
Other intangible assets	742	718	684	726	**661**
Property, plant and equipment	10,120	11,543	11,718	10,994	**10,998**
Net deferred tax liability	(261)	(594)	(723)	(611)	**(390)**
Non-current trade and other receivables	586	586	586	586	**—**
Current assets	35,847	38,053	38,340	43,590	**45,045**
Current liabilities	(12,592)	(17,345)	(12,484)	(16,005)	**(13,481)**
Non-current trade and other payables	(135)	(23)	(23)	(23)	**—**
Non-current bank loans	(7,606)	(5,469)	(8,889)	(7,857)	**(7,065)**
Post-employment benefits	(803)	(838)	(1,589)	(2,529)	**(2,959)**
Non-current derivative financial instruments	(864)	(1,033)	(577)	(511)	**(699)**
Non-current Redeemable loan notes (net)	(675)	(675)	(675)	(675)	**—**
Total equity	25,551	26,003	27,443	28,760	**33,185**
CASH FLOW					
Cash generated from operations	8,312	1,482	9,250	3,528	**8,667**
Taxation paid	(1,998)	(1,279)	(649)	(1,552)	**(1,469)**
Net interest paid	(527)	(618)	(714)	(724)	**(740)**
Dividends paid	(1,330)	(1,490)	(1,585)	(1,899)	**(1,978)**
Additions to non-current assets net of proceeds	(1,540)	(2,787)	(1,578)	(746)	**(1,027)**
Acquisition of interests in joint ventures or subsidiaries	(14)	—	(9)	—	**—**
Net sale of own shares by share trust	100	(306)	91	91	**180**
Other	(16)	43	(151)	12	**(204)**
Movement in net debt	2,987	(4,955)	4,655	(1,290)	**3,429**
Total net debt	(7,994)	(12,949)	(8,294)	(9,584)	**(6,155)**
RATIOS					
Net operating margin[1]	9.2%	7.6%	9.4%	9.6%	**10.1%**
Return on capital employed[2]	20.5%	14.4%	19.4%	19.9%	**22.1%**
Average net debt to EBITDA[3]	1.18	1.52	1.28	0.99	**0.78**
Adjusted basic earnings per share	8.50p	6.88p	8.64p	9.95p	**11.94p**
Growth in adjusted basic earnings per share	*40.5%*	*(19.1%)*	*25.6%*	*15.2%*	***20.0%***
Dividend per share[4]	2.90p	3.10p	3.70p	3.84p	**4.04p**
Dividend cover (adjusted to exclude exceptionals)[4]	2.92	2.22	2.33	2.58	**2.94**
Net assets per share	48.8p	49.6p	52.4p	55.0p	**63.0p**

Notes on calculations:

1 Operating profit divided by revenue.

2 Operating profit divided by total equity plus net debt.

3 Average of net debt at start and end of financial year divided by EBITDA.

4 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 accounted for in the subsequent financial year.

chairman's statement

A YEAR OF ENCOURAGING GROWTH, WITH ADJUSTED PROFITS UP 15%

Results

I am delighted to introduce this year's Annual Report with news of another year of increased profits for the Group. Group revenue is up by 9% to £85.9m (2014: 79.2m) and adjusted* profit before taxation has grown by 15% to £8.0m (2014: £6.9m). At 11.94p, adjusted basic earnings per share have improved 20%.

It is gratifying to see that the cash performance of the Group has continued to improve with net debt falling to a nine year low of £6.2m (2014: £9.6m). Consequently, the average net debt to adjusted EBITDA ratio, which compares net debt to the cash generation of the business, has fallen for the fourth consecutive year to 0.78 times (2014: 0.99 times).

The positive performance for the year was spread across the Group, with growth in both our core flavour & fragrance sector, as well as strong growth in the beverage market. In addition our Earthoil brand delivered encouraging growth in the personal care market.

Dividends

The Board is proposing a final dividend of 2.76p (2014: 2.60p) increasing the total dividend for the year to 4.04p (a 5.2% increase). This equates to a rolling three year dividend cover of 2.29 times. If approved by shareholders at the forthcoming AGM, the final dividend will be payable on 8 April 2016 to all shareholders on the register at close of business on 4 March 2016. Shareholders who wish to participate in the dividend re-investment plan for this and future dividends should elect to do so by 14 March 2016.

Strategic overview

Through the implementation and development of the Group's strategy as described elsewhere in the Annual Report, we are becoming ever better placed to take advantage of significant market opportunities. To be able to continue to report growth in Treatt's performance, as I have done these past few years, it is important that we make focused investments in strategic assets to ensure that we can deliver sustainable growth for all of our stakeholders.

Our most important strategic asset is our people. From the buzz and excitement in R&D, to the dedication to deliver exceptional service in sales and operations, there is, at the heart of our business, a vibrant and unique culture which drives our success. The investments we make in training and developing our staff have grown over the last few years, and we continue to concentrate on attracting, investing in and retaining the very best people in the industry.

As an innovative, technically-led, customer-focused manufacturing business we have laid the foundations for future growth. Careful investment must be made to help ensure our strategic targets are met and, in making it, we are mindful that the need to generate growth and profits in the short term must be balanced with the need to invest for longer term growth.

The highly competitive global environment will challenge our customers, as well as us, and it is crucial that Treatt operates from a flexible, efficient, cost effective and integrated manufacturing base. We must prepare not only to meet today's demands but also for those that we know tomorrow will bring. Treatt operates in markets that are becoming ever more fast-paced, complex and increasingly controlled by regulation. The Group is ready, and well-placed, to invest both in new premises in the UK as well as on-going improvements to the US infrastructure as and when required.

£85.9m

Revenue

Group revenue is up by 9% to £85.9m (2014: 79.2m)

UK site relocation

The Group has outgrown its current manufacturing facilities and must invest to ensure it remains a manufacturer fit for the present and the future. As previously announced, we intend to relocate our UK facilities as soon as we can. With an estimated cost of £15m – £20m, net of disposing of the existing site, shareholders will be keen to know the exact timelines and funding proposals for the relocation. We have identified a possible site but, as this is part of a major strategic business development within the area, we have not yet been able to enter into formal negotiations to buy the land. In the meantime we continue to monitor and consider alternative sites as and when they become available. In consequence, the precise timing of our move is not yet known.

Corporate Governance

There have been no changes to the Board over the last year – though the composition and performance of the Board and its committees is kept under regular review. Our aim is to ensure that we have a Board with the right mix of skills, knowledge and culture to lead the strategic direction of the business in the years to come.

We pay special attention to managing risk. Our risk management is regularly reviewed and takes into account current market conditions and the Group's activities. Significant risks, which are identified by their size of impact and probability of occurrence, are detailed on the Group risk register, which is regularly reviewed by the Board.

Prospects

The new financial year has started steadily, with some encouraging signs that our first quarter will be, as expected, a better first quarter than the disappointing start we had last year. We are seeing some growth beginning to feed through from our newer innovation and opportunity pipelines as we continue to focus our strategy on innovative ingredient solutions for global FMCG customers, particularly in the beverage sector. Earthoil has started the new financial year well and we hope for a greater contribution from this business over the coming year.

Thank you

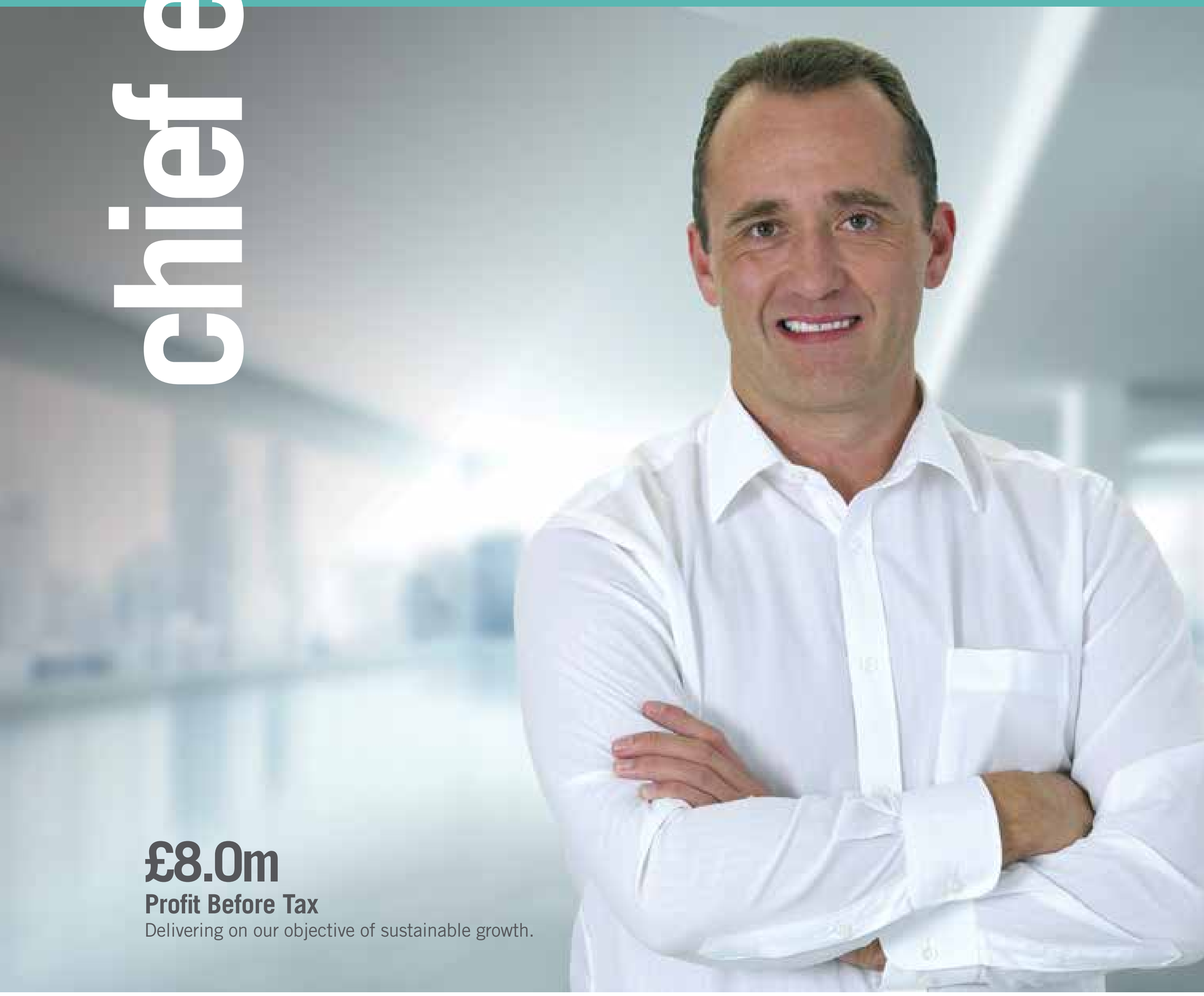
Finally, and most importantly, I want to close by thanking all Treatt colleagues, wherever they may be based. I am forever bowled over by your energy and sheer dedication. We have a fantastic team, and it is through your hard work and endeavours that I am able to report again on another successful year for Treatt. Thank you!

TIM JONES
Chairman
7 December 2015

* All adjusted measures exclude exceptional items, details of which are given in note 8.

chief executive officer's report

WE ARE DELIVERING ON OUR OBJECTIVES CREATING A SUSTAINABLE GROWTH IN PROFITS WHILST INVESTING IN OUR BUSINESS FOR THE FUTURE



£8.0m

Profit Before Tax

Delivering on our objective of sustainable growth.

2015 has been a year of continued progress. Treatt operates in a competitive and dynamic market which brings challenges as well as opportunities, and against that background it is pleasing to report our third successive year of increased, and indeed, record levels of profit. Our adjusted profit before tax this year of just under £8m is a significant achievement by colleagues throughout the Treatt business and I take this opportunity to pay tribute to their performance and considerable effort in delivering on our objective of sustainable growth. Our success this year has not been easily achieved; notable new business wins have been hard won, retention of key business has often been challenging and yet the determination of our team to deliver on our objectives has never wavered.

I am privileged to see at first hand the boundless creativity of colleagues throughout the business, and their passion to succeed is the energy which translates into results. My belief in our culture is reinforced every day through our colleagues' behaviours. The levels of engagement I witness are often inspiring and hugely motivational for me. As always, it is our people who make the difference which delivers success, and I thank all of our colleagues across the Treatt Group for their significant efforts for the business.

Delivering on our strategy

We have a well-defined strategy at Treatt which we have revised and updated in the year to reflect the progress and future aspiration of our journey which began in 2012. Our transformation continues and our direction is clear. Focusing on those customers who can provide sustainable value and concurrently keeping our cost base under appropriate control have been the two fundamental strands to our success and are embedded in our approach. Our goal to achieve a level of intimacy with our strategic and target customers has delivered some interesting new wins in the year and we expect that momentum to continue next year. Selling ingredient solutions to consumer goods companies, most typically in the beverage market, is often a technical-led communication, and the increasing expertise we have within the business is proving to be a true competitive advantage as our customers recognise our ability to meet demanding briefs with innovative solutions.

Pleasingly, these peer relationships between technical counterparts can lead to customer visits to Treatt's facilities where customers collaborate with our technical teams by working alongside them to make that final refinement to an ingredient solution. This can in turn lead to Treatt being involved in experimental concepts, driving ever closer relationships with the customer and speeding up the sales cycle. Our new applications centre in the UK, opened last year, is making a difference in these efforts and gives a clear signpost to the direction that the company needs to take if it is to continue to grow.

The two most notable new wins in the year came from divisions of customers where we had leveraged existing relationships to open new doors. Both of these wins were in beverage, one sugar reduction solution and one iced tea solution. Both of these wins took a high degree of technical input from Treatt's various expert teams. Growing with customers is a key element of our strategy, and deep relationships formed over years of proven added-value are important for obtaining further opportunities. As the consumer goods product life cycle shortens and we see a trend for more seasonal or limited edition products, flavoured solutions may well become shorter term wins. We do see, however, that this trend offers Treatt an enormous opportunity as we become our customers' partner of choice for innovative ingredient solutions.

Investing in our future

Effectively selling sophisticated ingredient solutions to progressive consumer goods companies requires a physical environment which is both functional and is also an attractive environment for customers to return to - one which reflects our abilities to add value to their businesses. In order to capitalise on the opportunities we see in the market and further develop our strategy, the success of which is beginning to come through, there are a number of investments in the next few years which we believe will enhance the business for the long term.

Our current UK site has met our needs since 1971 but is no longer suitable for meeting the future requirements of our customers who seek innovative, technical-led, solutions. We have adapted our UK site over the years, improving our facilities where we can to make them as appropriate as possible; but this gets more difficult as time goes on as the surroundings we have today are simply no longer optimal for our needs.

As our business continues to evolve in this added-value direction, we can expect more collaboration with customers and it is critical that our facilities invite a feeling of confidence in our processes and, importantly, demonstrate the depth and sharpness of our technical abilities – which is reflected in the excellent science occurring at Treatt for the benefit of our customer.

We have had a good insight into the future with the recent opening of our beverage applications centre which can be seen above.

The new facility will also bring levels of engagement across the business to even higher levels as our colleagues will be in one purpose-built facility as opposed to the many discrete units of Treatt in the UK today. There is no question that the levels of communication, collaboration and integration will provide the essential energy to drive our business forward to greater success, providing durability in value for the long term. Above all, our customers will be left with an enhanced feeling about Treatt and our capabilities as our product mix transitions to increasing added-value business. Our cost base will improve significantly too, as the new site will drive away inefficiencies which currently exist, and improve our competitive position.

As such, the Board has, as previously announced, committed in principle to investing in relocating to a newly built facility, remaining in the Bury St Edmunds area, with current estimated costs (net of disposal proceeds for our current site) of between £15m - £20m. It is important to remember that this is not just a bricks and mortar project. This is a business development project aimed at taking Treatt to the next stage in its development. Our new facility will enable us to excite our customers, improve efficiency and, we believe, accelerate our growth.

Indeed, not all of this investment is in land and buildings but in fact includes a significant investment in new plant and machinery, as well as technical capabilities – in other words bringing forward capital investment which we would need to do in any event in order to continue delivering upon our strategic objectives.

We are ready to progress this move as fast as is practicably possible, but the release of land on our preferred site is currently in the hands of local developers and authorities as it part of a major new business development project in the east of England.

This is a hugely exciting opportunity for Treatt which we believe will act as a catalyst for growth and provide an added-value platform for all of our stakeholders, ensuring continued success for the long term.

We are also planning to continue our investment in the US by enhancing our technical facilities there. This will involve expenditure of around $2m over the next twelve months to provide a technical centre to encompass the strategic expansion of our R&D capability. The technical centre will house our brewing and application suite, designed to enhance the customer experience and provide elements of visual commonality between the proposed relocated UK Treatt and the US facility, thereby giving strategic global customers a common impression of Treatt.

We believe that the Far East, and China in particular, are significant growth opportunities for Treatt. Despite mixed messages about its growth prospects, the latest data on China indicates that it will continue to be a significant force in global economic growth, and those companies in the right sectors will stand to benefit. For example, Chinese 'Millenials', those born in the 1980s and 1990s, are now 16-35 years old and entering their prime consumption years. This generation now makes up 31% of China's total population, representing 415 million consumers — more than the working population of the US and Western Europe combined. It is this generation that will drive new product consumption, development, and innovation within China going forward.

Treatt's ability to capitalise on this potential growth and future demand for our products in the Far East will be enhanced by continuing to invest in our technical capabilities and services in China where we are moving to larger premises before the end of December 2015. This will enable us to establish an application and sample lab, the cost of which will not be material, in order to provide samples to customers in a timely way and also to have technical application capabilities on the ground to support customers effectively in what is a very competitive market.

Our Earthoil personal care business increased capacity this year with the addition of a new seed press for vegetable oils for cosmetic applications. Productivity and optimisation will see additional benefits coming through in the financial year ending 30 September 2016. Through the provision of the fair trade premium we are helping to improve the lives of the local communities, and have received a letter of thanks from one of the beneficiaries in Kenya.

Product development

Successes with our sugar reduction portfolio have again been evident this year and high value innovation continues on this persistent need in the beverage industry. Whilst reducing sugar in beverages may seem straightforward, maintaining the flavour and taste experience of sugar without calories is a challenge. Treatt has brought valuable and technical solutions to our customers in this regard. Our opportunity pipeline continues to grow and turning those opportunities into realised business will be an important objective for the team in the coming year.

As more flavoured beers are launched in the global market, our work with breweries to increase their chances of success in this ever-popular sector continues to gain momentum. Our ability to innovate in both flavour and functionality makes us an increasingly attractive partner to our customers.

Our efforts in product and process engineering have delivered some good financial returns in the year and the full year impact from this work will be evident in the coming year. This work involves multi-disciplinary teams around the business and can take many forms such as efficiency gains by removing unnecessary steps in a process, gains from increasing yields or partnering with suppliers to perform adjustments to their processes which can increase value.

The performance of our partner, Endeavour Speciality Chemicals, together with our own efforts to utilise speciality high impact chemicals, where legislation permits, to provide powerful nuances to our product offering is showing good progress.

Tea is increasingly being used as an ingredient in many beverages, including alcoholic drinks, and its perception as a healthy option makes it an attractive target market for Treatt. The Ready-To-Drink tea market in the US is anticipated to continue to grow at a CAGR of 6% through to 2018. To take advantage of this expanding market, Treatt has introduced some new innovative tea products this year. One of our product innovators has recently qualified as a Certified Tea Sommelier to give us a competitive


The Manager,
Earthoil Company.

Dear Sir,
RE: A THANK YOU LETTER

I hereby wish to thank you for your great support in paying my school fee. It have taken a great sacrifice and kindness to see me through

It was a difficult task for my mother to pay my school fee because she is jobless; but for your help, I have managed to be through with my secondary school education.

has been long and as it is

“Thank you for your great support”
Mary Nungari
Fair trade premium benefactor, Kenya

edge with customers and a greater understanding and knowledge of tea. Our innovation work has also allowed us to successfully expand our footprint at a number of beverage customers.

Some of the key new ingredients developed by Treatt will be offered to strategic accounts on a much more exclusive and targeted approach than before, to enhance the customer relationship by bringing something exclusive and special, whilst ensuring that value is captured.

We also continue to deliver growth opportunities with a bias towards natural and authentic ingredients, utilising our existing product portfolio as well as the know-how and skill set for product development we have built up over many years. We have recently been developing low cost, high impact, price stable oil-based flavour solutions which will allow us to further penetrate high-growth and more cost-conscious markets in South East Asia, Latin America and Central Africa. We are determined to build upon the foundations we have created and take this part of our business forward to the next stage of growth and opportunity.

This year we have strengthened our marketing team who are working closely with every part of the business as well as having increasing touch points with customers, including social media, in order to better engage with our customer base. Being able to show our customers that we are forward-thinking by giving them an understanding of what will be the new flavour trends over the horizon has led to some notable opportunities in the year.

Our culture

Treatt has a people-centric culture which encourages passion, enthusiasm and energy. Investment in training and development has never been higher and the return on that investment has never been more apparent. Our training strategy is designed to ensure that we have the necessary skills aligned to business needs as well as offering opportunities for development and we will continue to invest in colleagues across the Group. At the risk of repeating myself, it is the output of our engaged teams which is driving the success at Treatt. To enhance our success, and in line with our strategy, we will be further investing in talent, in the form of additional budgeted headcount. We are trying to inspire an interest in science as a career in the younger generation, as well as promoting Treatt as an employer of choice, engaging with this young audience at local science fairs and at the Suffolk Skills Show, the biggest careers show in Suffolk. In the US, we are honoured to have been selected as one of CareerSource Polk's Best Places to Work last year, being recognised as being the most innovative for motivation and retention of employees, as well as for having the best training and development initiatives. A good stream of work experience students and summer placements, as well as intern opportunities, is providing one such avenue for Treatt's potential workforce.

A team of 32 employees in the UK took part in Mucky Races, a 5km run featuring obstacles, mud and water. It proved to be a fantastic team building exercise and entry into further races is planned!

We are also engaging more with our local communities through the provision of volunteers to help in the community, and the sponsorship of local initiatives.

TREATT HAS A PEOPLE-CENTRIC CULTURE WHICH ENCOURAGES PASSION, ENTHUSIASM AND ENERGY

Our information exchange committees in both the UK and the US continue to be a valuable resource for management in terms of ideas and suggestions about improvements in the business. The committees have an active influence which enhances engagement levels.

The years ahead

As you will imagine, my focus is very much on delivery and the challenges ahead and I take huge encouragement from our success over the last few years, our investment plans for the future and the drive, initiative and implementation of ideas I see across the business. Great people working in a positive culture augurs well for continued progress for the business.

DAEMMON REEVE
Chief Executive Officer
7 December 2015

financial review

ADJUSTED EARNINGS PER SHARE INCREASED BY 20% AND FREE CASH FLOW OF £6.2M – SOLID FOUNDATIONS FOR FUTURE GROWTH

Financial overview

Up 8.5%	Up 15%	Up 5.2%	Up 20.0%
Revenue	**Profit Before Tax***	**Dividend**	**Earnings Per Share***
£85.9m	**£8.0m**	**4.04p**	**11.94p**

	2015	2014
Net operating margin*	**10.1%**	9.6%
Return on capital employed*	**22.1%**	19.9%
Average net debt to EBITDA*	**0.78x**	0.99x

Income Statement

Revenue and profit

Revenue for the year grew by 8.5% to £85.9m (2014: £79.2m). This growth was widespread across the business, with sales to FMCG companies being a key driver in the year. Revenue was also positively impacted by historically high market prices for certain key ingredients, particularly lemon and lime oil, the effect of which is expected to ease off over the coming year. The continued delivery of our strategy has meant that over the last five years Group revenue has grown by 36%.

An important long term KPI for the Group is net operating margin which increased to over 10% for the first time in ten years as the strategic benefit of growing revenue whilst maintaining a tight control of costs has begun to show through. This resulted in a 14% increase in pre-exceptional operating profit to £8.7m (2014: £7.6m). Alongside net operating margin, return on capital employed of 22.1% exceeded the 20% mark for the first time in a decade as the growth in profitability has been built on a well-controlled capital base.

COMPOUND 10 YEAR GROWTH*

Revenue	Profit before tax	Earnings per share	EBITDA
10.2% pa	8.8% pa	9.9% pa	8.4% pa

Exceptional costs in the year of £0.2m (2014: £1.4m) related to the continuing legal costs concerning the Earthoil earn-out dispute. Although not material in the year, these costs have been accounted for as an exceptional item in order to maintain consistent treatment with prior years. Excluding these costs, earnings before interest, tax, depreciation and amortisation for the year increased by 12% to £10.1m (2014: £9.0m). Profit before tax after exceptional items rose by 41% to £7.8m (2014: £5.5m). Further information on the exceptional items is given in note 8.

Dividends and Earnings Per Share

The proposed final dividend of 2.76p per share (2014: 2.60p) increases the total dividend per share for the year by 5.2% to 4.04p, resulting in a dividend cover of 2.9 times pre-exceptional earnings for the year and a rolling three year cover after exceptionals of 2.3 times. The Board's policy is to maintain dividend growth on a consistent basis at between 2.0 and 2.5 times three year rolling cover, with this year's dividend representing an increase of 55% over the last five years. The rolling cover is therefore comfortably in the middle of the policy range. Basic earnings per share (adjusted to exclude exceptional items – see note 11 to the financial statements) for the year increased by 20% to 11.94p (2014: 9.95p). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) and Treatt SIP Trust (SIP) since they do not rank for dividend, and is based upon profit after tax.

Foreign exchange gains and losses

Whilst the Group's functional currency is the British Pound ('Sterling') as explained below, the amount of business which is transacted in other currencies creates foreign exchange risk, particularly the US Dollar and to a more limited extent with the Euro. During the year the US Dollar fluctuated considerably and ended the year 7% stronger against GBP at

* All measures are adjusted to exclude exceptional items.

Financial Review continued

£1=$1.51 (2014: £1=$1.62). As explained further in this report under 'Treasury Policies', the Group hedges its foreign exchange risk at R C Treatt by holding and managing US Dollar borrowings and taking out forward currency contracts and options. This can result in timing differences in the short term, giving rise to re-translation gains or losses in the income statement. This has resulted in a small trading loss of £0.3m in 2015 (2014: £0.3m loss) and a gain on foreign exchange contracts of £0.2m (2014: £0.4m gain). As part of the Group's hedge accounting, a foreign exchange loss of £0.2m was taken to reserves (2014: £Nil).

There was a more substantial currency gain of £0.8m (2014: £Nil) in the 'Statement of Comprehensive Income' in relation to the Group's investment in overseas subsidiaries, principally in respect of Treatt USA.

Finance costs

The Group's net finance costs for the year increased by 2.2% to £0.74m (2014: £0.73m) as a result of an increase in the pension finance costs. Although debt levels have fallen considerably, this has not fed through to lower charges since a significant proportion of the Group's finance costs are fixed through an interest rate swap (see below), and the carrying cost of unutilised facilities now represents a far greater proportion of the overall cost. On a pre-exceptional cost basis, interest cover for the year increased to 11.7 times (2014: 10.5 times).

As part of the Group's risk management, in 2011 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 £0.6m (2014: £0.4m).

Group tax charge

The current tax charge of £1.9m (2014: £1.7m) represents an effective rate (based on profit before tax and exceptional items) of 24.2% (2014: 24.7%). After providing for deferred tax, the overall tax charge has increased by £0.2m to £1.8m (2014: £1.6m); an overall effective tax rate (after exceptional items) of 23% (2014: 28%), reflecting the impact of the continuing reduction in UK tax rates and a different profit mix between tax jurisdictions. There were no significant adjustments required to the previous year's tax estimates. With corporation tax rates continuing to fall in the UK until they reach an expected 18%, the Group's overall effective rate of tax is expected to fall for the next two years.

Balance Sheet

Group shareholders' funds grew by £4.4m (2014: £1.3m) in the year to £33.2m (2014: £28.8m), with net assets per share increasing by 15% to 63p (2014: 55p). Over the last five years, net assets per share have grown by 47%. Net current assets now represent 95% (2014: 96%) 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 £0.4m (2014: £0.5m) as a result of shares held by the EBT and SIP, 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

The Group has continued to improve its cash performance and in the year net debt fell by £3.4m to £6.2m (2014: £9.6m) with a corresponding reduction in the level of gearing from 33% to 19%. The Group has a mix of secured and unsecured borrowing facilities totalling £20.7m, of which £8.5m expire in one year or less. The Group's borrowing facilities are held with HSBC, Bank of America and Lloyds Banking Group with the majority of facilities now held on three to five year terms with expiry dates staggered to fall in different years. The Group continues to enjoy positive relationships with its banks and expects all facilities to be renewed when they fall due.

Although there was an increase in cash tied up in working capital for the year of £1.5m this was largely due to a stronger end to the financial year, as compared to the previous year. Overall, the rate of increase in working capital was slower than the growth in revenue, as improvements in inventory turn led to a reduction in inventory levels year on year. The level of inventory, which is highly significant in cash terms, arises because 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, although typically less than 5% is on average more than a year old.

The level of capital expenditure in the year remained at the lower end of our expectations with a total spend of £1.0m compared to £0.8m in 2014. There were no major projects in the year, whilst capital expenditure in the UK tended to be related to on-going routine renewal and maintenance whilst plans progress towards the proposed relocation.

Treatt Employee Benefit Trust and Treatt SIP Trust

As announced previously, during the year the Group set up an HMRC-approved Share Incentive Plan (SIP) for its UK employees, and as far as practicable, offered a similar scheme to its US staff. All UK staff with a year's service were awarded £500 of 'Free Shares' as part of the Group's employee incentive and engagement programme as the Board are firmly of the view that increased employee share ownership is an important tool for driving positive employee engagement in the business. A similar scheme for US staff, who were awarded $800 of Restricted Stock Units, was also put in place. These shares are forfeited by employees who leave within three years from the date of grant.

Under the SIP UK employees could also purchase £1,800 of Treatt shares out of gross income at no cost to the company.

During the year, 90,000 shares were issued to the SIP at par (2 pence per share). The SIP currently holds 88,000 shares (2014: Nil), of which 12,000 are beneficially owned by the company. It is anticipated that going forward the obligations under the SIP will be satisfied through the issue of further shares.

In addition, 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.

Following approval of the Long Term Incentive Plans at the 2014 Annual General Meeting, Executive Directors and certain key employees were granted 538,000 nil cost share options which will vest after three years on a sliding scale, subject to performance conditions. In total, options were granted over 783,000 (2014: 468,000) shares during the year, whilst 220,000 (2014: 127,000) were exercised from options awarded in prior years which have now vested.

The Employee Benefit Trust (EBT) currently holds 736,000 shares (2014: 956,000) acquired in the market in order to satisfy future option schemes. It is anticipated that going forward, all-employee savings-related share schemes will continue to be satisfied by shares held within the EBT, but that when necessary further shares will be issued to the EBT by increasing the share capital of the Parent Company.

Final Salary Pension Scheme

The three-year actuarial review of the R C Treatt final salary pension scheme was carried out during the year as at 1 January 2015, the result of which was that the scheme had an actuarial surplus of £314,000. Consequently, the company was able to agree with the trustees that with effect from 1 October 2015 it did not need to make any further contributions to the scheme. It was further agreed that if the annual actuarial funding updates, before the next full actuarial review in 2018, reveal that the funding level has fallen to below 95% of the scheme liabilities, then the company will voluntarily resume contributions.

As required by The Pension Regulator, the actuarial review was updated on a consistent basis as at 30 September 2015 which revealed that the actuarial surplus had increased to £561,000.

Despite this, the IAS 19, "Employee Benefits" pension liability in the balance sheet, net of deferred tax, increased in the year from £2.0m to £2.4m. This is the largest gap between the actuarial and accounting positions since the introduction of IFRS in 2005. The principal cause of this difference is that IAS 19 requires that investment returns must reflect a 100% corporate bond return of 4%, whereas the actuarial calculations are based on the actual investment strategy for which a return of 5.2% was assumed.

The scheme has not been subject to any further accruals since 31 December 2012 and instead members of the final salary pension scheme were offered membership of the company's defined contribution pension plan with effect from 1 January 2013. This means that the defined benefit scheme has now been de-risked as far as it is practicable and reasonable to do so.

Financial Risk Management

The Group operates conservative 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, but other currencies such as the Euro can have a material effect as well. 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 throughout the world, 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 the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated raw material 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 and, to a lesser extent in Euros, as this is the most cost effective means of providing a natural hedge against movements in exchange rates. Where it is more cost effective to do so, the Group will enter into forward currency contracts and options as well. Consequently, during the year forward currency contracts and options have been entered into which hedge part of R C Treatt's foreign exchange risk. These contracts and options have been designated as formal 'hedge' arrangements, with movements in mark-to-market valuations initially taken to equity and re-cycled to the income statement to match with the appropriately hedged currency receipts. Currency accounts are also run for the other main currencies to which R C Treatt is exposed. This policy is expected to protect the Group against the worst of any short-term swings in currencies.

Summary

As we move into the next phase of the Group's strategy, we can reflect on a successful year both in terms of sales growth and profitability, but equally importantly in terms of cash performance. As we look ahead to the new financial year, which has got off to a solid start, the Group is well-placed to make the long-term strategic investments which are needed in order to meet its strategic objective of growing its profitability on a long term, sustainable, basis.

RICHARD HOPE
Finance Director
7 December 2015

Directors' Report

Financial statements
The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2015.

Results and dividends
The results of the Group for the year are set out on page 49. Profit before tax for the year excluding exceptional items was £7,950,000 (2014: £6,904,000).

The Directors recommend a final dividend of 2.76p (2014: 2.60p) per ordinary share. This, when taken with the interim dividend of 1.28p (2014: 1.24p) per share paid on 16 October 2015, gives a total dividend of 4.04p (2014: 3.84p) per share for the year ended 30 September 2015.

Corporate governance
The Corporate Governance Statement on pages 30 to 34 forms part of this Directors' Report.

Directors
The Directors of the Parent Company are shown on page 92.

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 31.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 41. The Executive Directors' contracts are terminable by the Group giving the required notice period of one year.

In accordance with the Parent Company's Articles of Association and as reported in the Corporate Governance Statement on page 31, in recognition of Provision B.7.1 of the 2014 UK Corporate Governance Code Tim Jones and Daemmon Reeve retire by rotation. Both 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.

Directors' interests in shares
The interests of Directors in shares of the Parent Company are shown in the Directors' Remuneration Report on page 44.

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 4 December 2015 (the latest practicable reporting date prior to publication of this document).

	Number	%
Schroder Investment Management	9,016,345	17.45
Discretionary Unit Fund Managers	7,700,000	14.90
Miton Capital Partners	2,071,150	4.01
James Sharp Stockbrokers	1,895,480	3.67
Barclayshare Stockbrokers	1,779,366	3.44

Conflicts of interest
No Director had an interest in any contract of significance during the year. The Group has procedures in place for managing conflicts of interests. If a Director becomes aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary as soon as possible. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews them annually.

Directors' and officers' liability insurance
The Group maintains Directors' and Officers' liability insurance which is reviewed annually. The insurance covers the directors and officers of the Parent Company and its subsidiaries against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of a group company and in respect of damages or civil fines or penalties resulting from the unsuccessful defence of any proceedings.

Research and development
Product innovation and research and development are a critical part of the Group's strategy and business model as outlined in the Strategic Report on pages 22 to 29. The main research and development activity undertaken by the Group is in the area of new product development. The Group utilises its strong technical capabilities to develop innovative products that provide solutions for customers, particularly in the food and beverage area. In this way it seeks to make itself indispensable to a key group of major global multi-national companies. 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 and viability statement
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, CEO's Report and Financial Review on pages 8 to 17. Information on the principal risks and uncertainties and how they are managed can be found in the Strategic Report on pages 23 to 26.

In accordance with provision C.2.2 of the 2014 UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision, C.1.3 of the 2014 UK Corporate Governance Code. The Board conducted this review for a period of five years, which is consistent with the longer term financial plans for the Group.

In determining the longer term viability of the Group 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 within the five year review were:

- the implications of the challenging economic environment and future uncertainties on the Group revenues and profits;
- the implication of the proposed site relocation in the UK;
- 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's access to short, medium and long-term borrowing facilities to meet day-to-day working capital requirements as well as long-term investment requirements; and
- a sensitivity analysis which involves flexing a number of the main assumptions underlying the five year plan.

As at the date of this report, the Directors have not identified any material uncertainties which would affect the Group and Parent Company's ability to continue as a going concern for a period of twelve months from the date of this annual report. Furthermore, the Directors have a reasonable expectation that the Group has adequate resources to continue in business and meet its liabilities over the five year period of their viability assessment.

Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Health and safety

The Group's on-going investment in health and safety continued during the financial year and forms an integral part of the Group's strategy, remaining at the forefront of all of our operations. Particular emphasis is placed upon continuous improvement by way of a comprehensive Safety Management System designed to monitor and measure over-arching policies and procedures, and a range of key indicators are maintained and reported at every Board meeting.

The UK headquarters is designated as a top tier site under the Control of Major Accident Hazards Regulations 1999 ('COMAH'), which is enforced by the Competent Authority, being the Health and Safety Executive and the Environment Agency. The main aim of the regulations is to prevent and mitigate the effects of major accidents involving substances, which can cause damage/harm to people and/or the environment. Accordingly, Treatt is regulated under the stringent COMAH regulations and works closely with the Health and Safety Executive and the Environment Agency, ensuring that the safety and environmental security of the site is paramount.

A top to bottom culture of safety awareness and responsibility is actively promoted and a training programme of accredited safety management and awareness courses is in place across the workforce to help underpin the efforts of the health and safety professionals already employed within the Group. Members of staff are appointed as Safety Champions across the Group in various departments and provide additional monitoring capability and support to staff on a day to day basis. These additional responsibilities, for which Safety Champions receive payment, ensure that safety remains a top priority in the business.

Employee health and well-being is monitored and dedicated, bespoke, support is provided where necessary.

Greenhouse gas emissions

The Group's disclosures on greenhouse gas emissions have been included within the Strategic Report on pages 27 and 28.

Employees

The Group's disclosures on employees have been included in the Strategic Report on page 28.

Structure of share capital

The Parent Company's share capital comprises 52,495,170 ordinary shares with a nominal value of 2 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 found on the Treatt website or 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 24 of the financial statements. During the current period the Parent Company issued 90,000 shares to Treatt SIP Trustees Limited (2014: nil).

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 of Association. 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

At the forthcoming Annual General Meeting in 2016, the Parent Company will be seeking shareholder authority for the Directors' to purchase up to 10% of the Parent Company's ordinary shares, although at present the Directors have no plans to buy back any 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.

A resolution will also be proposed at the 2016 Annual General Meeting, to give the Directors the power to issue new shares up to an amount of 33% of the existing issued share capital, in line with the latest institutional guidelines issued by the Association of British Insurers (ABI), of which 5% of the existing issued share capital can be issued by disapplying pre-emption rights.

It is the Parent Company's intention to seek renewal of the general authorities annually.

In order to provide the Parent Company with greater flexibility in view of its intention for a full site relocation of its UK operation, a further resolution will also be proposed at the Annual General Meeting seeking authority to disapply pre-emption rights on a further 5% of the existing issued share capital for use in connection with a specified capital investment, being the site relocation. The request for such authority is in accordance with

Directors' Report continued

the 2015 guidelines issued by the Pre-emption Group and further details are set out in the notice of Annual General Meeting. These authorities, if granted by shareholders at the Annual General Meeting, will expire at the conclusion of the Annual General Meeting in 2017.

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 (2014: Nil) were purchased by the EBT during the year ended 30 September 2015. The trustees have waived their voting rights and their right to receive dividends in respect of the ordinary shares held by the trust.

Treatt SIP Trustees Limited (the 'SIP Trust')

The SIP Trust holds ordinary shares in the Parent Company in order to meet the obligations under the Group's Share Incentive Plan in the UK which was approved at the 2014 Annual General Meeting. During the year 90,000 (2014: Nil) shares were issued under a block listing application. Voting rights are waived on all shares held in the SIP Trust, whether or not allocated to participants under the rules of the Share Incentive Plan. Dividends are only waived in respect of shares which have not been allocated to participants; dividends received by the SIP Trust on behalf of participants are reinvested in shares at market value on the date of reinvestment.

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 29 January 2016. The Notice of Meeting and explanatory notes are given on pages 87 to 91. 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

RSM UK Audit LLP (formerly 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 RSM 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 2015 is disclosed in note 5 to the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report, the Directors' Remuneration Report, the Corporate Governance Statement 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 Conduct 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 Group 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 Strategic 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.

Statement as to disclosure of information to auditors

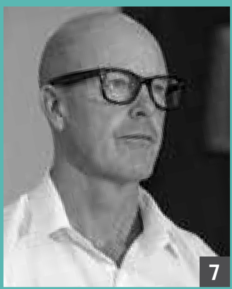
The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have 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.

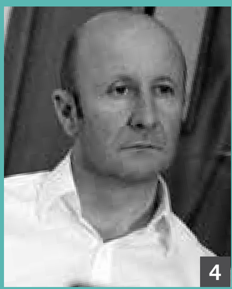
This report was approved by the Board on 7 December 2015.

ANITA STEER
Secretary

Overview

the board





① Nomination Committee
② Remuneration Committee
③ Audit Committee

EXECUTIVE DIRECTORS

1 Daemmon Reeve ①

Chief Executive Officer, first appointed 2012

Daemmon joined R C Treatt & Co Ltd, the Group's UK operating subsidiary, in 1991 and has extensive industry experience and knowledge gained from his widespread understanding in technical, operational, sales and purchasing disciplines. He was appointed CEO of Treatt USA in July 2010 and became Group CEO in August 2012.

2 Richard Hope

Group Finance Director, first appointed 2003

Richard qualified at PWC as a Chartered Accountant in 1990. Prior to joining Treatt Richard held senior finance positions in value-added manufacturing businesses for almost 20 years including Hampshire Cosmetics Limited. Richard was certified a Fellow of the Institute of Chartered Accountants in England and Wales in 2010.

NON-EXECUTIVE DIRECTORS

3 Tim Jones ① *Chairman* ② ③

Non-executive Chairman, first appointed 2012

Tim is Non-executive Chairman of Treatt. He also runs the charitable organisation, Allia, is a Non-executive Director of Retail Charity Bonds plc, a Trustee of SkillsBridge and serves on the Advisory Board of the Business School at Anglia Ruskin University. He has worked across the US, Middle East and Europe with particular experience in the financial services and the water bottling and distribution sectors.

4 Jeff Iliffe ① ② *Chairman* ③

Non-executive Director, first appointed 2013

Jeff, a qualified Chartered Accountant, is Chief Financial Officer and Director of Abcam plc, an AIM listed company. He has widespread experience of the City, industry and internet-based business. Between 1989 and 1996, Jeff was a corporate financier at Panmure Gordon & Co, during which time he advised Treatt. He has also held financial positions at Enviros Group Limited, Plethora Solutions plc and St Minver Ltd.

5 Anita Haines ①

Non-executive Director, first appointed 2002

Anita joined R C Treatt & Co Ltd as Company Secretary in 1988. In 2000 she was appointed as Human Resource Manager and HR Director for the Group in October 2002. She retired as an Executive Director in February 2014 but remains on the Board as a Non-executive Director.

6 Ian Neil ① ② *Chairman* ③ *Senior Independent Director*

Non-executive Director, first appointed 2009

Ian is currently UK Director of Perfortec BV and has 25 years' experience with International Flavors and Fragrances in a variety of international managerial roles including Vice President Europe, Africa and Middle East ("EAME") Flavors.

7 David Johnston ① ② ③

Non-executive Director, first appointed 2011

David has a PhD in Biochemistry and is currently part owner of Natural Taste Consulting. He worked for Firmenich, one of the leading global flavour and fragrance companies, in a variety of roles for over 13 years including Vice President of Innovation and Design and as a member of the flavour executive team. David was Vice President of the European Flavour Association from May 2007 to December 2009. David also serves as a Non-executive Director on the board of James Finlay Ltd.

Strategic Report

Overview

The Group is required to produce a strategic report complying with the requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the Regulations').

An overview of the Group's strategy and business model is set out on page 3, and together with the Chairman's Statement, CEO's Report and Financial Review on pages 8 to 17, form part of this Group Strategic Report. This incorporates a review of the Group's activities, its business performance and developments during the year as well as an indication of likely future developments.

The Board approved an updated Group strategy in July 2015 and this was presented to all employees with management responsibility in the UK and US by the Executive Directors at strategy days held during September and October 2015. These managers will ensure that the strategy is thoroughly communicated throughout the business and that each member of their teams understands how they can have a positive impact on the overall Group strategy. The main objective of the strategy remains as reported in the 2014 report and accounts and as outlined on page 3; the focus is on the delivery of long-term and consistent growth in profitability by focusing on those customers and products which can bring Treatt long-term sustainable value. The strategy places a strong focus on building close, long-term relationships with customers in the beverage sector, providing them with solutions for differential advantage in the marketplace.

Our business model is designed to deliver consistent, quality ingredient solutions to our customers driven by anticipating and listening to their needs. In doing so, we are increasingly leveraging our position as a key supplier to major global multi-national corporations. Key to the success of our business model is our experience and knowledge of the ingredients we handle, and our focus on product innovation.

We are clear about what we do and this is outlined on page 4. In serving the flavour, fragrance and FMCG industries, we place a particular emphasis on the beverage market, including alcoholic beverages, where many of our innovative ingredient solutions are used.

In order to deliver long-term sustainable profit growth, the following key pillars to our strategy will support a focused sales approach:

- **MEETING CUSTOMER NEEDS –** we have an excellent reputation for delivering quality products, which meet the needs of the customer. We regularly challenge and improve our quality control and assurance processes to ensure that our customers receive quality products, right first time. Our market place is increasingly dynamic and our customers continually seek innovative ways to differentiate their offering in the consumer space through various means with differential flavour advantage. Treatt's expertise in flavour innovation and solutions that provide authenticity bring significant value to the customer.

- **SOLUTIONS IN MANY FORMS –** At Treatt we recognise that an ingredient solution may take many different forms. Some will be more closely aligned with our traditional ingredients business, which we continue to operate but with a more focused approach; others will involve greater innovation and the use of new and exciting ingredients and blends crafted by our experienced and skilled employees, many of whom are regarded as experts in their respective fields, from sugar reduction to brewing, from citrus to tea. It is by building trust with customers through offering our experts to assist our customers' need that we reach a high level of customer engagement and relationship with customers on many fronts. This trust increases the likelihood of customers increasingly turning to Treatt as opposed to 'shopping' opportunities in the market.

- **DIFFERENTIAL ADVANTAGE –** Treatt has many skilled, qualified and experienced staff in all areas of the business and investment in the Group's technical capabilities continues. We recognise that these staff bring added-value to our products and our customers' businesses and therefore they often accompany the sales team on visits and at exhibitions, working closely with customers to meet their needs. Sales is the responsibility of all employees and culturally at Treatt all departments are aligned behind the need of the customer.

- **CUSTOMER INTIMACY –** Building close relationships with our customers is essential; by providing them with value propositions, which meet or exceed their needs, we aim to build a level of intimacy with our customers where Treatt is their first choice supplier for ingredients solutions, without the need to brief other suppliers.

- **CULTURE –** At Treatt our culture within the business is critically important to our success. We recognise that a happy, well-motivated and engaged workforce is a more successful one and we drive relentlessly at reinforcing our culture to enable our talented colleagues to thrive in a great cultural environment. As part of the previous strategy implementation, we moved to 'One Treatt' and now operate the business on a progressively global platform. We encourage staff to get to know each other, share experiences, communicate and work as a team. A business is only as good as its people – we attract and promote the most talented people to drive our business, and importantly our culture, forward and foster an environment of creativity, responsibility, accountability and enjoyment.

Health & Safety will always remain a key priority in the business. Without a safe business the Group cannot exist. We continuously train and re-train our staff to ensure that we operate best health and safety practices throughout the organisation.

Key Performance Indicators (KPIs)[1]

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 the 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:

	2015	2014	2013	2012	2011
Growth in adjusted profit before tax	**15.2%**	10.9%	23.1%	(20.6%)	41.5%
Growth in adjusted basic earnings per share	**20.0%**	15.2%	25.6%	(19.1%)	40.5%
Net operating margin	**10.1%**	9.6%	9.4%	7.6%	9.2%
Return on capital employed[2]	**22.1%**	19.9%	19.4%	14.4%	20.5%
Average net debt to EBITDA	**0.78**	0.99	1.28	1.52	1.18

[1] All KPIs are calculated excluding exceptional items.

[2] Return is defined as operating profit. Capital employed is defined as net assets plus net debt. Further explanation of the calculations is given on page 7.

In addition, the Board monitors a number of non-financial key performance indicators relating to health and safety and employee well-being as follows:

	2015	2014	2013
Number of reportable accidents across the Group	**5**	3	3
Average number of sick days per employee	**3.66**	3.39	3.45

The increase in reportable accidents is a result of one additional accident at both the UK and US sites. Although reportable, none of the accidents resulted in serious injury to staff and appropriate actions were taken in response to reduce the likelihood of further occurrences.

The average number of sick days per employee has increased marginally. New absence policies, introduced in 2014, have had the desired effect of reducing the number of incidences of short term absence, however there has been an increase in long-term absence caused by serious illness. It is anticipated that, due to the demographic of our workforce, this pattern will continue.

The health and safety of our workforce continues to be a priority; accident and sickness levels are reported to the Board at each meeting and a process of continuous improvement ensures that action is taken to improve the safety of the working environment at every opportunity.

Principal risks and uncertainties

Whilst the Board has overall responsibility for setting the risk appetite within the business and for Group risk management, day to day risk management responsibility is delegated to the Executive Directors who work closely with the senior management teams in reviewing and monitoring risk across the business. Effective risk management is inherent in the culture of the Group and the way in which we do business. An understanding of the risks within our business and their strategic, commercial, financial and legal implications encourages clear decision-making in respect of the risks that we will and will not take.

As well as being inherent in the way we work, our risk management framework provides a consistent, and structured, process for identifying, assessing, responding to and monitoring risk. The senior management teams compile Group risk registers considering the effects of risks on the business and determining appropriate and proportionate risk mitigation strategies. Risks are rated on their probability and impact and re-rated after mitigation. Any risks that remain classified as high or medium post mitigation form the Board risk register, providing details of those risks that may impact upon the strategic direction of the Group. The Board reviews the detailed risk registers twice a year and upon any material change in the business, with any amendments, control issues, accidents or commercial, financial or reputational issues being reported to the Board in the meantime.

The Board has conducted a review of the effectiveness of the Group's system of internal controls and risk management procedures. The Board receives an annual paper detailing the effectiveness of the Group's internal controls, which is reviewed and discussed by the Board. This paper covers all material controls including financial, operating and compliance controls. The Board has also monitored and reviewed the effectiveness of the Group's approach to risk management and has solicited the views of a number of senior managers relating to IT security, health and safety and legal and insurance matters and the management of those risks. The Board has concluded that the current risk management procedures for identifying risks and considering risk mitigation are appropriate.

During the course of the year and in light of the increased emphasis on risk in the 2014 Corporate Governance Code, the Board has reviewed the process of risk management and whether risk should fall within the remit of the Audit Committee, with the Board retaining overall responsibility. It was decided that due to the size of the Group, risk management should remain with the full Board but as the Group continues to grow, this will remain under review.

How we manage risks

The management of risk is embedded within the framework of the Group, which includes:

- the process of strategy setting;
- a clear understanding of market conditions and commodity prices;
- the quality of our people and culture;
- established policies, procedures and internal controls;
- processes for identification, review and monitoring of risk;
- regular dissemination of both financial and non-financial information and KPIs; and
- oversight of risk by the Board.

Strategic Report continued

The Board has carried out a robust assessment of the principal risks and uncertainties facing the business, including those that would threaten the business model, future performance, solvency or liquidity. The following list of risks is not exhaustive and may change as our business continues to evolve. The risks are not prioritised but contain those that will directly affect the progress of our updated strategic priorities.

Strategic Priorities

✔ Meeting customer needs ❊ Solutions in many forms ✙ Differential advantage ❖ Customer intimacy ★ Culture

Risk	*Effect*	*Strategic impact*	*Risk climate*	*Mitigation*	*Action during year*
People					
Poaching of key staff	As our highly skilled and experienced staff become increasingly customer facing the risk of them being headhunted increases	✙ ❖ ★	Increase	Secure an emotional attachment to the business; Salary and benefits to be appropriate to the position; Ensure staff are empowered and have opportunities within the business	Review and implementation of retention strategies; Increased focus on training and investment in staff; Introduction of the share incentive plan
Financial					
Movements in commodity raw material prices	Impact on contribution, possible stock shortages	✔ ❊	No change	Regular stock meetings and inventory control with experienced members of staff; Monitoring and communication of market conditions; Long-term commodity contracts	Maintaining close contact with suppliers and continuing to gather and disseminate market intelligence on key commodities, assisting our customers to manage price volatility as part of the Treatt service
Operational					
Pressure on infrastructure from strategic business wins	Loss of revenue, damage to reputation, loss of key strategic customer	✔ ❊ ❖	No change	Ensure appropriate investment in infrastructure; Close communication between sales and operations to determine likelihood of large order and capacity restraints to manage customer expectations; Manage sub-contractor relationships	Continued investment in current site; Purchase of new technical equipment and increase in headcount in appropriate areas
Structural damage to production facilities, particularly at Treatt USA, which is in a location which suffers from major storms	Loss of use of buildings, danger to staff, loss of equipment and product; Major incident due to type of products stored	✔ ❊	No change	Regularly inspect and maintain building components; Implement hurricane action plan when necessary; Sufficient spread of inventory between production facilities in UK and US; Appropriate insurance cover in place	Continued maintenance and upkeep of buildings
Inadequate documentation of processes and/ or adherence to required processes	Failure of third party audits and damage to reputation as problem-free supplier	✔	No change	Strong commitment Group-wide to disciplined compliance to internal quality programs; Commitment to permit third party auditing	Facilitation of audits by regulatory bodies and clients and any action points undertaken

Risk	Effect	Strategic impact	Risk climate	Mitigation	Action during year
Operational *(continued)*					
Network hardware issues and IT security	Loss of IT systems impacting on the ability of the business to function	✔	No change	Well-constructed network asset management database and processes; Continuous monitoring of network traffic, seeking anomalies and intentional attacks; Comprehensive network mapping; Built in resilience; Test failover systems; Very strong network change control	Continued review of network resilience and failover procedures; Replacement uninterruptible power source batteries installed in network and server rooms; SonicWall Analyzer to collate firewall logs; Engagement of professional hackers to identify gaps in security
Commercial					
Product failure	Potential product recall causing financial and reputational loss	✔ ❖	No change	Strong supplier qualification process; Intake testing/analysis; Regular review of risk matrix for every raw material handled; Use of barcode scanners on all orders to avoid mispicks; Range of testing to detect contamination; Obtain up-to-date information for all suppliers via supplier questionnaires and visits; Supplier risk assessment to determine in-house test schedule	Review and renewal of recall insurance; Testing of product recall procedure; Testing of products prior to dispatch
Commoditisation of established Treatt products	Effect on revenues and margin attrition	✻	No change	Innovation and development of new products; Broaden into other associated sectors	Focusing innovation in beverage sector
Shortening Value Chain and new entrants in specialty still-based aqueous distillates	Customers demonstrating increased competence to fold, fractionate, break bulk; Increased competition	✚	No change	Continued value-added in-house innovation; Rationalisation of product portfolio to eradicate low margin commoditised products; Strengthen product knowledge/sourcing	Further review and rationalisation of product portfolio; Eradicating low volume and low margin products
Consolidation within the flavour industry	Fewer flavour customers	❖	No change	Innovate and develop appealing ingredients; Broaden into beverage and other associated sectors - Earthoil; Customer diversity	Increased direct approaches to FMCG companies with innovative ready-to-use products; Reducing reliance on flavour companies

Strategic Priorities

✔ Meeting customer needs ❄ Solutions in many forms ✙ Differential advantage ❖ Customer intimacy ★ Culture

Risk	Effect	Strategic impact	Risk climate	Mitigation	Action during year
***Commercial** (continued)*					
Single sourced for synthetic specialty chemicals, many Treattarome raw materials and materials for applications work	Potential loss of primary supply source; The nature of the materials concerned would indicate individual company IP is involved	✔ ❄	➔ No change	Closer collaboration with existing suppliers; Identifying alternative suppliers where possible; Investigate alternate sources of supply of, if not identical, similar materials; Creation of alternate blends using substitutes; Long-term supply agreements put in place	Utilised alternate routes to contact the supplier (networking with other departments, not just procurement); Leveraging Treatt's market and product position to gain preferential supply; Product matching underway to enable alternative sourcing
Natural products	Loss of supply, increase in market price or impact on quality resulting from fluctuations in yields caused by weather, disease etc; Squeeze on margins	✔ ❄	➔ No change	Enhancing relationships with competitors/brokers and other supply channels; Forward purchasing contracts for medium to longer term supply	Quicker reaction to feedback to pass consequences down the supply chain and keep Sales team better informed; Allow mitigation work to start on contracts
Legal/Regulatory					
Failure to comply with relevant UK and US environmental, H&S and other applicable legislation	HSE / EA investigation; Probable enforcement action involving fines, enforcement notices; Risk of site closure	✔	➔ No change	Detailed understanding of legislative requirements with internal involvement, consultative support and capital investment; Pro-active role in ensuring the Group's systems and procedures are adapted to ensure compliance	Working closely with the Environment Agency and relevant authorities in respect of COMAH
Failure to comply with HMRC approval for Duty-Free Ethanol	Fines; Loss of approval resulting in inability to receive duty-free ethanol; Ethanol would have to be purchased duty paid which would result in an inability to compete in the flavoured alcoholic beverage sector	✔ ❄	➔ No change	Notification processes in place to ensure correct monthly notification to HMRC and entry on the Excise Movement and Control System; Monitor effectiveness of system and close any gaps in the system as they become apparent	Systems put in place to recognise ethanol on receipt and track it through Treatt in its original and blended form to dispatch

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 continues to have 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. In order to ensure that the business continuity plan is sufficiently robust, external consultants have been reviewing and advising upon the plans.

SUSTAINABILITY REPORT

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

Environmental performance and strategy
The Group has for a long time managed energy, fuel and waste disposal costs with the aim of lessening the Group's environmental impact whilst reducing cost and improving efficiencies. In accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Group is required to report its greenhouse gas emissions. The release of greenhouse gases, notably carbon dioxide generated by burning fossil fuels, is understood to have an impact on global temperatures, weather patterns and weather severity, which can directly and indirectly affect the Group's business. As a supplier of natural ingredients, adverse weather events can have an effect on crop yields resulting in higher commodity prices and limited supply. Examples of this have been seen in 2013 with a large freeze in Northern Argentina causing reduced yields of lemon oil and in 2004/5 when the Florida hurricanes caused significant reductions in crops of orange and grapefruit.

Environmental improvements in 2015
The Group continuously evaluates ways of reducing its impact on the environment and during the year has implemented a number of improvements at each of its subsidiaries:

R C Treatt
- All new refrigerant systems installed, achieved zero carbon emissions.
- Reduction of methanol procurement by 33% reducing fugitive Volatile Organic Compound emissions.
- 67% of hazardous waste recycled.
- 86% of used drums recycled; and reduced laboratory waste collected by 75%.
- 6% reduction in trade effluent content.

Treatt USA
- Instituted a site wide cardboard recycling program including tons of Treattarome raw material (fruit) cardboard containers.
- Increased Treattarome Still throughput and reduced still cleaning time saving water and reducing energy costs per kilo produced.
- Decreased water consumption used to de-foam spent tea by adding a simple decant tank with de-foaming agent.
- Obsolete equipment sent to the recycling centre.
- Installed energy saving LED lights in the parking lot that are activated via motion detectors.
- Installation of insulation on hot pipes in the Distillation plant.
- Reduction of waste orange residues.
- Reduced aldehyde waste via new QC laboratory aldehyde instrument.
- Reduction in hazardous waste from laboratories.

Earthoil
- The manufacturing site in Kenya sends waste from the processing of Macadamia to its growing project to be used as compost on the tea tree farm.
- Biomass waste from the distillation process is converted into biochar for application in the tea tree farm. Biochar improves the soil structure and texture, allowing increased water and mineral retention.
- Introduction of energy efficient gasifier stoves for farmers, which create reusable charcoal from wood, thereby reducing deforestation and smoke emissions.

Additionally, we have maintained the reduction in the number of printed copies of the report and accounts required to be posted to shareholders by giving them the option to receive the annual report electronically through the Treatt website. The seventy-five percent reduction has not only saved several thousand pounds per year but it has reduced the environmental impact of our financial reporting process.

The Environmental Working Group meets quarterly to discuss the various elements of the business which impact on the environment, such as energy use, waste and environmental regulations. Minutes of the meetings are made available to all staff in order to raise awareness of the impact of our business on the environment and to highlight any particular issues or concerns.

During the year Treatt announced its intention for a full site relocation of its UK operation; this will provide an opportunity to modernise facilities and build in appropriate and cost effective infrastructure to reduce the environmental impact of the building as far as possible.

Greenhouse gas emissions
The Group has adopted a greenhouse gas reporting policy and a management system based on the ISO 14064-1:2006 methodology, which has been used to calculate the Group's Scope 1 and 2 emissions in 2015 for activities within the operational control of the Group. It is not currently intended to report Scope 3 emissions.

In measuring the Group's greenhouse gas emissions, the sales offices in France and China, in which a maximum of three staff are employed, have been excluded on the grounds of materiality on the basis that emissions from utility consumption, which is included in the rent, are estimated to be less than a materiality threshold of 5% of overall Group emissions. Data has been accurately recorded from invoices, meter and mileage readings.

	2015	2014
Scope 1 – Direct CO_2 emissions (tonnes CO_2e)	**1,370**	1,645
Scope 2 – Indirect CO_2 emissions (tonnes CO_2e)	**1,842**	1,881*
Total tonnes CO_2e emissions	**3,212**	3,526*
gCO_2e emissions per kg of product shipped	**378**	367*

**Restated*

GHG emissions detailed in this table have been calculated using the appropriate 2015 DEFRA conversion factors.

There has been an overall decrease in emissions of 314 tonnes of CO_2e. Electricity usage across the Group is marginally down with the largest decrease coming in Scope 1 emissions, being primarily driven by a reduction in gas usage across the Group and there being no repeat of the relatively high one-off emissions in 2014 in respect of the decommissioning and installation of chillers. Electric consumption decreased at R C Treatt and Earthoil Kenya, but increased at Treatt USA due to an increase in Treattarome production. Conversely, gas consumption decreased at Treatt USA due to a reduction in other distillation.

The overall decrease in emissions is consistent with a decrease of 1.1m kgs of product shipped during the year, although the emissions per kg have increased. This results from the continued strategic emphasis on manufactured value-added products and movement away from low margin, small volume products, which absorb resources that can be more effectively utilised elsewhere.

Waste

Treatt USA aims to recycle as much of its waste as possible. A consistent theme in the environmental improvements made during the year, noted above, is the reduction of waste streams.

At R C Treatt, certain employees throughout the business are appointed as Waste Champions with additional responsibility for the reduction and efficient use of waste streams in their areas. All waste streams in the UK continue to work towards a zero land fill waste strategy. In addition, R C Treatt's waste oil with a calorific value is sent for use as biomass, thereby further reducing the Company's carbon footprint and eliminating disposal costs.

Water

The Group has decided to record water consumption data whilst recording its greenhouse gas emissions in order to gain a greater understanding of its environmental impact. The largest consumer of water in the Group is Treatt USA, which uses large quantities in its manufacturing processes and the cleaning of its specialist equipment. Due to its high consumption, Treatt USA recently replaced 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 provides significant local environmental benefits as well as reduced energy usage. Despite the increase in Treattarome production resulting in increased electricity consumption, water usage has decreased significantly, by 7,000m³, due to the improvement in cleaning processes, noted above. Water consumption in Kenya remains consistent with 2014, whilst usage at R C Treatt has increased by 3,000m³ due to a delay in discovery of two underground water leaks.

The Group's own crop growing area in Kenya uses rain water harvested in its own dam, a borehole and water pumped from a nearby river, for which it pays a small annual fee. It does not purchase any water from a water treatment company.

In recording water consumption for the Group, the sales offices in France and China have been excluded on the basis that water usage is included in the rent. Data has been accurately recorded from invoice information and meter readings.

	2015	2014
Total water used (m³)	**34,455**	38,515
Water efficiency (litres per Kg of product shipped)	**4.06**	4.01

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.

A particular focus in 2015 has been to improve the skills of our employees through increased investment in ongoing training and coaching – provided both internally and externally. We have introduced a 'Beyond the Basics' management development programme in both the UK and US, providing tailored training to managers and team leaders to fill gaps identified within their skill base. The Group supports ongoing qualifications by providing funding and study time to employees across the business from NVQs for manufacturing, warehousing, IT and HR to Nebosh and Company Secretarial qualifications.

Additionally, the Group has made a commitment to students and apprentices in both the UK and US in providing internships in sales and technical departments. This provides valuable work experience to students in their placement year, whilst strengthening the Group's links with universities and developing relationships with a future generation of employees. The UK site currently has two apprentices, one within technical and one in HR, providing a structured training and qualification programme. A third apprentice is being sought in Engineering.

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 and the Share Incentive Plan (see note 25). 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 Committees (IECs) at R C Treatt and Treatt USA exist in order to encourage a further exchange of ideas and information between the Company and its employees. The IEC is chaired by the CEO and the members of the Committee are all employees below management level who represent all departments and areas of the businesses in the UK and US. 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. All-employee bonus schemes, based on the performance of the business, remain in place.

Following approval at the 2014 Annual General Meeting, the Group introduced a Share Incentive Plan for all UK employees, with a similar plan having been introduced for US employees. Under these plans, all eligible UK and US employees received free shares (or their US equivalent) in December 2014 and will do so in December 2015; UK staff will also be able to buy additional partnership shares from their December salary payment, which Treatt will match on a 1:1 basis in accordance with the rules of the plans. The Directors believe that encouraging greater employee shareholding will further align the interests of employees with those of shareholders.

Diversity

Appointments within the Group are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual orientation, religion or age.

As a manufacturing business, few women apply for positions within the production areas. However, women are well represented in other areas of the business and account for 33% (2014: 33%) of the Group workforce and 37% of Group senior management positions (2014: 31%).

Position	Male	Female	Total
Group Directors	6	1	7
Senior Managers	25	15	40
Other Employees	185	92	277
Total Employees	**216**	**108**	**324**

Social, community and human rights issues

The Group endeavours to impact positively on the communities in which it operates. During the year the Group made charitable donations of £18,000 (2014: £16,000) to local and national causes. Support is provided through donations directly to charities and through a matching scheme, whereby the Group donates a percentage of funds raised by staff in sponsored events. This year staff have undertaken a number of sponsored and fundraising events including a long distance cycle ride, head shaving and walking.

Additionally, Group employees entered into the spirit of Movember with a competition to grow the best moustache, raising £2,700 for the Movember Foundation. As part of raising the profile of men's health, sessions were organised on site for staff, dealing with various health issues, which were well supported. Wear it Pink was also supported with staff, in both the UK and US, donning their pink clothing for the day and raising money. A staff team was also entered into the local 'It's a knockout', helping to raise £1,215 for the West Suffolk Hospital. In September, a MacMillan coffee morning raised over £700, with many staff donating homemade cakes. As well as raising funds it provided an excellent opportunity for staff and the Board to get together.

The UK site operates Payroll Giving enabling staff to donate regularly to their chosen charities directly from their gross pay; staff currently donate £1,464 per annum to charity through Payroll Giving.

During the year staff voted on the sponsorship of local clubs and funds have been provided to four local sports clubs to assist with running costs. Additionally, Treatt has sponsored local events in the community providing support and prize money to the Bury in Bloom Young and Senior Green Fingers initiatives, encouraging gardening activities at both ends of the age spectrum.

As a means of rewarding staff, whilst supporting a charitable initiative, boxed cream teas were provided to all UK staff during Wimbledon fortnight, bought from Action Medical Research.

Groups of staff have been released on working days to undertake community projects; a litter pick in the local area around the Bury St Edmunds head office resulted in the collection of enough rubbish to fill two platform trucks (a local resident, a semi-retired teacher, phoned to thank us and tell us that he and others in the area were very grateful); and a gardening project for the East Anglia Children's Hospice, which provides care and support to terminally ill children and their families.

Earthoil is committed to purchasing oils directly from source at a fair and sustainable price and works closely with growers in under-developed countries through Fair for Life – Social and Fair Trade certification.

Long-term and trusted support and co-operation has also been a driver for positive change which has led to Earthoil's Kenyan Organic Oil Farmers Association (KOOFA) increasing from its initial 90 members to now well over 500 producers. In addition, community funds provide further benefits to the farmers and their families, such as scholarships, and a project is currently underway to build a social hall for community activities. Additionally, an all-female co-operative in the Souss Valley region of Morocco has gained better access to healthcare thanks to its partnership with Earthoil to produce the only fair trade argan oil in the world. The women benefit from the security of a regular income and healthcare knowledge and overall literacy has improved. The most recent fair trade premiums have been used to make working conditions more comfortable as well as giving access to medical professionals.

Ethical concerns and human rights issues have always played an important role in Treatt's company philosophy and the Group's ethical and social accountability statement details the standards of behaviour which Treatt regards as acceptable. Provision of a safe, clean working environment, free from discrimination, coercion and the use of child or forced labour is a basic right of all employees, which Treatt expects of its business partners as a minimum standard. The Group is often audited by its customers to assess compliance with minimum acceptable standards, including ethical and human rights considerations.

This strategic report was approved by the Board on 7 December 2015.

ANITA STEER
Secretary

Corporate Governance Statement

AT TREATT THERE IS A COMMITMENT TO HIGH STANDARDS OF CORPORATE GOVERNANCE THROUGHOUT THE GROUP AND THIS IS REFLECTED IN OUR GOVERNANCE PRINCIPLES, POLICIES AND PRACTICES.

Introduction from the Chairman

As Chairman, I am responsible for ensuring that the Board upholds high standards of corporate governance and that it operates effectively and efficiently. Good governance is about the quality of the processes for making and implementing decisions, ensuring that there is an appropriate level of oversight and challenge, a focus on risks, a commitment to transparency and ensuring a culture of continuous improvement. At Treatt there is a commitment to high standards of corporate governance throughout the Group and this is reflected in our governance principles, policies and practices. We believe that effective governance, not only in the boardroom but right across the business, ultimately produces a better business and supports long-term performance.

By virtue of its premium listing on the London Stock Exchange, Treatt measures its corporate governance compliance against the requirements of the 2014 UK Corporate Governance Code published by the UK Financial Reporting Council (FRC). The FCA requires each company with a premium listing to 'comply or explain' its non-compliance against the Code. The Group monitors its compliance with the Code, and in this corporate governance section and throughout this Annual Report, areas of corporate governance compliance and non-compliance are explained by reference to the 2014 Code.

TIM JONES Chairman

Compliance with the 2014 UK Corporate Governance Code

The Board confirms that throughout the year ended 30 September 2015 the Group has complied with the provisions set out in the 2014 UK Corporate Governance Code[1], except for clause D2.2 as explained in the Directors' Remuneration Report. The Board does not fully comply with clause 2.2 since the remuneration of Group senior managers is determined by the Executive Directors as the Remuneration Committee believe that they are best placed to make this decision. However, remuneration proposals in respect of senior managers are reviewed by the Remuneration Committee. 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 2014 UK Corporate Governance Code are applied by the Group.

The Directors consider the annual report and financial statements, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The terms of reference of all the Committees can be found on the Treatt website at www.treatt.com.

Leadership

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 21. The Board consists of five Non-executive Directors, of which Tim Jones is Chairman, and two Executive Directors, of which Daemmon Reeve is Chief Executive Officer.

There is a clear division of responsibility between the Chief Executive Officer, who is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its shareholders, and the Chairman who is responsible for leadership of the Board and ensuring that appropriate conditions are created to enable the Board to be effective in providing entrepreneurial leadership to the Group. 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 Chairman has regular contact with the Non-executive Directors without the presence of the Executive Directors. Concerns relating to the executive management of the Group or the performance of the other Non-executive Directors may be raised with the Senior Independent Director, who is Ian Neil.

The Board meets at least five times each year and more frequently where business needs require, with attendance in person or by video conference required at each meeting. In addition, regular contact is maintained by email and telephone with written updates provided in respect of on-going issues, enabling regular input from all Board members. This year a Board meeting was held at the Group's US subsidiary, Treatt USA, to enable closer interaction of the Non-executive Directors with the senior management and staff in the US; it is a commitment of the Board to hold a meeting in the US on a biennial basis.

Day to day management of the Group is delegated to the Executive Directors. However 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 matters, which are reviewed periodically, include material capital commitments, commencing or settling major litigation, business acquisitions and disposals, appointments to subsidiary company boards and dividend policy.

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. Board meetings are of sufficient duration to enable debate and discussion, ensuring adequate analysis of issues during the decision-making process. Further opportunity for more informal and

[1] A copy of the 2014 UK Corporate Governance Code can be obtained from www.frc.org.uk

extended discussion is provided at Board lunches which take place after every Board meeting and also provide the Board with an opportunity to meet members of staff, who are invited to attend.

If necessary, there is an agreed procedure for Directors to take independent professional advice 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 and that there are good information flows within the Board and its Committees and between senior management and Non-executive Directors.

Effectiveness

The Directors believe that the Board, having been refreshed in 2011, 2012 and 2013, has an appropriate balance of skills and experience with financial, technical, industry-specific and general business disciplines being represented. The structure of the Board ensures that no one Director is dominant in the decision-making process and that open debate and discussion is encouraged. There is a suitable balance between the number of Executive and Non-executive Directors.

The importance of board diversity, including gender diversity which has been the subject of recent debate in respect of board composition, is recognised and supported by the Directors of Treatt plc. The Board is conscious of the benefits of diversity in the boardroom and within management positions within the Group. Our policy is to recruit the best possible candidate for each individual role having regard to qualifications, experience and personality, without prejudice to a candidate's characteristics.

The Board considers that, with the exception of Anita Haines, 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. Anita Haines is not regarded as independent, as defined by the 2014 UK Corporate Governance Code, having recently served as an Executive Director. Accordingly, Anita Haines does not serve on either the Audit or Remuneration Committees. None of the Non-executive Directors have a significant interest in the shares of Treatt plc and all receive a fixed fee for their services. However, in exceptional circumstances, where significant additional time commitment is required, a Non-executive Director may, if approved by the Board or Remuneration Committee as required, be paid an additional fee in accordance with the Remuneration Policy. 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.

Nomination Committee

Role and responsibilities

The main responsibilities of the Nomination Committee are:

- to review regularly the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes that are deemed necessary;
- to identify and nominate candidates for the approval of the Board to fill Board vacancies as and when they arise;
- succession planning for Directors, in particular the Chairman and CEO, taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the Board for the future; and
- review the results of the Board performance evaluation process that relate to the composition of the Board and to assess whether the Non-executive Directors are dedicating sufficient time to fulfilment of their duties.

Activities since the last report

- review of the results of the Board evaluation process and consideration of training needs;
- review of the performance of the Directors;
- consideration of voluntary compliance with the 2014 UK Corporate Governance Code in respect of the annual re-election of all directors; and
- commencement of the implementation of more structured succession planning.

Membership and meetings

Members of the Nomination Committee throughout the year are shown on page 92. In the absence of any current vacancies on the Board, the Nomination Committee has met once during the course of the year.

Appointments to the Board

Appointments to the Board of both Executive and Non-executive Directors are considered by the Nomination Committee, which consults with Executive Directors and ensures that a wide range of candidates are considered. The Committee considers the skills mix of the serving Directors to identify potential gaps or areas where increased strength is required. In accordance with Treatt's Board Diversity Policy and having recognised the benefit of having an appropriate level of diversity on the Board to support the achievement of its strategic objectives, the Committee also considers the benefits of all aspects of diversity, including but not limited to, race, disability, gender, sexual orientation, religion, belief, age and culture. The recommendations of the Nomination Committee are ultimately made to the full Board which considers them before any appointment is made.

Upon appointment, Directors 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.

Any Director appointed during the year is required, under the provisions of the 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 provided always that all directors must be subject to re-election at intervals of no more than three years. Any Non-executive Director having been in post for nine years or more, is subject to annual re-election. The Directors required to retire are those in office longest since their previous re-election.

Board evaluation

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 is carried out internally, with the assistance of the Company Secretary, as the Board believes it has the appropriate resources and experience to undertake the reviews. The Board and committee reviews are conducted under the supervision of the appropriate Chairman.

Corporate Governance Statement continued

The Board evaluation process involved the generation of a profile for each Board member, which is designed, from a psychometric foundation, to evaluate a persons preferred way of thinking and how they communicate, develop relationships and work in teams. An external facilitator, who also provides management training to Group employees, evaluated the profiles of each Board member and provided feedback in a workshop. Evaluating these as a group provides useful insight on the diversity of the team, its strengths in particular circumstances and how members interact together. It helps Board members understand themselves and others, and builds interpersonal strategies that drive the performance of the Board as a whole, and assist in its evaluation. In addition the skills matrix of each of the Directors were reviewed and the skills and experience mix discussed in relation to performance of the Board.

The performance of individual Directors is evaluated by the Chairman, in conjunction with the Chief Executive Officer in the case of other Executive Directors. The Chairman is evaluated by the Chief Executive Officer and Senior Independent Director. The process includes individual performance meetings, at which past performance is discussed and evaluated and future objectives established. In the event that training and development needs are identified during the evaluation process, suitable resources or training are provided. During the course of the year, the Board has undertaken a workshop run by a futurologist specifically considering future trends in food and drink and how that might affect the business in the longer term. The Board also held a strategy away day, giving time for it to discuss the strategic direction of the business and the opportunities that exist for Treatt; the outcomes from the day fed into the updated Group strategy, subsequently approved by the Board. The Board has also approved its objectives for the forthcoming year which includes further work in respect of risk management, succession planning and improved visibility of the Board around the Group.

Audit Committee

Role and responsibilities

The main responsibilities of the Audit Committee are:

- to monitor the integrity of the annual report of the Group and to review and report to the Board on significant financial reporting issues and judgements which it contains, having regard to matters communicated to it by the auditor;
- to review the content of the annual report and advise the Board on whether, taken as a whole, it presents a balanced assessment of the Group's position and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- to oversee the relationship with the auditor, including making recommendations to the Board on their appointment, remuneration and terms of engagement. The Committee also monitors their independence and objectivity, and sets the policy for non-audit work;
- to make recommendations to the Board on the requirement for an internal audit function; and
- to ensure 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 Committee has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Activities since the last report

- review of the requirement for an internal audit function. Given the size and structure of the Group, and the level of control exercised by the management team, the establishment of a formal internal audit function was not considered to be necessary at present. As the Group develops, the need for such a function will be kept under review;
- the Committee met with the audit partner and manager to agree the scope of audit work to be undertaken;
- a review of the auditor's performance was undertaken, to ensure that they remain objective and independent, and to assess the effectiveness of the audit;
- consideration was given to any whistleblowing reports (of which there were none during the year);
- the Group's annual report for 2015 was reviewed to ensure that taken as a whole, it was fair, balanced and understandable. This included consideration of a report from the auditor on their audit and review of the financial statements and confirmation from management;
- consideration was given to delegating the review and approval of the adequacy and effectiveness of the Group's risk management to the Committee, following which it was decided that due to the size and structure of the Group these activities should remain the responsibility of the Board. As the Group grows this arrangement will be kept under review; and
- review of the level of non-audit related services provided by RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) during the year.

Financial reporting

Amongst the matters considered by the Committee were the key accounting issues, matters and judgement in relation to the Group's 2015 annual report and financial statements relating to:

- the presentation of the financial statements and including the treatment of exceptional items in respect of legal and professional fees relating to the Earthoil contract dispute;
- the treatment of the contingent consideration included within the investment of the Earthoil Group;
- the level of provisions made against the carrying value of inventories;
- the level of onerous contract provisions made; and
- the estimation of taxable profits in the jurisdictions in which the Group operates to support the current tax liability.

Throughout the year the Committee and the Board monitors the integrity of the Group's financial statements and any other formal announcement relating to the Group's financial performance. The Committee requests reports from management on particular matters, especially where a significant element of management judgement is required; this year the Committee has reviewed the procedure for dealing with inventory provisions and onerous contracts. Additionally, the Chairman of the Committee has regular contact with the audit partner and the Committee meets with the audit partner without the presence of the Executive Directors.

In respect of the annual report, the Chairman of the Committee reviews early drafts to keep appraised of its key themes and to raise any issues early in the process. The Committee reviewed the 2015 annual report at a Committee meeting in November 2015; after due challenge and debate the Committee was content that the assumptions made and judgements applied in these areas, which where possible are supported by external advice or other corroborative evidence, are reasonable and therefore agreed with management recommendations.

The Committee also reviewed compliance with the disclosure requirements on Directors' remuneration, the strategic report, reports on greenhouse gas emissions, gender diversity and additional disclosure required by the 2014 UK Corporate Governance Code, including the new requirement for a viability statement.

The Committee advised the Board that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Membership and meetings

Members of the Audit Committee throughout the year are shown on page 92. Jeff Iliffe joined the Audit Committee as Chairman in February 2013. Jeff is deemed by the Board to have significant, recent and relevant financial experience. He is a Chartered Accountant with over 20 years experience in the financing and management of companies, both in the City and in industry.

The Committee has met twice during the year. The auditor attended these meetings other than when their appointment or performance was being reviewed. The Chief Executive Officer, Finance Director and other senior finance staff attend as and when appropriate. The Committee has discussions at least once a year with the auditor without management being present. Furthermore the Committee Chairman meets informally with, and has access to, the Finance Director to discuss matters considered relevant to the Committee's duties.

External auditor

The Committee has oversight of the relationship with the external auditor and is responsible for monitoring the auditor's independence, objectivity and compliance with professional and regulatory requirements. The incumbent auditors, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), were appointed in 2009 following an audit tender process. They are appointed on an annual rolling contract but with a long-term agreement on fees, which was renegotiated during the 2014 financial year. During the year the Committee has monitored RSM's effectiveness and performance and were satisfied that they were providing a sufficiently robust and objective audit process. The Chairman of the Committee has communicated with the audit partner throughout the year and having reviewed whether the position of auditor should be put out to tender, the Committee decided that it was not currently necessary. The current audit partner will be subject to rotation prior to the 2017 audit. The Committee has therefore recommended to the Board that RSM UK Audit LLP be reappointed in 2016.

The level of non-audit fees and their effect on the auditor's independence or objectivity is also considered on a regular basis. The split between audit and non-audit fees for the year under review appears in note 5. Non-audit fees are generally paid mainly in respect of tax compliance services and advice on share schemes. During the year, RSM also provided financial modelling software services for a one-off project. The Group has a policy to ensure that the provision of such services does not impair their independence or objectivity and when considering the use of the auditor to undertake non-audit assignments, management give consideration at all times to the provisions of the FRC Guidance on Audit Committees with regard to the preservation of independence.

Remuneration Committee

The Remuneration Committee's primary responsibility is to determine the remuneration of the Executive Directors of the Group ensuring that there is a sufficient balance between the levels of ordinary remuneration and performance-related elements designed to promote the Group's long-term success.

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 35 to 46. Members of the Remuneration Committee throughout the year are shown on page 92. The Chief Executive Officer attends meetings of the Remuneration Committee to discuss the performance of the Finance Director and make proposals as necessary, but is not present when his own position is being discussed.

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

Board accountability

The Board is responsible for reviewing and approving the annual report and financial statements, the half year results and other financial statements made to ensure they present a balanced assessment of the Group's position. Drafts of all financial releases are provided to the Board in a timely manner and Directors' feedback is discussed and incorporated where appropriate, prior to publication.

Attendance at meetings

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**	**2**	**1**	**4**
Daemmon Reeve	Chief Executive Officer	6	N/A	1	N/A
Richard Hope	Finance Director	6	N/A	N/A	N/A
Tim Jones	Non-executive Director and Chairman	Chairman 6	2	Chairman 1	4
Jeff Iliffe	Non-executive Director	6	Chairman 2	1	4
David Johnston	Non-executive Director	6	2	1	4
Ian Neil	Senior Independent Non-executive Director	6	2	1	Chairman 4
Anita Haines	Non-executive Director	6	N/A	1	N/A

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

Corporate Governance Statement continued

Financial and internal control

The Board confirms that a process for the on-going 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 on Risk Management, Internal Control and Related Financial and Business Reporting" issued by the FRC in September 2014. The process is subject to regular review by the Board and there were no significant internal control issues identified during the year.

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 and a five year forecast 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.

The Board monitors the integrity of all financial announcements released by the Group, ensuring that, among other things, appropriate accounting standards and policies are applied consistently, that all material information is presented and that the disclosures are accurate.

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 accounting policies is reviewed where necessary by external auditors.

Information technology

The Group 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 with having the entire group IT systems on a common platform, such as IT security, access rights and business continuity. These risks are mitigated by an on-going focus on IT security through a process of continuous investment in IT facilities.

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 the design and operation of suitable internal controls. Details of the principal risks associated with the Group's activities are given in the Strategic Report on pages 24 to 26.

Relations with shareholders

The Group places a great deal of importance on communication with its shareholders. The Parent Company mails to all shareholders who have elected to receive it, the full annual report and financial statements. This information, together with the half yearly statements and other financial announcements, is also available on the Group's website and, upon request, to other parties who have an interest in the Group's performance.

There is regular dialogue with individual institutional and other major shareholders as well as presentations after the half and full year 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.

This report was approved by the Board on 7 December 2015.

ANITA STEER
Secretary

Directors' Remuneration Report

ANNUAL STATEMENT

Introduction

As Chairman of the Remuneration Committee, I am pleased to present our report on Directors' remuneration for 2015.

This report has been prepared in accordance with the Companies Act 2006 ('the Act') and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations'), as amended. The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles of the 2014 UK Corporate Governance Code relating to Directors' remuneration. In accordance with the Act, the Remuneration Report is divided into two sections, a Remuneration Policy Report, which describes our approach to remuneration, and an Implementation Report, which details the remuneration paid to the Directors during the financial year under review. The Implementation Report will be put to an advisory vote at the Annual General Meeting of the Parent Company on 29 January 2016. The Remuneration Policy was approved by shareholders at the 2015 Annual General Meeting and accordingly is not required to be put to shareholders until the 2018 Annual General Meeting, subject to changes in the meantime requiring shareholder approval. Although not required to be included in the annual report where approval is not being sought, a summary of the policy approved by shareholders is set out below.

2015 performance

As detailed elsewhere in this report, the Group performed well in 2015, meeting expectations for adjusted pre-tax profit and earnings per share. The Group's strategic plan was updated and rolled out across the business. Evolutionary in nature, the updated strategy builds on the successes of the 2012 version and provides clarity and enhanced focus on the strategic priorities. The base salaries of the Executive Directors were increased with effect from 1 October 2015. Richard Hope's salary was increased by 1.5%, in line with the basic increase of staff across the Group. In accordance with the frequency set out in the Remuneration Policy, the salary of Daemmon Reeve was benchmarked and increased by 21.2% in order to address a misalignment with data at the median level.

The Company Secretary, at the request of the Remuneration Committee, engaged Aon Hewitt Global Executive Compensation and Corporate Governance, to provide targeted data of CEOs of US manufacturing companies with a similar turnover to Treatt. Aon Hewitt, who do not provide any other services to the Group, were selected on the basis of their reputation as a global provider of compensation solutions and were paid a fee of US$750. Data provided by Aon Hewitt compared the salaries of CEO's of twenty-six US manufacturing companies with a turnover in the region of that of the Treatt Group (approximately $133m). The base salary of Daemmon Reeve was found to be below the 25th market centile of this comparator group. The Committee reviewed other data, available free online from various sources, which was consistent with the data provided by Aon Hewitt, and therefore the Committee was satisfied that the information provided was objective and independent. Accordingly, the base salary of Daemmon Reeve has been realigned to the 50th centile.

The fees of the Chairman were also benchmarked against a number of comparator companies with similar turnover within the Fledgling Index and Small Cap of the FTSE, which showed a misalignment. In order to bridge the gap, the Chairman's fee has been increased with effect from 1 October 2015 by 15.3% to £60,675, although it remains below the 25th centile level.

Remuneration policy

The aim of our remuneration policy is to attract and retain appropriately skilled and experienced Directors with the ability to deliver the Group's strategic objectives and obtain good returns for shareholders in accordance with the Group's values. This may be achieved through an appropriate combination of salary, benefits and performance-related longer term incentives, which align the interests of Directors with shareholders. Following consultation with the Group's major shareholders, a share retention policy was adopted by the Board in 2014, which imposes a shareholding requirement of 200% of salary on the Chief Executive Officer and 150% of salary on the Finance Director. The Directors are not permitted to sell any shares, except to pay an exercise price and all applicable taxes due in respect of an award, until the shareholding requirement is met. Whilst Daemmon Reeve is not at this level currently, he has continued throughout the year to add to his shareholding in line with the policy, details of which are on page 42 of the Implementation Report. Richard Hope has achieved the shareholding requirement.

Historically, the level of share-based incentives granted to Directors has been relatively low but it is recognised that this is an important aspect of remuneration, which encourages focus on the longer-term interests of shareholders and Directors alike. Therefore, the grant of appropriate awards of share-based incentives, with stretching performance conditions, are considered annually by the Remuneration Committee. As a result of consultation last year with major shareholders, awards made under the Long Term Incentive Plan are subject to a one-year holding period following vesting, save that a proportion of the shares will be permitted to be sold in order to satisfy any tax liability arising upon either vesting or exercise. A thorough review of performance conditions was undertaken during the year and an assessment made of the appropriateness of alternative measures. It was agreed that EPS remains the most appropriate measure in driving positive behaviour that is consistent with the strategy and business model.

The Committee believes that this policy is aligned with our business strategy, outlined elsewhere in this report, in driving the sustainable growth in profits for the long-term benefit of the business and its stakeholders. The Committee is also satisfied that within the remuneration policy, and particularly in respect of the setting of performance targets, there is a sufficient balance between encouraging entrepreneurial behaviour without encouraging excessive risk-taking.

In a departure from provision D2.2 of the 2014 UK Corporate Governance Code, the remuneration of Group senior management is determined by the Executive Directors since the Board believes that the Executive Directors are best placed to make this decision. However, remuneration proposals in respect of senior managers are reviewed and monitored by the Committee to ensure consistency and proportionality. The bonuses of all senior managers in the Group are approved by the Committee.

Decisions made during the year

In line with its terms of reference, the following key matters were considered by the Committee during the year:

- approval of the 2014 Directors' Remuneration Report;
- agreement of the bonuses payable for the 2014 financial year;
- grant of options to Directors under the Treatt LTIP and the setting of performance conditions;
- grant of options to senior management and key employees and the setting of performance conditions;

- review of LTIP performance conditions and consideration of a range of alternative options;
- review of the remuneration policy and the remuneration arrangements for the Executive Directors and Chairman;
- review of salary levels for the Executive Directors and agreement of salary increases for the 2016 financial year; and
- to consider the award of free and matching shares to UK employees under the Share Incentive Plan and equivalent awards of restricted stock units to US employees under the Long Term Incentive Plan.

During the year all elements of the packages of the Executive Directors were reviewed and no significant changes have been made, other than to the base salary of the CEO as stated above.

I hope that shareholders will support the resolutions on Directors remuneration; I will be available at the AGM to answer any questions you may have.

IAN NEIL
Chairman
Remuneration Committee

Members of the Committee are shown on page 92 and for full biographies of the Committee members see page 21. The terms of reference of the Committee can be found on the Treatt website at www.treatt.com.

POLICY SECTION

Remuneration Policy Report

The Committee's policy is to ensure that remuneration structures are simple, transparent and proportional to the size and complexity of the business whilst ensuring that Executive Directors are fairly rewarded for the role they undertake. The main principles of the remuneration policy are:

- salaries should be competitive but not excessive when compared to similar companies;
- remuneration packages should align the interests of Directors with shareholders by using stretching performance metrics that provide a strong link to the creation of shareholder value;
- there should be appropriate balance between fixed and performance-related pay to ensure delivery of results over the short, medium and longer term;
- performance metrics should not encourage a culture of excessive risk taking; and
- Directors should invest in and retain shares in Treatt.

The Committee reviews its policy annually to determine whether it remains effective and aligned to the Group strategy. As a result of this review, greater emphasis will be placed on longer-term share-based incentives to more closely align the interests of Directors with shareholders and provide stretching longer term targets to encourage strong performance.

The current intention is that the framework of this remuneration policy will apply for future years.

Executive Directors' remuneration

The following table sets out a summary of each element of the Executive Directors' remuneration, how it operates, the maximum opportunity available, applicable performance metrics and changes to remuneration for the 2016 financial year:

Element – Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes for 2016 financial year
Base salary Help recruit and retain high calibre Executive Directors To provide a competitive salary relative to the size of the Group Reflects individual experience and the role	Reviewed annually by the Committee with changes taking effect from 1 October unless a change in responsibility requires an interim review Influenced by personal performance and by the increase in salaries of other Group employees Normally benchmarked at intervals of 3 years against similar companies and targeted broadly at the median level Discretion may be exercised for the purpose of retention	Excluding a review required by a change in role or responsibility, to align with benchmarking, or in exceptional circumstances, the annual increase should not exceed the average salary increase of employees within the Group	Individual and company performance are considered	No changes have been made to the salary review process Base salary increase for Richard Hope is consistent with the basic increase of Group employees at 1.5% Base salary increase for Daemmon Reeve addresses the misalignment with benchmarking

Element – Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes for 2016 financial year
Benefits Help recruit and retain high calibre Executive Directors	Entitlement to the following benefits on the same terms as employees in the country in which the Director is resident: Private Healthcare – except that Daemmon Reeve also receives Family Cover in the UK; Life Assurance; Permanent Health Insurance – except that Daemmon Reeve receives enhanced long-term disability cover; All-employee share schemes Life Assurance for UK tax resident Directors will be provided by means of a Lifetime Plus Policy Any new benefits introduced to staff generally shall be provided to Directors on equal or comparable terms Discretion may be exercised to provide appropriate benefits that might become payable as a result of a new business requirement, such as a need for a Director to relocate	Except as otherwise stated these are on the same terms as the benefits received by other employees in the country in which the Director is resident	Not applicable	None
Annual bonus (Note 1) Provides an element of at risk pay, which incentivises the achievement of good annual financial results Aligns Directors' interests with shareholders	The rules of the Executive Directors Bonus Scheme and the performance targets are reviewed every three years Annual bonuses are calculated by reference to the achievement of performance targets for the financial year and each Director is entitled to a percentage of salary based upon this calculation, subject to the maximum opportunity Bonuses are subject to determination by the Committee in accordance with scheme rules after year end and are paid in cash in December Discretion may be exercised in respect of the treatment of exceptional items which may have the effect of increasing or decreasing bonuses	100% of salary	Bonuses are based on the growth in adjusted Group profit before tax compared to the prior financial year Bonus payments range from 4% of salary at threshold level rising incrementally to a maximum of 100% of salary where growth in adjusted Group profit before tax exceeds prior year by 15% or more The Committee has discretion to reduce bonus where circumstances have created a sufficiently significant impact on the reputation of the Group to justify, in the view of the Committee, the operation of this discretion	None

Directors' Remuneration Report continued

Element – Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes for 2016 financial year
Long Term Incentive Plan (Note 2) Incentivises Directors to achieve returns for shareholders over a longer time frame Aligns Directors interests with shareholders	The LTIP was approved by shareholders at the AGM in February 2014 The Committee will consider awards of shares under the LTIP annually and will review the quantum of awards to ensure that they are in line with market rates Awards will be made at nil cost with vesting dependent on the achievement of performance conditions over a period determined by the Committee, which shall be a minimum of 3 years Discretion may be exercised in respect of the performance criteria by replacing the current measure with a similarly appropriate measure or combination of measures Awards will be subject to a one year holding period following vesting net of any tax liability arising on either vesting or exercise. The Committee may also exercise the specific discretions contained within the rules of the scheme, as approved by shareholders	100% of salary based on market value of shares at date of grant	The vesting of the awards shall be subject to growth in adjusted basic EPS exceeding a minimum level during the period from date of grant to date of vesting The performance criteria over a 3 year period is the average annual growth in adjusted basic EPS. 30% of award vests where average annual growth equals or exceeds 3% rising incrementally to 100% where average annual growth equals or exceeds 10% Awards lapse if performance criteria are not met at the end of the three year performance period	None
Share Retention Policy	Holding requirements: CEO – 200% of basic salary FD – 150% of basic salary Directors are required to retain shares acquired under share-based incentive awards until the holding requirements are met, save that they are permitted to sell sufficient shares to pay any exercise price and all applicable taxes due in respect of that award	Not applicable	Not applicable	None
Pension Help recruit and retain high calibre Executive Directors and to provide a competitive package relative to the size of the Group	Entitlement to receive employer contributions into a defined contribution pension scheme on the same terms as employees in the country in which the Director is resident Daemmon Reeve also receives a contribution into a Supplemental Executive Retirement Plan (SERP)	UK employees – 9% base salary contribution or 15% where previously a member of the defined benefit pension scheme (no personal contribution required in either case) US employees – up to 6% base salary contribution, which matches personal contribution SERP – 4% base salary contribution (no personal contribution required)	Not applicable	None

Element – Purpose and link to strategy	Operation	Maximum Opportunity	Performance Metrics	Changes for 2016 financial year
Recruitment of Executive Directors Enable recruitment of high calibre Executive Directors able to contribute to the success of the Group	Salary will be set to reflect skills and experience of incoming Director and market rate for the role to be undertaken Existing benefits and incentives of the Group to be used with participation on the same basis as existing Directors Payment of relocation expenses where relevant In the event of an internal promotion any commitments made prior to promotion may continue to be honoured when they would otherwise be inconsistent with this policy Discretion may be exercised in exceptional circumstances and existing entitlements with current employer, such as bonus and share schemes, may be bought out on a like for like basis and subject to performance conditions	Recruitment awards are subject to the maximum value of any outstanding awards forgone by the recruit	Based on existing Treatt performance conditions	None
Clawback To ensure Executive Directors do not benefit from errors or misconduct	Provisions are included in performance-related remuneration to enable clawback of remuneration which has been overpaid due to material misstatement of the Group's accounts, errors made in calculation or a Director's misconduct	Not applicable	Not applicable	None

Notes

1 The performance targets were set by the Remuneration Committee and are reviewed annually to ensure that they continue to incentivise strong financial performance. The Committee continues to believe that this performance measure offers a balance between the needs of shareholders, in providing good profitability and providing a measure of performance over which the Executive Directors have direct influence. The Committee considers that the level of performance required is appropriately stretching.

The bonuses of staff and senior management are restricted to a maximum of between 12% and 60% of base salary depending on seniority, role and market conditions.

2 Performance targets are set by the Committee at the date of grant of the options to ensure that they are appropriately stretching. The Committee considers adjusted basic EPS to be a complete and appropriate measure of performance, capturing revenue growth and operating margin. EPS targets are aligned with the Board's strategy.

Awards under the LTIP may be made to Senior Executives and other key employees who have significant influence over the Group's ability to meet its strategic targets with such awards being subject to the achievement of performance conditions set by the Committee at the date of grant, consistent with those of Executive Directors.

Directors' Remuneration Report continued

Non-executive Directors' remuneration

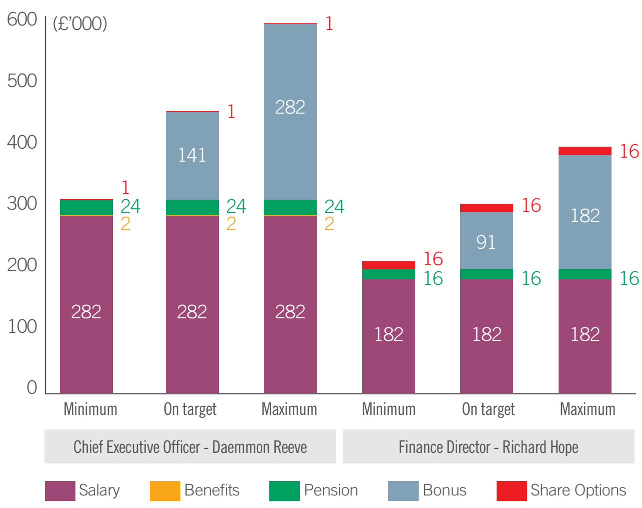
Element – Purpose and link to strategy	Operation	Maximum opportunity	Changes for 2016 financial year
Fees To recruit high calibre Non-executive Directors To reward additional responsibility by virtue of position as Chairman of the Board or Chairman of a Committee	Subject to an aggregate limit within the Articles of Association, which was last approved by shareholders at the AGM in February 2014 Reviewed annually for each Non-executive Director with changes taking effect from 1 October The Chairman's fees are reviewed by the Committee and the other Non-executives' fees are reviewed by the Board (excluding the Non-executives) Influenced by the increase in salaries of other Group employees and by personal performance Benchmarked against similar companies and targeted broadly at the median level Additional fees may be paid in respect of increased responsibility or time commitment required by the role or in respect of invoiced consultancy fees, where relevant	Excluding a review required by a change in role or responsibility or to align with benchmarking the annual increase should not exceed the average increase of employees within the Group	A fee increase of 15.3% for Tim Jones addresses the misalignment with benchmarking Fee increases for the other Non-executive directors are consistent with the average increases of Group employees at 1.95% In addition, the fee in respect of the position of Chairman of the Audit Committee was increased from a nominal £1,200pa to £3,023 to reflect the increased responsibility and time commitment of the role David Johnston also received an additional £1,500pa in respect of the additional time he commits to the business in providing support and advice to the technical team in particular

Where exceptional circumstances arise, the Committee shall have discretion to approve payments not specifically referred to above where the Committee, acting in good faith and taking into account the needs of the wider business, considers it reasonable and appropriate to do so.

Illustration of remuneration policy

The graphs below provide estimates of the potential future reward for each of the Executive Directors based on their current roles, the remuneration policy outlined on pages 35 to 42 and base salaries as at 1 October 2015. Although Daemmon Reeve is paid in US Dollars, the figures below are in Pounds Sterling at an exchange rate of £1=$1.55, being the average rate over the preceding twelve months.

Remuneration policy illustration



Only those share options which potentially vest in 2016 have been included and have been calculated as the difference in market value at 30 September 2015, being £1.615, and the option price.

Comparison of remuneration policy

This policy sets out the remuneration structure applicable to Directors of the Group. Salary levels and incentive arrangements applicable to other Group employees are determined by reference to local employment conditions for comparative roles.

Budgeted salary increases for Group employees are taken into consideration when determining increases for the Executive Directors.

Employees are provided with a competitive benefits package including healthcare, life assurance and pension. Consistent with Directors, employees are eligible to participate in an annual bonus scheme with conditions linked to the performance of their operating subsidiary and the Group overall. Employee share ownership is encouraged across the Group and participation, particularly in the UK, is strong. The recently approved Share Incentive Plan is designed to further encourage employee share ownership. Eligible employees, including Executive Directors, are able to participate in the all-employee share schemes on equal terms. Executive Directors and key employees with the greatest potential to influence achievement of the Group's strategic objectives are provided with share options or long-term incentives designed to encourage strong Group performance.

The Group does not consult with employees in respect of the Executive Directors remuneration policy. However, the Committee receives regular updates on salary and bonus levels across the Group and is aware of how the remuneration of Directors compares to employees.

In addition, when setting remuneration levels for the Executive Directors the Committee takes account of the levels of remuneration received by executive directors of similar companies that are selected on the grounds of:

- size in terms of turnover, profits and number of people employed;
- a ranking within the FTSE Fledgling Index or FTSE Small Cap Index;
- the diversity and complexity of the business;
- the geographical spread of its business; and
- market segment.

Whilst remuneration consultants have not been engaged, regular benchmarking is undertaken against companies within the FTSE Fledgling and Small Cap Indexes using salary reports and surveys of established remuneration consultants.

Directors' Contracts

Executive Directors

The Committee reviews the contractual terms of new and existing Executive Directors to ensure that they reflect best practice and are designed to attract and retain suitable candidates. The Committee considers that a rolling contract terminable on twelve months' notice by either party is appropriate.

Summary of Director's service contracts as at 30 September 2015:

	Date of contract	Notice period
Daemmon Reeve	30 October 2012	12 months
Richard Hope	1 October 2013	12 months

Summary of the key elements of Directors' service contracts:

Provision	Summary
Notice period	12 months by either party
Termination payment	Daemmon Reeve – Payment in lieu of notice clause providing for base salary and benefits payable during notice period Richard Hope – No provision for payment in lieu of notice
Salary	Reviewed annually with effect from 1 October each year
Benefits	Private healthcare, life assurance, permanent health insurance or other disability cover, pension Participation in discretionary incentive arrangements determined by the Committee

The Directors' contracts are available for inspection at the Parent Company's registered office during normal business hours.

Future contracts are to provide for remuneration obligations comparable to those set out above taking into consideration role and responsibility, except in exceptional circumstances where additional incentive is required in order to secure the services of an outstanding candidate.

Non-executive directors

All Non-executive Directors are subject to the same terms and conditions of appointment which provide for the payment 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.

Payments for loss of office

In accordance with the 2014 UK Corporate Governance Code notice periods shall not exceed a maximum of twelve months.

In normal circumstances it is expected that termination payments for Executive Directors should not exceed current salary and benefits for the notice period. When determining termination payments in the event of early termination, the Committee will take into account a variety of factors including length of service, personal and Group performance, the Director's obligation to mitigate his loss, statutory compensation to which a Director may be entitled and legal fees and other payments which may be payable under a settlement agreement.

A Director who has been given notice by the Group for any reason other than on the grounds of injury, disability, redundancy or change of control shall only be eligible to a payment under the bonus scheme at the discretion of the Committee, which will take into account the circumstances leading to the notice.

Directors' Remuneration Report continued

Directors have no entitlement to performance-related share-based incentives, the unvested portion of which will generally lapse following termination of employment. However, in certain circumstances, such as injury, disability or redundancy, share options, which shall be pro-rated by reference to the proportion of the performance period completed and subject to performance conditions, may be exercised within six months of termination. Where termination is for any other reason, share options may only be exercised at the discretion of, and to the extent permitted by the Committee, acting fairly and reasonably.

External appointments

Whilst neither of the Executive Directors currently serve as Non-executive Directors on the boards of other companies, it is recognised that such appointments would provide an opportunity to gain broader experience outside of Treatt which would benefit the Group. In the event that the Directors are offered such positions and providing that they are not likely to lead to a conflict of interest or significant constraints on time, Executive Directors may, with the prior approval of the Board, accept Non-executive appointments and retain the fees received.

Shareholder views

The Remuneration Committee engaged pro-actively with the Group's major shareholders in respect of the details of this policy and welcomed feedback received from them. The views of these shareholders were taken into consideration in adopting the share retention policy, clawback and the one year holding period for LTIPs. The Committee will also consult with major shareholders prior to any material changes to the remuneration policy.

This Remuneration Policy, which was approved at the 2015 Annual General Meeting, shall remain in effect until it is next required to be approved by shareholders.

IMPLEMENTATION REPORT

The following section of this report provides details of the implementation of the policy for the year ended 30 September 2015.

Directors' remuneration (audited)

The tables below report a single figure for total remuneration for each individual Executive and Non-executive Director respectively.

	Daemmon Reeve		Richard Hope	
Executive Directors:	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Salary	**233**	212	**179**	175
Taxable benefits (Note 1)	**3**	2	**—**	—
Annual bonus (Note 2)	**214**	203	**165**	135
Share options vesting in the financial year	**—**	2	**6**	4
Pension (Note 3)	**20**	17	**19**	16
	470	436	**369**	330

	Fees	
Non-executive Directors:	**2015 £'000**	2014 £'000
Tim Jones	**53**	51
Anita Haines	**32**	87*
Jeff Iliffe	**35**	31
David Johnston	**33**	30
Ian Neil	**35**	31
	188	230

* Remuneration shown for Anita Haines in 2014 includes remuneration as an Executive Director until 24 February 2014 of £69,000 and fees of £18,000 as a Non-executive Director thereafter.

Note 1: Taxable benefits provided to Executive Directors only relate to private medical insurance.

Note 2: Details relating to the annual bonus are as follows:
The annual bonus for Executive Directors is calculated based on the annual growth in profit before tax, adjusted for exceptional and other items at the discretion of the Remuneration Committee. The annual bonus is capped at a maximum of 100% of annual basic salary. The annual bonus, as a percentage of the maximum achievable, is displayed in the table opposite.

	2015	2014
Daemmon Reeve	**92%**	95%
Richard Hope	**92%**	77%

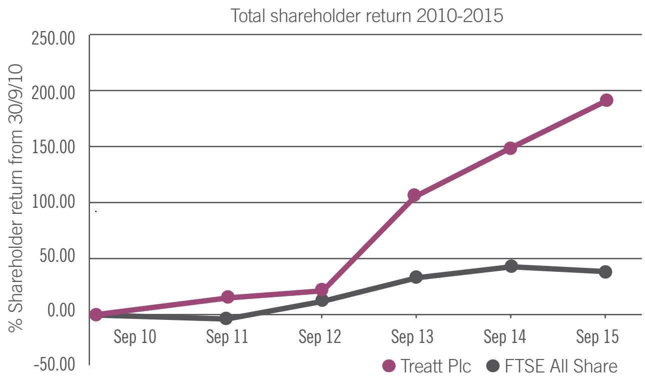
The proportion of fixed and variable pay, exclusive of pension, benefits and share options, is shown below for the Executive Directors:

	Basic Salary		Annual Bonus	
	2015	2014	**2015**	2014
Daemmon Reeve	**52%**	51%	**48%**	49%
Richard Hope	**52%**	56%	**48%**	44%

Note 3: Richard Hope's pension contributions include pay in lieu of pension after deduction of employers' NI.

Performance graph

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



CEO remuneration

The following table provides historical data on remuneration in respect of the Director(s) performing the role of Chief Executive Officer for each of the years covered by the performance graph:

	2015	2014	2013	2012[2]	2011
Total remuneration (£'000)	**470**	436	405	274	447
Annual bonus as % of maximum[1]	**92%**	95%	85%	11%[3]	104%
Share options vesting as % of maximum[4]	**100%**	100%	100%	100%	100%

[1] Prior to 2012 there was no cap on the payment of annual bonuses to Executive Directors, therefore the percentage of annual salary is shown by way of comparative.

[2] The CEO Remuneration for 2012 is the combined remuneration paid to the current and previous CEO for the periods when they held that post.

[3] The 2012 annual bonus only related to two months of the financial year.

[4] All share options vested in full as they were all-employee share options which were not subject to performance conditions.

The percentage change in remuneration of the Director undertaking the role of CEO, compared to employees as a whole was as follows:

	Salaries[2]	**Bonus**
CEO	2.4%	-1.2%
Employees[1]	2.3%	-19.0%

[1] The employees used for comparison are those UK and US employees who, for the salary comparison, were employed for the whole of the 2015 financial year, and for bonuses, for the whole of both the 2014 and 2015 financial years.

[2] The changes in salaries and bonuses have been calculated on a constant currency basis for USD payments, using the average exchange rate for 2015.

Directors' Remuneration Report continued

Relative importance of spend on pay

Wages and salaries are the most significant overhead cost in the Group. The following table sets out, in a manner prescribed by the regulations, the relative importance of employee remuneration, as compared to distributions to shareholders and other significant uses of profit, the most significant of which, taxation, has therefore been selected:

	2015	2014	Movement
Total remuneration[1]	**10, 674**	10,587	**+1%**
Dividends[2]	**1,978**	1,899	**+4%**
Current tax[3]	**1,909**	1,458	**+31%**

1 Total remuneration includes wages, salaries and pension costs as disclosed in note 6.
2 Dividends paid in the financial year as disclosed in note 10.
3 Current tax payable in respect of the financial year as disclosed in note 9.

Directors' interests (audited)

The Directors who held office at 30 September 2015 had the following interests in the shares of the Parent Company:

	Shares held outright or vested		Unvested share options with performance conditions		Unvested all-employee share options	
	2015	2014	**2015**	2014	**2015**	2014
Executive Directors						
Daemmon Reeve	**131,462**	92,485	**284,586**	119,770	**5,710**	5,158
Richard Hope	**176,400**	148,025	**148,010**	19,610	**11,874**	13,439
Non-executive Directors						
Tim Jones	**75,877**	62,495	**—**	—	**—**	—
Anita Haines	**50,680**	50,680	**—**	—	**—**	—

Between 1 October 2015 and 4 December 2015, the latest date practicable to obtain the information prior to publication of this document the following changes occurred:

Daemmon Reeve purchased 1,014 shares under a Dividend Reinvestment Plan
Richard Hope purchased 1,321 shares under a Dividend Reinvestment Plan

The table below shows the value of Executive Directors' interests in shares as at 30 September 2015 as a percentage of their base salary:

	Value of shares held outright or vested		Base salary[1]		Value of interest as % of base salary		Target % of base salary
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 %**	2014 %	
Daemmon Reeve	**212**	130	**233**	212	**91%**	61%	**200%**
Richard Hope	**285**	208	**179**	175	**159%**	119%	**150%**

1 Base salary is the average basic gross pay for the corresponding year.

Share option schemes (audited)

The following share options were granted to Executive Directors during the financial year:

	Scheme	Basis	Date of grant	Share price at date of grant	Face value £'000	Min performance award	Performance end date
Daemmon Reeve	ESPP 2015[1]	All-staff	27 Jul 15	£1.650	9	N/A	N/A
	LTIP 2014[2]	Executive	15 Dec 14	£1.397	230	30%	30/9/17
Richard Hope	SAYE 2015[3]	All-staff	27 Jul 15	£1.650	7	N/A	N/A
	LTIP 2014[2]	Executive	15 Dec 14	£1.397	179	30%	30/9/17

1 ESPP (Employee Stock Purchase Plan) share options are offered to US employees (subject to tax exempt limits) at a discount of 15% of the share price at date of grant and are exercisable after one year.

2 Executive LTIPs are granted at Nil cost, subject to performance conditions.

3 SAYE (Save As You Earn) share options are offered to UK employees (subject to tax exempt limits) at a discount of 20% of the average share price for the three days preceding the date of grant and are exercisable after three years.

The performance conditions for Executive LTIP options are as follows:
Average annual growth in adjusted basic earnings per share for the three financial years ending on the performance end date shown above. The options shall vest on a linear sliding scale: 30% where average annual growth equals or exceeds 3%, increasing to 100% where average annual growth equals or exceeds 10%. If the average annual growth in adjusted EPS is less than 3%, the options will lapse.

The share options of the Directors in office during the year are as set out below:

	Exercise dates	Exercise price	At 1 Oct 2014	Granted during the Year	Exercised during the Year	Expired during the Year	At 30 Sept 2015
Daemmon Reeve	Jul 2015	147.0p	5,158	—	(5,158)	—	**—**
	Jul 2016	137.0p	—	5,710	—	—	**5,710**
	Dec 2017 – Dec 2022	79.0p	78,195	—	—	—	**78,195**
	Dec 2018 – Dec 2023	147.2p	41,575	—	—	—	**41,575**
	Dec 2017 – Dec 2024	Nil	—	164,816	—	—	**164,816**
			124,928	170,526	(5,158)	—	**290,296**
Richard Hope	Sep 2015 – Feb 2016	53.4p	6,065	—	(6,065)	—	**—**
	Sep 2016 – Feb 2017	97.8p	2,940	—	—	—	**2,940**
	Sep 2017 – Feb 2018	138.0p	4,434	—	—	—	**4,434**
	Sep 2018 – Feb 2019	132.0p	—	4,500	—	—	**4,500**
	Dec 2015 – Dec 2022	78.0p	12,820	—	—	—	**12,820**
	Dec 2016 – Dec 2023	147.2p	6,790	—	—	—	**6,790**
	Dec 2017 – Dec 2024	Nil	—	128,400	—	—	**128,400**
			33,049	132,900	(6,065)	—	**159,884**

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £6,000 (2014: £6,000).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares between 1 October 2015 and 4 December 2015, the latest date practicable to obtain the information prior to publication of this document.

The market price of the shares at 30 September 2015 was £1.615 and the range during the financial year was £1.325 to £1.695. All market price figures are derived from the Daily Official List of the London Stock Exchange.

Directors' Remuneration Report continued

Pensions (audited)

The Chief Executive Officer is a deferred member of the R C Treatt & Co Limited Pension & Assurance Scheme following its closure to future accruals on 31 December 2012. The plan was a non-contributory, H M Revenue & Customs approved, defined benefit occupational pension scheme.

The pension entitlement is as follows:

	Normal retirement date	Accrued total pension at	
		2015 £	2014 £
Daemmon Reeve	24 Sep 2036	**20,985**	20,719

The transfer values have been calculated on the basis of actuarial advice in accordance with Statutory Instrument 2013 No 1981 – The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Further details of the scheme are included in note 26.

In addition, contributions to defined money purchase pension plans were made as follows:

	2014 £'000	2013 £'000
Daemmon Reeve	**20**	17
Richard Hope*	**19**	16

* Richard Hope's pension contributions include pay in lieu of pension after deduction of employers' NI in order to be cost neutral to the Group.

Statement of voting

At the Annual General Meeting held on 30 January 2015, the votes cast in respect of the resolution to approve the Directors' Remuneration Report, were as follows:

For: 99.92% Against: 0.08% Votes withheld: 20,470

Audit notes

In accordance with Section 421 of the Companies Act 2006 and the Regulations, where indicated, certain information contained within the Implementation Section of this report has been audited. The remaining sections are not subject to audit.

This report was approved by the Board and signed on its behalf on 7 December 2015.

ANITA STEER
Secretary

Independent Auditor's Report to the Members of Treatt plc

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 49 to 86. 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 20, 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 Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2015 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;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 30 to 34 is in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) 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 ISAs (UK and Ireland) we are required to report to you if, in our opinion, information in the annual report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

- 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; or
  - a Corporate Governance Statement has not been prepared by the Parent Company.

- Under the Listing Rules we are required to review:
  - the Directors' statement, set out on pages 18 and 19, in relation to going concern and longer-term viability; and
  - the part of the Corporate Governance Statement on page 30 relating to the Parent Company's compliance with the provisions of the 2014 UK Corporate Governance Code specified for our review.

Our assessment of risks of material misstatement

We identified the following risks as being those which had the most significant impact on our audit strategy and set out below how each of these were addressed by the scope of our audit:

- inventory provisions

  We reconfirmed our understanding of the basis for determining provisions against obsolete, slow moving and defective inventory and against items where expected net realisable value is lower than cost. We considered the controls over this process, and whether these continued to be appropriate and consistently applied. We tested a sample of inventory provisions, considered their appropriateness and reviewed post year end transactions to assess whether these confirmed the provisions made and their completeness. We also reviewed the outcome of prior year provisions.

Independent Auditor's Report to the Members of Treatt plc continued

- onerous contract provisions

  We reconfirmed our understanding of the basis for determining onerous contract provisions and the controls over this process, and considered whether these continued to be appropriate and consistently applied. We tested a sample of the contract provisions, reviewed the supporting documentation and considered the appropriateness of the supporting calculations. We also reviewed post year end transactions to consider whether these were consistent with the provisions made and considered whether there were further contracts against which provision ought to have been made.

- dispute with the vendors of the Earthoil subsidiaries

  With regards to the legal claim made by the vendors of the Earthoil subsidiaries, in respect of the deferred consideration relating to their earn-out, we reviewed the progress of the dispute during the year. We considered the independent professional advice received and the submissions made by both parties to the expert engaged to determine the largest element of the claim. This formed our view of management's assessment of the Group's liability in respect of the earn-out and the disclosures relating to the contingent liability in respect of this claim. We also reviewed the accounting treatment and disclosures regarding the costs incurred in defending the claim and reviewed post year end transactions for omitted liabilities in this regard.

  We undertook specific post balance sheet enquiries to confirm that events to the date of signing the audit report were appropriately reflected and disclosed.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £450,000, which was not changed during the course of our audit.

We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £15,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit approach focused on the Parent Company and the three key trading subsidiaries, two in the UK and one in the US. The UK entities are subject to local statutory audit completed to the Group reporting timetable. The US entity is not subject to local statutory audit and has been subject to full scope audit to Group materiality. The US entity audit was undertaken by the same team as the UK statutory audits.

These audits covered 99% of Group revenue, 97% of Group profit before tax, and 98% of Group total assets.

CHARLES FRAY (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

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

7 December 2015

Group Income Statement
for the year ended 30 September 2015

	Notes	**2015 £'000**	2014 £'000
Revenue	4	**85,934**	79,189
Cost of sales		**(66,955)**	(61,218)
Gross profit		**18,979**	17,971
Administrative expenses		**(10,289)**	(10,343)
Operating profit[1]	5	**8,690**	7,628
Net finance costs	7	**(740)**	(724)
Profit before taxation and exceptional items		**7,950**	6,904
Exceptional items	8	**(174)**	(1,402)
Profit before taxation		**7,776**	5,502
Taxation	9	**(1,786)**	(1,553)
Profit for the period attributable to owners of the Parent Company		**5,990**	3,949
Earnings per share			
Basic	11	**11.64p**	7.69p
Diluted	11	**11.55p**	7.66p
Adjusted basic[2]	11	**11.94p**	9.95p
Adjusted diluted	11	**11.85p**	9.91p

[1] Operating profit is calculated as profit before net finance costs, exceptional items and taxation.
[2] All adjusted measures exclude exceptional items, details of which are given in note 8.

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 2015

	2015 £'000	2014 £'000
Profit for the year attributable to owners of the Parent Company	**5,990**	3,949
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency net investments	**830**	20
Current tax on foreign currency translation differences	**(2)**	(11)
Fair value movement on cash flow hedges	**(404)**	16
Deferred tax on fair value movement	**81**	(8)
	505	17
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit pension scheme	**(638)**	(1,170)
Current tax credit on actuarial loss	**43**	51
Deferred tax credit on actuarial loss	**86**	188
	(509)	(931)
Other comprehensive expense for the year	**(4)**	(914)
Total comprehensive income for the year attributable to owners of the Parent Company	**5,986**	3,035

Notes 1 – 30 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

for the year ended 30 September 2015

Group	Share capital £'000	Share premium £'000	Own shares in share trusts £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total equity £'000**
1 October 2013	*1,048*	*2,757*	*(622)*	*(487)*	*455*	*24,292*	*27,443*
Net profit for the year	*—*	*—*	*—*	*—*	*—*	*3,949*	*3,949*
Other comprehensive income:							
Exchange differences	*—*	*—*	*—*	*—*	*20*	*—*	*20*
Fair value movement on cash flow hedges	*—*	*—*	*—*	*16*	*—*	*—*	*16*
Actuarial loss on defined benefit pension scheme	*—*	*—*	*—*	*—*	*—*	*(1,170)*	*(1,170)*
Transfer between reserves	*—*	*—*	*—*	*102*	*(173)*	*71*	*—*
Taxation relating to items above	*—*	*—*	*—*	*(8)*	*(11)*	*239*	*220*
Total comprehensive income	*—*	*—*	*—*	*110*	*(164)*	*3,089*	*3,035*
Transactions with owners:							
Dividends	*—*	*—*	*—*	*—*	*—*	*(1,899)*	*(1,899)*
Share-based payments	*—*	*—*	*—*	*—*	*—*	*47*	*47*
Movement in own shares in share trust	*—*	*—*	*73*	*—*		*—*	*73*
Gain on release of shares in share trust	*—*	*—*	*—*	*—*	*—*	*18*	*18*
Taxation relating to items recognised directly in equity	*—*	*—*	*—*	*—*	*—*	*43*	*43*
1 October 2014	1,048	2,757	(549)	(377)	291	25,590	28,760
Net profit for the year	—	—	—	—	—	5,990	**5,990**
Exchange differences	—	—	—	—	830	—	**830**
Fair value movement on cash flow hedges	—	—	—	(404)	—	—	**(404)**
Actuarial loss on defined benefit pension scheme	—	—	—	—	—	(638)	**(638)**
Taxation relating to items above	—	—	—	81	(2)	129	**208**
Total comprehensive income	—	—	—	(323)	828	5,481	**5,986**
Transactions with owners:							
Dividends	—	—	—	—	—	(1,978)	**(1,978)**
Share-based payments	—	—	—	—	—	201	**201**
Movement in own shares in share trusts	—	—	128	—	—	—	**128**
Gain on release of shares in share trusts	—	—	—	—	—	52	**52**
Issue of share capital	2	—	(2)	—	—	—	**—**
Taxation relating to items recognised directly in equity	—	—	—	—	—	36	**36**
30 September 2015	**1,050**	**2,757**	**(423)**	**(700)**	**1,119**	**29,382**	**33,185**

Notes 1 – 30 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

for the year ended 30 September 2015

Parent Company	Share capital £'000	Share premium £'000	Own shares in share trusts £'000	Retained earnings £'000	**Total equity £'000**
1 October 2013	*1,048*	*2,757*	*(622)*	*1,828*	*5,011*
Net profit for the year	*—*	*—*	*—*	*1,742*	*1,742*
Total comprehensive income	*—*	*—*	*—*	*1,742*	*1,742*
Transactions with owners:					
Dividends	*—*	*—*	*—*	*(1,899)*	*(1,899)*
Movement in own shares in share trust	*—*	*—*	*73*	*—*	*73*
Capital contribution to subsidiary undertakings	*—*	*—*	*—*	*47*	*47*
Gain on release of shares in share trusts	*—*	*—*	*—*	*18*	*18*
1 October 2014	1,048	2,757	(549)	1,736	4,992
Net profit for the year	—	—	—	4,066	**4,066**
Total comprehensive income	—	—	—	4,066	**4,066**
Transactions with owners:					
Dividends	—	—	—	(1,978)	**(1,978)**
Movement in own shares in share trusts	—	—	128	—	**128**
Capital contribution to subsidiary undertakings	—	—	—	201	**201**
Gain on release of shares in share trusts	—	—	—	52	**52**
Issue of share capital	2	—	(2)	—	**—**
30 September 2015	**1,050**	**2,757**	**(423)**	**4,077**	**7,461**

Notes 1 – 30 form part of these financial statements

Group and Parent Company Balance Sheets

as at 30 September 2015

Registered Number: 1568937

		Group		Parent Company	
	Notes	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
ASSETS					
Non-current assets					
Goodwill	12	**1,075**	1,075	**—**	—
Other intangible assets	13	**661**	726	**—**	—
Property, plant and equipment	14	**10,998**	10,994	**—**	—
Investment in subsidiaries	15	**—**		**5,485**	5,285
Deferred tax assets	16	**647**	396	**—**	—
Trade and other receivables	18	**—**	586	**—**	586
Redeemable loan notes receivable	29	**—**	—	**—**	1,350
		13,381	13,777	**5,485**	7,221
Current assets					
Inventories	17	**25,799**	28,020	**—**	—
Trade and other receivables	18	**17,635**	14,509	**708**	45
Redeemable loan notes receivable	29	**—**	—	**1,350**	—
Current tax assets		**134**	340	**—**	—
Derivative financial instruments	23	**—**	92	**—**	—
Cash and bank balances	19	**1,477**	629	**686**	—
		45,045	43,590	**2,744**	45
Total assets		**58,426**	57,367	**8,229**	7,266
LIABILITIES					
Current liabilities					
Borrowings	20	**(567)**	(2,356)	**—**	(1,556)
Provisions	21	**(239)**	(920)	**—**	—
Trade and other payables	22	**(10,885)**	(12,053)	**(93)**	(20)
Current tax liabilities		**(810)**	(676)	**—**	—
Derivative financial instruments	23	**(305)**	—	**—**	—
Redeemable loan notes payable	29	**(675)**	—	**(675)**	—
		(13,481)	(16,005)	**(768)**	(1,576)
Net current assets/(liabilities)		**31,564**	27,585	**1,976**	(1,531)
Non-current liabilities					
Borrowings	20	**(7,065)**	(7,857)	**—**	—
Trade and other payables	22	**—**	(23)	**—**	(23)
Post-employment benefits	26	**(2,959)**	(2,529)	**—**	—
Deferred tax liabilities	16	**(1,037)**	(1,007)	**—**	—
Derivative financial instruments	23	**(699)**	(511)	**—**	—
Redeemable loan notes payable	29	**—**	(675)	**—**	(675)
		(11,760)	(12,602)	**—**	(698)
Total liabilities		**(25,241)**	(28,607)	**(768)**	(2,274)
Net assets		**33,185**	28,760	**7,461**	4,992
EQUITY					
Share capital	24	**1,050**	1,048	**1,050**	1,048
Share premium account		**2,757**	2,757	**2,757**	2,757
Own shares in share trusts		**(423)**	(549)	**(423)**	(549)
Hedging reserve		**(700)**	(377)	**—**	—
Foreign exchange reserve		**1,119**	291	**—**	—
Retained earnings		**29,382**	25,590	**4,077**	1,736
Total equity attributable to owners of the Parent Company		**33,185**	28,760	**7,461**	4,992

Notes 1 – 30 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2015 and were signed on its behalf by:

TIM JONES
Chairman

RICHARD HOPE
Finance Director

Group and Parent Company Statements of Cash Flows

for the year ended 30 September 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Parent Company 2015 £'000	Parent Company 2014 £'000
Cash flow from operating activities					
Profit before taxation		**7,776**	5,502	**4,060**	1,715
Adjusted for:					
Depreciation of property, plant and equipment	14	**1,244**	1,222	**—**	—
Amortisation of intangible assets	13	**175**	172	**—**	—
Loss on disposal of property, plant and equipment	5	**46**	17	**—**	—
Gain on disposal of intangible assets	5	**—**	(2)	**—**	—
Net finance costs	7	**740**	724	**19**	36
Share-based payments	25	**198**	46	**—**	—
Decrease in fair value of derivatives	29	**143**	115	**—**	—
Decrease in post-employment benefit obligations		**(208)**	(230)	**—**	—
Operating cash flow before movements in working capital		**10,114**	7,566	**4,079**	1,751
Movements in working capital:					
Decrease/(increase) in inventories		**2,907**	(4,322)	**—**	—
(Increase)/decrease in trade and other receivables		**(2,282)**	(1,331)	**(77)**	410
(Decrease)/increase in trade and other payables, and provisions		**(2,072)**	1,615	**50**	16
Cash generated from operations		**8,667**	3,528	**4,052**	2,177
Taxation (paid)/received		**(1,469)**	(1,552)	**7**	26
Net cash from operating activities		**7,198**	1,976	**4,059**	2,203
Cash flow from investing activities					
Proceeds on disposal of property, plant and equipment		**5**	4	**—**	—
Purchase of property, plant and equipment	14	**(924)**	(538)	**—**	—
Purchase of intangible assets	13	**(108)**	(212)	**—**	—
Interest received	7	**1**	1	**20**	20
		(1,026)	(745)	**20**	20
Cash flow from financing activities					
(Decrease)/increase in bank loans		**(2,145)**	215	**—**	—
Interest paid	7	**(741)**	(725)	**(39)**	(56)
Dividends paid	10	**(1,978)**	(1,899)	**(1,978)**	(1,899)
Net sale of own shares by share trusts		**180**	91	**180**	91
		(4,684)	(2,318)	**(1,837)**	(1,864)
Net increase/(decrease) in cash and cash equivalents		**1,488**	(1,087)	**2,242**	359
Effect of foreign exchange rates		**(33)**	13	**—**	—
Movement in cash and cash equivalents in the year		**1,455**	(1,074)	**2,242**	359
Cash and cash equivalents at beginning of year		**21**	1,095	**(1,556)**	(1,915)
Cash and cash equivalents at end of year		**1,476**	21	**686**	(1,556)
Cash and cash equivalents comprise:					
Cash and bank balances	19	**1,477**	629	**686**	—
Bank borrowings	20	**(1)**	(608)	**—**	(1,556)
		1,476	21	**686**	(1,556)

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 2015

	2015 £'000	2014 £'000
Movement in cash and cash equivalents in the year	**1,455**	(1,074)
Repayment/(increase) in bank loans	**2,145**	(215)
Cash inflow/(outflow) from changes in net debt in the year	**3,600**	(1,289)
Effect of foreign exchange rates	**(171)**	(1)
Movement in net debt in the year	**3,429**	(1,290)
Net debt at beginning of year	**(9,584)**	(8,294)
Net debt at end of year	**(6,155)**	(9,584)

Notes 1 – 30 form part of these financial statements

Notes to the Financial Statements

for the year ended 30 September 2015

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 92.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amended accounting standards

The following new standards and amendments to standards, none of which have a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2015:

- Annual improvements 2010-2012 – published December 2013
- Annual improvements 2011-2013 – published December 2013
- IAS 19 Employee benefits (amendments) – published November 2013 – clarification regarding allocation of contributions
- IAS 32 Financial instruments: Presentation (amendments) – published December 2011 – offsetting of assets and liabilities
- IAS 36 Impairment of assets (amendments) – published May 2013 – recoverable amount disclosures for non-financial assets
- IAS 39 Financial Instruments: Recognition and measurement (amendments) – published June 2013 – novations of derivatives

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 (and in some cases had not yet been adopted by the EU):

- Annual improvements 2012-2014
- IFRS 7 Financial instruments: Disclosures (amendments)
- IFRS 7 Financial instruments: Additional hedge accounting disclosures (and consequential amendments)
- IFRS 9 Financial instruments: Classification, measurement, impairment, general hedge accounting and derecognition of assets and liabilities
- IFRS 10 Consolidated financial statements (amendments)
- IFRS 11 Joint arrangements (amendments)
- IFRS 12 Disclosure of interests in other entities (amendments)
- IFRS 15 Revenue from contracts with customers
- IAS 1 Presentation of financial statements (amendments)
- IAS 16 Property, plant and equipment (amendments)
- IAS 19 Employee benefits (amendments)
- IAS 27 Separate financial statements (amendments)
- IAS 28 Investments in associates and joint ventures (amendments)
- IAS 38 Intangible assets (amendments)
- IAS 39 Financial Instruments: Recognition and measurement (amendments)

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, £4.1m (2014: £1.7m) 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.

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 pages 18 and 19.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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, as the Directors believe that this is the point at which the significant risks and rewards of ownership are transferred to the customer in accordance with IAS 18, "Revenue Recognition".

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. Assets and liabilities in foreign currencies are translated into Pounds Sterling in the balance sheet at the year-end rate.

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 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.

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.

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 substantively 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".

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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 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

Intangible assets

Other intangible assets

Amortisation (which is included within administrative expenses) is provided on all intangible assets, other than goodwill, 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

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.

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 amortised 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 loan'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 loan'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 loan 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)

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

The Group's activities expose it 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 and option 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".

Hedge accounting

At the inception of the hedge relationship, the Group 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. 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.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow 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 transactions 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.

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 net interest 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, the Employee Benefit Trust and Share Incentive Plan 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.

During the year, the Group set up an HMRC-approved share incentive plan ("SIP"). The Group established a wholly-owned UK Trust, Treatt SIP Trustees Limited ("Trust"), to whom shares were issued at nominal value for the purpose of fulfilling obligations under the SIP. The treatment of the Trust in the Group and Parent financial statements is consistent with that of the EBT as explained above.

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 Group has adopted the Black-Scholes model for the purposes of computing fair value of options under IFRS. The fair value excludes the effect of non market-based vesting conditions. This expense, which is in relation to share option schemes for staff in the UK and US, 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.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 retained earnings reserve.

Savings-related share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. Cancelled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled.

During the year the Group established an HMRC-approved share incentive plan ("SIP") for its UK-based employees under which employees can be awarded Free and Matching Shares. The fair value of shares awarded under the SIP is the market value of those shares at the date of grant, which is then recognised on a straight-line basis over the vesting period.

Where the Parent Company grants options over its shares to employees in subsidiaries, it recognises this as a capital contribution equivalent to the share-based payment charge recognised in the Group Income Statement. In the financial statements of the Parent Company, this capital contribution is recognised as an increase in the cost of investment in subsidiaries, with the corresponding credit being recognised directly in equity.

Critical accounting estimates, assumptions 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:

Critical accounting estimates and assumptions

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 'Post-employment benefits';

Useful economic life and residual value estimates – the Group reviews the useful economic lives and residual values attributed to assets on an on-going 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 25 '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 can also include an estimate of deferred consideration payable using assumptions which are consistent with those used to determine the carrying value of goodwill. 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 12. These estimates could change materially in future years in line with actual and expected future performance.

Taxation – the Group operates in a number of tax jurisdictions and estimation is required of taxable profit in order to determine the Group's current tax liability. There are transactions and calculations for which the ultimate tax determination can be uncertain. The Group periodically evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Critical accounting judgements

Deferred tax assets – deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Description of the nature and purpose of each reserve within equity

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

Own shares in share trusts – own shares in share trusts relate to shares held in the Treatt Employee Benefit Trust (the 'EBT') and Treatt SIP Trustees Limited ("SIP"). The shares held in the EBT and SIP are all held to meet options to be exercised by employees, and share awards and tax-approved purchases by employees under the SIP. Dividends on those shares not beneficially held on behalf of employees have been waived. At 30 September 2015 the market value of the shares held by the EBT was £1,189,000 (2014: £1,343,000), and the market value of shares held by the SIP was £142,000 (2014: £Nil) of which £122,000 (2014: £Nil) relates to shares beneficially held by employees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of the nature and purpose of each reserve within equity (continued)
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 overseas subsidiaries.

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

4. SEGMENTAL INFORMATION

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

The Group operates one global business segment engaging in the manufacture and supply of ingredient solutions for the flavour, fragrance and FMCG markets with manufacturing sites in the UK, US and Kenya. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

Geographical segments
The following table provides an analysis of the Group's revenue by geographical market:

Revenue by destination		2015 £'000	2014 £'000
United Kingdom		**10,878**	9,974
Rest of Europe	– Germany	**4,576**	4,777
	– Ireland	**7,903**	5,577
	– Other	**10,834**	11,212
The Americas	– USA	**27,447**	22,772
	– Other	**6,721**	6,866
Rest of the World	– China	**4,840**	4,804
	– Other	**12,735**	13,207
		85,934	79,189

All Group revenue is in respect of the sale of goods, other than property rental income of £17,000 (2014: £17,000). No country included within 'Other' contributes more than 5% of the Group's total revenue. The Group's largest customer, together with its affiliates and agents, represented 12.1% (2014: 8.2%) of Group revenue. There were no other customers which represented more than 10% of Group revenue.

Non-current assets by geographical location, excluding deferred tax assets, were as follows:

	2015 £'000	2014 £'000
United Kingdom	**6,353**	7,274
United States	**6,041**	5,893
Rest of the World	**340**	214
	12,734	13,381

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

5. PROFIT FOR THE YEAR

Profit for the year is stated after charging/(crediting):

Group	2015 £'000	2014 £'000
Depreciation of property, plant & equipment	1,244	1,222
Amortisation of intangible assets[1]	175	172
Loss on disposal of property, plant & equipment	46	17
Gain on disposal of intangible assets	—	(2)
Research and development costs	807	672
Operating leases		
– plant & machinery	11	14
– land & buildings	84	69
Net foreign exchange loss[2]	273	267
Rent receivable	(17)	(17)
Cost of inventories recognised as expense[3]	56,375	49,562
Write downs of inventories recognised as an expense	1,174	734
Shipping costs	1,781	1,426
IT & telephony costs	578	545
Insurance costs	531	534
Energy & utility costs	427	560

1 Included in administrative expenses.
2 Excludes foreign exchange gains or losses on financial instruments disclosed in note 23.
3 Included in cost of sales.

The analysis of auditor's remuneration is as follows:

Fees payable to the Parent Company's auditors and their associates for the audit of:		
– the Parent Company and Group accounts	33	33
– the Group's subsidiaries pursuant to legislation	67	66
Total audit fees	**100**	99
Fees payable to the Parent Company's auditors and their associates for other services to the Group:		
– tax compliance services	13	13
– tax advisory services	5	—
– business advisory services	2	—
– financial software modelling services*	40	—
Total non-audit fees	**60**	13

* The financial modelling software services have been included in Other Intangible Assets.

6. EMPLOYEES

Group

Number of employees

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

	2015 Number	2014 Number
Technical and production	186	184
Administration and sales	124	114
	310	298

Employment costs

The followings costs were incurred in respect of the above:

	2015 £'000	2014 £'000
Wages and salaries	9,955	9,918
Social security costs	943	957
Pension costs (see note 26)	721	669
Share-based payments (see note 25)	198	46
	11,817	11,590

Directors

The information on Directors' emoluments and share options set out on pages 42 to 46 form part of these financial statements.

7. NET FINANCE COSTS

Group	2015 £'000	2014 £'000
Finance costs		
Bank overdraft interest paid	483	494
Other bank finance costs	116	94
Loan interest paid	34	60
Loan note interest paid	10	10
Pension finance cost (see note 26)	98	67
	741	725
Finance revenue		
Bank interest received	1	1
Net finance costs	740	724

8. EXCEPTIONAL ITEMS

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

Group	2015 £'000	2014 £'000
Legal and professional fees	174	292
Agency termination	—	1,110
	174	1,402
Less: tax effect of exceptional items	(18)	(244)
	156	1,158

The exceptional items in the year all relate to non-recurring items. The legal and professional fees relate to the earn-out dispute in relation to the acquisition of the Earthoil Group, which remains on-going (see note 28). The agency termination costs in the prior year related to statutory compensation due upon giving contractual notice in respect of the strategic termination of a longstanding agency arrangement.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

9. TAXATION

Group	2015 £'000	2014 £'000
Analysis of tax charge in income statement:		
Current tax:		
UK corporation tax on profits for the year	**956**	732
Adjustments to UK tax in respect of previous periods	**(11)**	(111)
Overseas corporation tax on profits for the year	**931**	909
Adjustments to overseas tax in respect of previous periods	**33**	(72)
Total current tax	**1,909**	1,458
Deferred tax:		
Origination and reversal of temporary differences	**(59)**	20
Effect of reduced tax rate on opening assets and liabilities	**—**	(13)
Adjustments in respect of previous periods	**(64)**	88
Total deferred tax (see note 16)	**(123)**	95
Tax on profit on ordinary activities	**1,786**	1,553
Analysis of tax credit/(charge) in other comprehensive income:		
Current tax:		
Foreign currency translation differences	**(2)**	(11)
Actuarial loss on defined benefit pension scheme	**43**	51
Total current tax	**41**	40
Deferred tax:		
Cash flow hedges	**81**	(8)
Actuarial loss on defined benefit pension scheme	**86**	188
Total deferred tax	**167**	180
Total tax credit recognised in other comprehensive income	**208**	220
Analysis of tax credit/(charge) in equity:		
Current tax:		
Share-based payments	**38**	17
Deferred tax:		
Share-based payments	**(2)**	26
Total tax credit recognised in equity	**36**	43

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 20.5% (2014: 22%). The differences are explained below:

	2015 £'000	2014 £'000
Profit before tax multiplied by standard rate of UK corporation tax at 20.5% (2014: 22%)	**1,594**	1,210
Effects of:		
Expenses not deductible in determining taxable profit and other items	**(80)**	188
Research and development tax credits	**(125)**	(104)
Difference in tax rates on overseas earnings	**439**	354
Adjustments to tax charge in respect of prior years	**(42)**	(95)
Total tax charge for the year	**1,786**	1,553

The main rate of UK corporation tax was reduced from 21% to 20% with effect from 1 April 2015. The Group's effective UK corporation tax rate for the year was therefore 20.5% (2014: 22%). The adjustments in respect of prior years relate to the finalisation of previous year's tax computations.

10. DIVIDENDS

Equity dividends on ordinary shares:

Parent Company and Group	Dividend per share for years ended 30 September 2015[2] Pence	2014[1] Pence	2013[1] Pence	2015 £'000	2014 £'000
Interim dividend	*1.28p*	**1.24p**	1.10p	**638**	565
Final dividend	*2.76p*	**2.60p**	2.60p	**1,340**	1,334
	4.04p	**3.84p**	3.70p	**1,978**	1,899

1 Accounted for in the subsequent year in accordance with IFRS.

2 The declared interim dividend for the year ended 30 September 2015 of 1.28 pence was approved by the Board on 15 May 2015 and was paid on 16 October 2015. Accordingly it has not been included as a deduction from equity at 30 September 2015. The proposed final dividend for the year ended 30 September 2015 of 2.76 pence will be voted on at the Annual General Meeting on 29 January 2016. Both dividends will therefore be accounted for in the financial statements for the year ending 30 September 2016.

11. EARNINGS PER SHARE

Group

Basic earnings per share

Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year. The weighted average number of shares excludes shares held by the Treatt Employee Benefit Trust (EBT), together with shares held by the Treatt SIP Trust (SIP) which do not rank for dividend.

	2015	2014
Earnings (£'000)	**5,990**	3,949
Weighted average number of ordinary shares in issue (No: '000)	**51,464**	51,335
Basic earnings per share (pence)	**11.64p**	7.69p

Diluted earnings per share

Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares.

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

	2015 No ('000)	2014 No ('000)
Weighted average number of shares	**52,450**	52,405
Weighted average number of shares held in the EBT and SIP	**(986)**	(1,070)
Weighted average number of shares used for calculating basic EPS	**51,464**	51,335
Executive share option schemes	**262**	40
All-employee share options	**152**	177
Weighted average number of shares used for calculating diluted EPS	**51,878**	51,552
Diluted earnings per share (pence)	**11.55p**	7.66p

Adjusted earnings per share

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

	2015 £'000	2014 £'000
Earnings for calculating basic and diluted earnings per share	**5,990**	3,949
Adjusted for:		
Exceptional items (see note 8)	**174**	1,402
Taxation thereon	**(18)**	(244)
Earnings for calculating adjusted earnings per share	**6,146**	5,107
Adjusted basic earnings per share (pence)	**11.94p**	9.95p
Adjusted diluted earnings per share (pence)	**11.85p**	9.91p

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

12. GOODWILL

Group	£'000
Carrying amount **30 September 2015**	**1,075**
30 September 2014	1,075

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 ended 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. Deferred consideration of £23,000 (2014: £23,000) has been included in goodwill in relation to the earn-out notice which has been issued but not yet settled as it is the subject of an on-going dispute (see note 28).

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.

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, 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. As at the year ended 30 September 2015, 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 for the five years ending 30 September 2020. Thereafter, a growth rate for pre-tax profit of 2% (2014: 2%) per annum is assumed into perpetuity. A rate of 12.5% (2014: 12.5%) has been used to discount the forecast cash flows. 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 £9.1m (2014: £7.5m). The recoverable amount is most sensitive to changes in the discount rate and sales growth. A 1% change in the discount rate or sales growth would change the recoverable amount by £1m.

13. OTHER INTANGIBLE ASSETS

Group	Lease premium £'000	Software licenses £'000	**Total £'000**
Cost			
1 October 2013	*343*	*838*	*1,181*
Exchange Adjustment	*—*	*1*	*1*
Additions	*—*	*212*	*212*
Disposals	*—*	*(105)*	*(105)*
1 October 2014	343	946	1,289
Exchange adjustment	—	5	**5**
Additions	—	108	**108**
Disposals	—	(171)	**(171)**
30 September 2015	**343**	**888**	**1,231**
Amortisation			
1 October 2013	*13*	*484*	*497*
Exchange adjustment	*—*	*1*	*1*
Charge for year	*4*	*168*	*172*
Disposals	*—*	*(107)*	*(107)*
1 October 2014	17	546	563
Exchange adjustment	—	3	**3**
Charge for year	4	171	**175**
Disposals	—	(171)	**(171)**
30 September 2015	**21**	**549**	**570**
Net book value **30 September 2015**	**322**	**339**	**661**
30 September 2014	326	400	726

Intangible assets with a net book value of £52,000 (2014: £27,000) have been pledged as security in relation to the Industrial Development Loan detailed in note 20.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
1 October 2013	*6,261*	*12,433*	*18,694*
Exchange Adjustment	*(5)*	*(54)*	*(59)*
Additions	*—*	*538*	*538*
Disposals	*—*	*(2,291)*	*(2,291)*
1 October 2014	6,256	10,626	16,882
Exchange adjustment	230	328	**558**
Additions	43	881	**924**
Disposals	(162)	(1,071)	**(1,233)**
30 September 2015	**6,367**	**10,764**	**17,131**
Depreciation			
1 October 2013	*958*	*6,018*	*6,976*
Exchange adjustment	*—*	*(39)*	*(39)*
Charge for year	*132*	*1,090*	*1,222*
Disposals	*—*	*(2,271)*	*(2,271)*
1 October 2014	1,090	4,798	5,888
Exchange adjustment	53	129	**182**
Charge for year	135	1,109	**1,244**
Impairment adjustment	—	27	**27**
Disposals	(143)	(1,065)	**(1,208)**
30 September 2015	**1,135**	**4,998**	**6,133**
Net book value			
30 September 2015	**5,232**	**5,766**	**10,998**
30 September 2014	5,166	5,828	10,994

Analysis of land & buildings	2015 £'000	2014 £'000
Net book value		
Freehold	**4,510**	4,427
Long Leasehold	**722**	739
	5,232	5,166

Included in plant and machinery are assets in the course of construction totalling £305,000 (2014: £352,000) which are not depreciated.

Property, plant and equipment with a net book value of £5.7m (2014: £5.6m) has been pledged as security in relation to the Industrial Development Loan and Equipment Financing Loans detailed in note 20.

Capital commitments

	2015 £'000	2014 £'000
Contracted but not provided for	**163**	350

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

15. INVESTMENTS IN SUBSIDIARIES

Parent Company	Total £'000
Cost	
1 October 2013	*5,238*
Capital contribution to subsidiaries	*47*
1 October 2014	5,285
Capital contribution to subsidiaries	**201**
Rounding adjustment	**(1)**
30 September 2015	**5,485**

Parent Company	2015 £'000	2014 £'000
Subsidiary:		
R C Treatt & Co Limited – at cost 50,000 ordinary shares of £1 each, fully paid	**2,467**	2,350
Treatt USA Inc – at cost 2,975,000 common stock of US$1 each, fully paid	**1,943**	1,860
Earthoil Plantations Limited 4,051,000 ordinary shares of 50p each, fully paid	**923**	923
Earthoil Kenya Pty Limited 2,500 'A' ordinary shares of KES20 each, fully paid 2,500 'B' ordinary shares of KES20 each, fully paid	**152**	152
	5,485	5,285

During the year the Parent Company had the following subsidiary undertakings:

Subsidiary	Country	Holding	Principal activity
Wholly owned by Treatt Plc:			
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
Earthoil Kenya Pty Limited	Kenya	100%	Intermediate holding company
Treatt SIP Trustees Limited	England	100%	Employee share trust
Wholly owned by Earthoil Kenya Pty Limited:			
Earthoil Africa EPZ Limited	Kenya	100%	Supply of organic & fair trade vegetable oils
Earthoil Extracts Limited	Kenya	100%	Supply of organic & fair trade essential oils

16. DEFERRED TAXATION

Group	2015 £'000	2014 £'000
UK deferred tax asset	**647**	396
Overseas deferred tax liability	**(1,037)**	(1,007)
Net deferred tax liability	**(390)**	(611)

A reconciliation of the net deferred liability is shown below:

	UK Deferred Tax				Overseas Deferred Tax		Total
Group	Post-employment benefits £'000	Fixed assets £'000	Cash flow hedge £'000	Other temporary differences £'000	Fixed assets £'000	Other temporary differences £'000	£'000
1 October 2013	*333*	*(166)*	*76*	*35*	*(1,104)*	*103*	*(723)*
Exchange differences	*—*	*—*	*—*	*—*	*(1)*	*2*	*1*
(Charge)/credit to income statement	*(16)*	*(52)*	*17*	*(37)*	*(69)*	*62*	*(95)*
Credit/(charge) to OCI	*188*	*—*	*(8)*	*—*	*—*	*—*	*180*
Credit direct to equity	*—*	*—*	*—*	*26*	*—*	*—*	*26*
1 October 2014	505	(218)	85	24	(1,174)	167	(611)
Exchange differences	—	—	—	—	(80)	13	**(67)**
(Charge)/credit to income statement	—	20	36	30	56	(19)	**123**
Credit/(charge) to OCI	86	—	81	—	—	—	**167**
Credit direct to equity	—	—	—	(2)	—	—	**(2)**
30 September 2015	**591**	**(198)**	**202**	**52**	**(1,198)**	**161**	**(390)**

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 has a specific plan in place to reverse the deficit and so this deferred tax asset has been recognised.

The deferred tax rate applied to UK companies within the Group is 20% (2014: 20%) as legislation has been substantively enacted which reduces the main rate of UK corporation tax from 21% in the 2014/15 tax year to 20% for the 2015/16 tax year.

On 8 July 2015 it was announced that the UK rate of corporation tax will further reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements. The effect of these announced reductions is not likely to be material.

17. INVENTORIES

Group	2015 £'000	2014 £'000
Raw materials	**10,830**	11,463
Work in progress and intermediate products	**12,504**	12,267
Finished goods	**2,465**	4,290
	25,799	28,020

Inventory with a carrying value of £10.2m (2014: £10.6m) has been pledged as security in relation to the Industrial Development Loan detailed in note 20.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

18. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2015	2014	2015	2014
Current	£'000	£'000	£'000	£'000
Trade receivables	15,634	13,203	—	—
Amounts owed by subsidiaries	—	—	116	45
Other receivables	1,090	470	592	—
Prepayments	911	836	—	—
	17,635	14,509	708	45

	Group		Parent Company	
	2015	2014	2015	2014
Non-current	£'000	£'000	£'000	£'000
Other receivables	—	586	—	586

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 determine 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 as follows:

	2015	2014
Group	£'000	£'000
Average debtor days	61	57

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 as follows:

	2015	2014
Group	£'000	£'000
Impairment provision		
At start of year	309	133
Released in year	(108)	(124)
Provided in year	100	299
Foreign exchange	6	1
	307	309

The impairment of trade receivables has been carried out by the Group's management based on prior experience and their assessment of the current economic environment.

The Group's top five customers represent 30% (2014: 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:

	2015	2014
Group	£'000	£'000
Number of days past the due date:		
1–30	2,213	1,541
31–60	507	507
Over 60	501	180

18. TRADE AND OTHER RECEIVABLES (continued)

The ageing profile of impaired trade receivables is as follows:

Group	2015 £'000	2014 £'000
Number of days past the due date:		
Current	**24**	10
1–30	**—**	—
31–60	**—**	5
Over 60	**283**	294

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 Financial Review on pages 14 to 17. The currency exposure within trade receivables, analysed by currency, was as follows:

Group	2015 £'000	2014 £'000
GB Pound	**3,267**	3,338
US Dollar	**10,924**	8,503
Euro	**1,383**	1,385

Trade receivables with a carrying value of £3.7m (2014: £3.4m) have been pledged as security in relation to the Industrial Development Loan detailed in note 20.

There is no credit risk associated with other receivables of £0.6m (2014: Non-current other receivables of £0.6m) as these amounts are contractually fully recoverable against loan notes payable of £0.7m (2014: £0.7m) when they fall due, and are recoverable at an earlier date if deferred consideration in respect of Earthoil becomes payable. This is now expected to be settled within one year and is therefore included within current assets.

19. CASH AND BANK BALANCES

Group

Cash and bank balances of £1,477,000 (2014: £629,000) 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 net 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. The credit ratings of these banks are considered to be satisfactory.

20. BORROWINGS

	Group		Parent Company	
Current	2015 £'000	2014 £'000	2015 £'000	2014 £'000
US term loans	**566**	514	**—**	—
UK revolving credit facilities	**—**	1,234	**—**	—
Bank borrowings	**1**	608	**—**	1,556
	567	2,356	**—**	1,556

	Group	
Non-current	2015 £'000	2014 £'000
US term loans	**1,124**	1,579
UK revolving credit facilities	**5,941**	5,551
US line of credit	**—**	727
	7,065	7,857

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

20. BORROWINGS (continued)

US loans and borrowings

US term loans comprise the following:

Group	2015 £'000	2014 £'000
Industrial development loan	**1,030**	1,120
Equipment financing loans	**660**	973
	1,690	2,093

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 3.66% for ten years ending on 1 July 2021 by way of an interest rate swap which covers the full term of the loan. The fair value of this interest rate swap (based on the mark-to-market valuation provided by Bank of America) at the year-end was £91,000 (2014: £102,000) based on year end exchange rates. The fair value of this swap is not included on the balance sheet or through the income statement as the amount involved is not material. Similarly, the Directors do not apply hedge accounting in respect of US borrowings due to the lack of materiality of the items involved.

The equipment financing loans of £491,000 (2014: £748,000) and £169,000 (2014: £225,000) are repayable by fixed monthly instalments over five years ending on 30 March and 31 December 2017, with fixed interest rates of 4.36% and 2.89% respectively.

The US Dollar overdraft facility ('line of credit') of $4 million is a four year facility expiring in 2017. The US term loans 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 UK facilities are unsecured. UK borrowings of $9m are held on a four year revolving credit facility (RCF) which expires in 2019. The rate of interest on $9m of UK revolving credit facilities has been fixed for ten years at a rate of 5.68% through an interest rate swap ending on 29 December 2020. Hedge accounting has been applied to the fair value of this swap, details of which are provided in note 29.

Borrowings are repayable as follows:

Group	2015 £'000	2014 £'000
– in one year or less	**567**	2,356
– in more than one year but not more than two years	**412**	6,080
– in more than two years but not more than five years	**6,465**	1,444
– in more than five years	**188**	333
	7,632	10,213

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 2015, the Group had total borrowing facilities of £20.7m (2014: £20.3m) of which £8.5m (2014: £10.2m) expire in one year or less and £14.5m (2014: £10.7m) were undrawn.

21. PROVISIONS

Group	2015 £'000	2014 £'000
Onerous contract provision:		
At start of year	**920**	49
Utilised in year	**(887)**	(49)
Additional provision in year	**195**	920
Foreign exchange	**11**	—
Balance at end of year	**239**	920

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.

22. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Trade payables	**7,432**	7,326	**—**	—
Amounts owed to subsidiaries	**—**	—	**61**	13
Other taxes and social security costs	**508**	514	**8**	6
Accruals	**2,945**	4,213	**24**	1
	10,885	12,053	**93**	20

	Group		Parent Company	
Non-current	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Other creditors and accruals	**—**	23	**—**	23

Trade payables principally comprise amounts for trade purchases and on-going costs. The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

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 Financial Review on pages 14 to 17. The currency exposure within trade payables, analysed by currency, was as follows:

Group	**2015 £'000**	2014 £'000
GB Pound	**1,529**	1,368
US Dollar	**4,446**	4,972
Euro	**533**	393

Non-current other creditors and accruals in the prior year related to the deferred consideration payable to the vendors in relation to the acquisition of Earthoil. This is now expected to be settled within one year and is therefore included within current liabilities. See note 12 for further information.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Group	**2015 £'000**	2014 £'000
Derivative financial assets:		
Foreign exchange contracts	**—**	92
Derivative financial liabilities:		
Current:		
Foreign exchange contracts	**305**	—
Non-current:		
Interest rate swaps	**699**	511
	1,004	511

The gains/(losses) on derivative financial instruments were as follows:

Group	**2015 £'000**	2014 £'000
Income statement:		
Foreign exchange contracts	**243**	361
Other comprehensive income:		
Interest rate swaps	**(188)**	66
Foreign exchange contracts	**(216)**	(50)
	(404)	16

Further details on the Group's hedging policies and derivative financial instruments are disclosed in note 29.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

24. SHARE CAPITAL

Parent Company and Group **Called up, allotted and fully paid**	**2015** **£'000**	**2015** **Number**	2014 £'000	2014 Number
At start of year	**1,048**	**52,405,170**	1,048	52,405,170
Issued in year	**2**	**90,000**	—	—
At end of year	**1,050**	**52,495,170**	1,048	52,405,170

During the year the Parent Company issued 90,000 ordinary shares of 2p each to the Treatt UK SIP Trust for the purpose of meeting its obligations under an HMRC-approved share incentive plan in the UK.

The Parent Company has one class of ordinary shares, now with a nominal value of 2p each, which carry no right to fixed income.

25. SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS2 "Share-based payments".

The Group operates executive share option schemes for Directors, senior management and other key employees 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.

The Group also operates an HMRC-approved share incentive plan in the UK, and operates an equivalent scheme for its US employees.

The share-based payments charge was as follows:

Group	**2015** **£'000**	2014 £'000
Share option schemes – see (a) below	**178**	47
Share incentive plans – see (b) below	**20**	—
	198	47

25. SHARE-BASED PAYMENTS (continued)

(a) Share option schemes

Under the schemes listed below, options have been granted to subscribe for the following number of existing ordinary shares of 2p each in the capital of the Parent Company. These share options are expected to be settled via the transfer of shares out of the "Treatt Employee Benefit Trust".

The equity-settled options which existed during the year were as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
UK SAYE[1] Scheme 2012	—	190,815	53.4p	Sep 2015 – Feb 2016
UK SAYE Scheme 2013	117,420	1,795	97.8p	Sep 2016 – Feb 2017
UK SAYE Scheme 2014	196,765	—	138.0p	Sep 2017 – Feb 2018
UK SAYE Scheme 2015	200,828	—	132.0p	Sep 2018 – Feb 2019
US ESPP[2] Scheme 2014	—	27,192	147.0p	July 2015
US ESPP Scheme 2015	43,762	—	137.0p	July 2016
UK LTIP[3] Scheme 2014	100,282	—	Nil	June 2017 – June 2024
US LTIP Scheme 2014	75,061	—	Nil	June 2017
UK LTIP Scheme 2015	130,863	—	Nil	June 2018 – June 2025
US LTIP Scheme 2015	113,993	—	Nil	June 2018
UK Executive[4] Options 2012	12,820	—	78.0p	Dec 2015 – Dec 2022
US Executive Options 2012	97,740	—	79.0p	Dec 2017 – Dec 2022
UK Executive Options 2013	6,790	—	147.2p	Dec 2016 – Dec 2023
US Executive Options 2013	51,965	—	147.2p	Dec 2018 – Dec 2023
UK Executive Options 2014	128,400	—	Nil	Dec 2017 – Dec 2024
US Executive Options 2014	164,816	—	Nil	Dec 2017 – Dec 2024

1 The SAYE schemes are HMRC-approved Save As You Earn share option plans, which vest after three years. Options are forfeited where employees choose to leave the Group before the end of the three year period.

2 The ESPP schemes are IRS-approved Employee Stock Purchase Plans, which vest after one year. Options are forfeited where employees choose to leave the Group before the end of the three year period.

3 Share options are awarded to certain key employees in the UK and US under a Long Term Incentive Plan. All awards are nil-cost options which vest, subject to achievement of the relevant performance conditions, after three years and can be exercised over the following seven years. Save as permitted in the LTIP rules, awards lapse on an employee leaving the Group.

4 Details of the Executive options are provided in the Directors' Remuneration Report.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

25. 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:

All-employee share schemes:	SAYE 2012	SAYE 2013	SAYE 2014	SAYE 2015	US ESPP 2014	US ESPP 2015
Share price at date of grant	63.3p	123.5p	172.5p	165.0p	172.5p	165.0p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	1 year	1 year
Expected life	3 years	3 years	3 years	3 years	1 year	1 year
Expected volatility	21.1%	23.6%	23.4%	23.3%	19.1%	23.1%
Risk-free interest rate	0.57%	1.30%	2.02%	1.52%	2.02%	1.52%
Dividend yield	4.7%	2.6%	2.2%	2.4%	2.2%	2.4%
Expected cancellations	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Expected forfeitures	12.7%*	10.0%	10.0%	10.0%	0%*	10.0%
Fair value per option at date of grant	8.1p	26.4p	39.0p	35.6p	25.2p	27.5p

Key employee share schemes:	UK LTIP 2014	US LTIP 2014	UK LTIP 2015	US LTIP 2015
Share price at date of grant	174.0p	174.0p	158.0p	158.0p
Contractual life	10 years	3.2 years	10 years	3.2 years
Expected life	3 years	3 years	3 years	3 years
Expected volatility	23.4%	23.3%	23.3%	23.3%
Risk-free interest rate	2.02%	2.02%	1.44%	1.44%
Dividend yield	2.2%	2.2%	2.5%	2.5%
Expected cancellations	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	35.0%	35.0%	35.0%	35.0%
Fair value per option at date of grant	139.5p	162.1p	123.6p	146.0p

Executive share schemes:	UK Exec 2012	US Exec 2012	UK Exec 2013	US Exec 2013	UK Exec 2014	US Exec 2014
Share price at date of grant	78.0p	78.0p	147.2p	147.2p	139.7p	139.7p
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years
Expected life	3 years	5 years	3 years	5 years	3 years	3 years
Expected volatility	21.1%	21.7%	23.6%	23.3%	23.4%	23.4%
Risk-free interest rate	0.84%	0.84%	1.70%	1.70%	1.26%	1.26%
Dividend yield	4.0%	4.0%	2.5%	2.5%	2.7%	2.7%
Expected cancellations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	25.0%	25.0%	25.0%	25.0%	35.0%	35.0%
Fair value per option at date of grant	8.25p	8.45p	30.0p	29.6p	106.1p	106.1p

* Actual forfeiture experienced.

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.

25. SHARE-BASED PAYMENTS (continued)

Details of movements in share options during the year were as follows:

	2015 No of options	**2015 Weighted average exercise price**	2014 No of options	2014 Weighted average exercise price
Outstanding at start of year	**897,910**	**£0.81**	570,890	£0.73
Granted during the year	**782,662**	**£0.42**	467,865	£0.88
Forfeited during the year	**(8,809)**	**£1.02**	(14,175)	£0.64
Exercised during the year	**(219,802)**	**£0.65**	(126,670)	£0.73
Expired during the year	**(9,425)**	**£1.28**	—	—
Cancelled during the year	**(1,031)**	**£1.47**	—	—
Outstanding at end of year	**1,441,505**	**£0.61**	897,910	£0.81
Exercisable at end of year	**—**	**—**	265	£0.68

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 6.4 years (2014: 5.2 years). The weighted average actual market share price on date of exercise for share options exercised during the year was 158.6 pence (2014: 159.4 pence) and the weighted average fair value of options granted during the year was 92.4 pence (2014: 78.1 pence).

(b) Share incentive plans

All UK-based employees are eligible to participate in an HMRC-approved SIP once they have been with the Group for a qualifying period of up to twelve months. US employees participate in a similar scheme through the use of nil cost Restricted Stock Units (RSUs). During the year UK employees were awarded £500 (2014: £Nil) of 'Free Shares', and US employees $800 (2014: Nil) of RSUs, in Treatt plc. There are no vesting conditions attached to the Free Shares or RSUs, other than being continuously employed by the Group for three years from the date of grant. UK employees can also buy shares in Treatt Plc out of pre-tax income, subject to an annual HMRC limit, currently £1,800. These shares are called Partnership Shares and are held in trust on behalf of the employee. The employees must take their shares out of the plan on leaving the Group.

Details of the movements in the share incentive plans (SIPs) were as follows:

	No of free shares		**No of nil cost RSUs**	
	2015	2014	**2015**	2014
Outstanding at start of year	**—**	—	**—**	—
Granted during the year	**55,421**	—	**23,058**	—
Forfeited during the year	**(1,059)**	—	**(1,830)**	—
Released during the year	**(1,059)**	—	**—**	—
Outstanding at end of year	**53,303**	—	**21,228**	—
Exercisable at end of year	**—**	—	**—**	—

In accordance with IFRS 2, no valuation model is required to calculate the fair value of awards under the SIPs. The fair value of an equity-based payment under the SIPs is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

26. POST-EMPLOYMENT BENEFITS

Group

The Group operates 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 and from 1 January 2013 was not subject to any further accruals. Instead members of the final salary pension scheme became eligible for membership of a defined contribution pension plan with effect from 1 January 2013.

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 was made up as follows:

Current	**2015**	2014
Defined contribution schemes	**697**	644
Other pension costs	**24**	24
	721	668

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

26. POST-EMPLOYMENT BENEFITS (continued)

Defined benefit pension scheme

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 2015 carried out by Barnett Waddingham and updated by Mrs L Lawson, a Fellow of the Institute and Faculty of Actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2015. Scheme assets are stated at their market value as at that date.

The scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the trustees of the scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the scheme in these financial statements.

The scheme is managed by a board of trustees appointed in part by the company and part from elections by members of the Scheme. The trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the scheme's assets. The trustees delegate some of these functions to their professional advisers where appropriate.

The scheme exposes the Group to a number of risks:

Investment risk: The scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk: The scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk: A proportion of the benefits under the scheme are linked to inflation. Although the scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

Mortality risk: In the event that members live longer than assumed a greater deficit will emerge in the scheme.

Member options: Certain benefit options may be exercised by members without requiring the consent of the trustees or the company, for example exchanging pension for cash at retirement. In this example, if fewer members than expected exchange pension for cash at retirement then a funding strain will emerge.

The assets do not include any investment in shares of the Group and there were no plan amendments, curtailments or settlements during the period.

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

	2015 **£'000**	2014 £'000
Discount rate	**4.00%**	4.10%
Rate of inflation (RPI)	**3.10%**	3.25%
Rate of inflation (CPI)	**2.10%**	2.25%
Rate of increase in pensions in payment – CPI max 5%	**2.10%**	2.25%
Rate of increase in pensions in payment – CPI max 3%	**2.00%**	2.10%
Rate of increase in pensions in payment – CPI max 2.5%	**1.85%**	1.95%
Revaluation in deferment	**2.10%**	2.25%
Mortality table	**100% of S2PxA table with CMI_2014 projections with a long term average rate of improvement of 1.25% pa**	100% of S1PxA table with CMI_2011 projections with a long term average rate of improvement of 1% pa
Commutation allowance	**20%**	20%
Rate of increase in salaries	**N/A**	N/A
Life expectancy for male aged 65 in 20 years' time	**24.1**	23.5
Life expectancy for female aged 65 in 20 years' time	**26.3**	26.0
Life expectancy for male aged 65 now	**22.4**	22.2
Life expectancy for female aged 65 now	**24.4**	24.4

26. POST-EMPLOYMENT BENEFITS (continued)

Effect of the scheme on future cash flows

The Group is required to agree a schedule of contributions with the trustees of the scheme following a valuation which must be carried out at least once every three years. The latest valuation of the scheme took place as at 1 January 2015. The valuation revealed that there was a funding surplus in the scheme as at that date of £314,000, being a funding level of 102%. It was agreed with the trustees that, consequently, the Group could cease making contributions to the scheme for the foreseeable future. It was further agreed that if the annual actuarial funding update revealed that the scheme funding level had fallen to below 95%, then contributions would be resumed. The actuarial funding update as at 30 September 2015 revealed an increased actuarial surplus of £561,000, being a funding level of 103%. The Group therefore does not expect to make on-going contributions to its defined benefit pension scheme in 2016 (2015: £306,000). The weighted average duration of the defined benefit obligation is approximately 18 years.

	2015 £'000	2014 £'000
Scheme assets:		
Equities	8,908	9,143
Target return funds	3,658	5,544
Bonds	5,652	3,454
Other	74	36
Fair value of scheme assets	18,292	18,177
Present value of funded obligations (scheme liabilities)	(21,251)	(20,706)
Deficit in the scheme recognised in the balance sheet	(2,959)	(2,529)
Related deferred tax	592	505
Net pension liability	(2,367)	(2,024)
Changes in scheme liabilities		
Balance at start of year	(20,706)	(18,760)
Current service cost	—	—
Interest cost	(839)	(858)
Benefits paid	493	622
Remeasurement losses:		
Experience loss on liabilities	(113)	—
Actuarial loss arising from changes to demographic assumptions	(85)	—
Actuarial loss arising from changes in financial assumptions	(1)	(1,710)
Balance at end of year	(21,251)	(20,706)
Changes in scheme assets		
Balance at start of period	18,177	17,171
Interest on scheme assets	741	791
Employer contributions	306	297
Benefits paid	(493)	(622)
Remeasurement gains:		
Return on plan assets (excluding amounts included in interest expense)	(439)	540
Balance at end of year	18,292	18,177

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

26. POST-EMPLOYMENT BENEFITS (continued)

	2015 £'000	2014 £'000
Amount charged to finance costs		
Interest on scheme assets	**741**	791
Interest on scheme liabilities	**(839)**	(858)
Net finance expense	**(98)**	(67)
Net expense recognised in income statement	**(98)**	(67)
Amount recognised in statement of comprehensive income		
(Loss)/gain on scheme assets in excess of interest	**(439)**	540
Experience losses on liabilities	**(113)**	—
Loss from changes to demographic assumptions	**(85)**	—
Loss from changes to financial assumptions	**(1)**	(1,710)
Remeasurement loss recognised in statement of comprehensive income	**(638)**	(1,170)
Actual return on scheme assets	**302**	1,331
Cumulative remeasurement loss recognised in statement of comprehensive income	**(4,151)**	(3,513)

Approximate effect of change of assumptions on liability values at 30 September 2015:

	Increase liability by: £'000
Reduce discount rate by 0.25% pa	**985**
Increase inflation and all related assumptions by 0.1% pa	**243**
Increase life expectancy by one year	**705**

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. The assumptions used in preparing this sensitivity analysis are unchanged from the prior year.

27. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2015, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**53**	38
In one to two years	**35**	38
In two to five years	**44**	83
In more than five years	**—**	14
	132	173

The Group as lessor

As at 30 September 2015, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**8**	8

Details of lease payments under operating leases recognised as an expense in the year are disclosed in note 5.

28. CONTINGENT LIABILITIES

Parent Company

The Parent Company has guaranteed the Industrial Development Loan and 'Line of Credit' for Treatt USA Inc. At the balance sheet date the liability covered by this guarantee amounted to US$1,560,000 (£1,030,000) (2014: US$1,815,000 (£1,120,000)).

The Parent Company has also guaranteed certain bank borrowings of its UK subsidiaries R C Treatt & Co Limited and Earthoil Plantations Limited. At the year-end the liabilities covered by this guarantee amounted to £5,430,000 (2014: £5,419,000).

Parent Company and Group

As previously reported, the sellers of the Earthoil Group, which was wholly acquired in April 2008 (see note 12), filed a claim in the Chancery Division of the High Court against the Parent Company for £1.8m which they subsequently extended. The claim relates to various matters in respect of the earn-out, being the deferred consideration payable to the sellers in respect of the acquisition of the Earthoil Group.

Following rulings by the High Court and Court of Appeal on issues of contractual interpretation, £1,486,000 of the substantive claim, being the quantum of the earn-out, has been referred to chartered accountants for expert determination (the 'expert'). Following the outcome of the expert determination process, which is expected in the first half of 2016, the outstanding issues in the claim (totalling a further £694,000) may be heard when the matter returns to the High Court. The costs of resolving the dispute currently total £1,113,000, of which the current year's costs of £174,000 have been included in exceptional items on a consistent basis to the prior year. The total eventual legal and professional fees of the dispute are currently unknown, but are likely to exceed £1.25m; apportionment of costs between the parties will be determined by the Court following conclusion of the entire claim.

The amount included in these financial statements as a liability in respect of the earn-out is based on the earn-out notice issued to the vendors in 2012, as subsequently supported by our submission to the expert. This is the only appropriate estimate which can be made until the outcome of the expert determination process is known and as with any litigation there can be no certainty of the eventual outcome.

29. FINANCIAL INSTRUMENTS

Parent Company and Group

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 and equity shareholders' funds. 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. The Group has a mix of facilities, including a £2m three year revolving credit facility with Lloyds Banking Group and a $9m four year revolving credit facility with HSBC in the UK, together with a $4m four year line of credit facility with Bank of America in the US. None of these facilities expire in the same financial years and all bank facilities are operated independently and are therefore not syndicated. 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, CEO's Report and Financial Review on pages 8 to 17.

Categories of financial instruments

In the following table those 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).

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

29. FINANCIAL INSTRUMENTS (continued)

Capital risk management (continued)

	Group		Parent Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Financial assets				
Redeemable loan notes receivable from subsidiaries	**—**	—	**1,350**	1,350
Trade receivables	**15,634**	13,203	**—**	—
Cash and cash equivalents	**1,477**	629	**686**	—
Derivative financial instruments – forward currency contracts (level 2)	**—**	92	**—**	—
	17,111	13,924	**2,036**	1,350

	Group		Parent Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Financial liabilities				
Redeemable loan notes payable	**675**	675	**675**	675
Trade payables	**7,432**	7,326	**—**	—
Bank borrowings	**1**	608	**—**	1,556
UK revolving credit facilities	**5,941**	6,785	**—**	—
US term loans	**1,690**	2,093	**—**	—
Derivative financial instruments – forward currency contracts (level 2)	**305**	—	**—**	—
Derivative financial instruments – interest rate swap (level 2)	**699**	511	**—**	—
	16,743	17,998	**675**	2,231

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 report 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 18. 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 19. 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:

Parent Company	**2015 £'000**	2014 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	**950**	950
Variable Rate Unsecured Loan Notes 2015 (B)	**400**	400
	1,350	1,350

29. FINANCIAL INSTRUMENTS (continued)

Credit risk management (continued)

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, comprising the Earthoil Group. Although the Earthoil Group has access to the Group's banking facilities, on a standalone basis there is technically a credit risk attaching to the loan notes. However, given that the Earthoil Group is now trading profitably and the Parent Company has control over when the loan notes are redeemed, this credit risk is not considered to be significant.

Further details of the Group's credit risk management are given in notes 18 and 19.

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 20.

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.

The Group hedges a portion of its interest rate risk through an interest rate swap which has 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 was as follows:

Derivative financial instruments **Non-current liabilities**	**2015** **£'000**	2014 £'000
Interest rate swaps	**699**	511

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 expect to pay in order to close the swap contract at the balance sheet date.

The gain/(loss) on interest rate swaps was as follows:

Group	**2015** **£'000**	2014 £'000
Other comprehensive income	**(188)**	66

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

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

29. FINANCIAL INSTRUMENTS (continued)

Interest rate risk management (continued)

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:

	Floating rate financial liabilities		Fixed rate financial liabilities		Total	
Group	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Bank borrowings:						
US Dollars	**455**	472	**7,631**	7,644	**8,086**	8,116
Sterling*	**(1,709)**	1,422	**—**	—	**(1,709)**	1,422
Other*	**(222)**	45	**—**	—	**(222)**	45
Total Net Debt	**(1,476)**	1,939	**7,631**	7,644	**6,155**	9,583
Loan notes payable:						
Sterling	**675**	675	**—**	—	**675**	675
	(801)	2,614	**7,631**	7,644	**6,830**	10,258

* Bank borrowings are shown net of positive cash balances as rights of set-off exist.

The Parent Company bank balances were all held in Sterling.

Interest on floating rate bank deposits is based on UK base rates or currency LIBOR as applicable. Interest on bank overdrafts is charged at 1.35%-2.75% above bank base or currency LIBOR rates. The terms of the loan notes receivable are shown within this note.

Fixed rate financial liabilities comprise the Industrial Development Loan of US$1,560,000 (2014: US$1,815,000), equipment financing term loans of $1,000,000 (2014: $1,578,000) and $9,000,000 revolving credit facility (see note 20).

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

Parent Company	**2015 £'000**	2014 £'000
Series A Variable Rate Unsecured Loan Notes 2015	**475**	475
Series B Variable Rate Unsecured Loan Notes 2015	**200**	200
	675	675

Subject to the outcome of the Earthoil earn-out legal dispute (see note 28), 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, after taking account of rights of set off, 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 2015 would have decreased or increased as follows:

	Group		Parent Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Impact on profit before tax of 1% interest rate movement	**83**	102	**(7)**	9

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.

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 and Euros as well as by entering into foreign currency forward contracts and options. Further details of the Group's foreign currency risk management can be found in the Chairman's Statement, CEO's Report and Financial Review on pages 8 to 17.

29. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

The following table details the forward and option contracts outstanding at the year end:

As at 30 September 2015	**Average Rate**	**Nominal currency '000**	**Contract GBP £'000**	**Fair value gain/(loss) £'000**
US Dollars:				
Put option to sell US Dollars in 3 to 6 months	1.585	$13,500	**8,517**	**(262)**
Call option to sell US Dollars in 3 to 6 months	1.585	$13,500	**8,517**	**37**
Euros:				
Forward contract to sell Euros in 3 to 6 months	1.403	€3,000	**2,139**	**(80)**
				(305)

As at 30 September 2014	Average Rate	Nominal currency '000	Contract GBP £'000	Fair value gain £'000
US Dollars:				
Call option to sell US Dollars in 3 to 6 months	1.659	$10,000	6,028	—
Euros:				
Forward contract to sell Euros in 3 to 6 months	1.255	€3,000	2,391	53
				53

The derivative financial instruments for the foreign currency contracts and options described above are all held as cash flow hedges and are classified as level 2. The fair value of the foreign currency contracts at the year end equate to the mark-to-market valuation of the contracts and options provided by HSBC and Lloyds Banking Group and represent the amount which the Group would expect to pay in order to close the contracts at the balance sheet date.

The gain/(loss) on foreign currency financial instruments during the year was as follows:

Group	**2015 £'000**	2014 £'000
Income statement	**243**	361
Other comprehensive income	**(216)**	(50)
	27	311

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:	**2015 £'000**	2014 £'000
US Dollar	**4,762**	1,948
Other	**1,161**	1,074
	5,923	3,022

29. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

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 gain/(loss) on net monetary assets or liabilities as follows:

Group	2015 £'000	2014 £'000
Impact of 10% strengthening of US Dollar against GB Pound	529	216

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since it is limited to the year-end exposure and does not reflect the exposure during the year.

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 35 to 46.

	2015 £'000	2014 £'000
Salaries and other short-term employee benefits	982	950
Employers' social security costs	90	91
Pension contributions to money purchase schemes	39	41
Share-based payments	85	6
	1,196	1, 088

During the year no Directors (2014: nil) were members of a defined benefit pension scheme as the scheme was closed to future accrual with effect from 31 December 2012. The aggregate accumulated total pension payable at age 65 as at 30 September 2015 was £21,000 (2014: £66,000) per annum.

Parent Company

Transactions with subsidiaries:

	2015 £'000	2014 £'000
Interest received from:		
Earthoil Plantations Limited	14	14
Earthoil Kenya PTY EPZ Limited	6	6
Dividends received from:		
R C Treatt & Co Limited	3,072	936
Treatt USA Inc	1,021	902

Balances with subsidiaries:

	2015 £'000	2014 £'000
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	(61)	45
R C Treatt & Co Limited	116	(13)

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.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE YOU ARE RECOMMENDED TO CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your ordinary shares in Treatt plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Notice of the Annual General Meeting which has been convened for 29 January 2016 at 10.30 am at Treatt plc, Northern Way, Bury St Edmunds, Suffolk, IP32 6NL is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF 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 29 January 2016, at 10.30 am for the transaction of the following business:

Ordinary business

1. To receive the audited accounts and related reports of the Directors and Auditors for the year ended 30 September 2015.

2. To approve the Directors' Remuneration Report.

3. To approve a final dividend of 2.76p per share on the ordinary shares of the Company for the year ended 30 September 2015.

4. To re-elect Tim Jones as a Director of the Company.

5. To re-elect Daemmon Reeve as a Director of the Company.

6. To re-appoint RSM UK Audit LLP (formerly 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.

7. 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 8 will be proposed as an Ordinary Resolution and Resolutions 9 to 11 will be proposed as Special Resolutions.

8. Authority to allot securities

   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 29 April 2017; and

   (ii) this authority shall be limited to the allotment of shares and the granting of Rights up to an aggregate nominal amount of £346,468 (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.

Notice of Annual General Meeting continued

9. Disapplication of pre-emption rights for up to 5% of existing share capital
   THAT:
   (a) Conditionally upon the passing of Resolution 8 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 8 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 £52,495 (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 29 April 2017;
   (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.

10. Disapplication of pre-emption rights for a further 5% of existing share capital for a specified capital investment
   THAT:
   (a) Conditionally upon the passing of Resolutions 8 and 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 8 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 pursuant to paragraph (a)(i)(aa) of resolution 9 up to an aggregate nominal amount of £52,495 (representing a further 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 29 April 2017;
   (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. Authority to purchase own shares
   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 2p each in the capital of the Company ("ordinary shares") provided that:
   (a) the maximum number of ordinary shares authorised to be purchased is 5,249,517 (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 2p;
   (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 2017, 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

ANITA STEER
Secretary
14 December 2015

Registered Office:

Northern Way
Bury St Edmunds,
Suffolk 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 89 to 91 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 27 January 2016 (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.

Voting at the meeting will be conducted by poll rather than on a show of hands, which the Board believes provides a more accurate reflection of shareholder views and takes into account the number of shares held by each member. Those shareholders who are unable to attend the meeting should submit a form of proxy as detailed below. Shareholders attending the meeting may also wish to vote in advance of the meeting by submitting a form of proxy. Members who have done so will not need to vote at the meeting unless they wish to change their vote or the way in which the proxy is instructed to vote.

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 12p per minute plus your phone company's access charge. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales). Instruments appointing proxies must be lodged with the Company's registrars not less than 48 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 29 January 2016 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.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

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.

Notice of Annual General Meeting continued

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 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 4 December 2015 the Company's issued share capital consists of 52,495,170 ordinary shares. The total number of voting rights in the Company as at 4 December 2015 (the latest practicable reporting date prior to publication of this document) is 51,671,820.

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;
Emailing the Company Secretary on cosec@treatt.com; or
Writing to: The Company Secretary, Treatt plc, Northern Way, Bury St Edmunds, Suffolk, IP32 6NL.

EXPLANATORY NOTES

Report and Accounts (Resolution 1)

The Directors of the Company must present the accounts to the meeting.

Directors' Remuneration Report (Resolution 2)

Changes to The Companies Act 2006, implemented by the Enterprise and Regulatory Reform Act 2013, provide that a quoted company may not make a remuneration payment to a Director of the Company unless the payment is consistent with the Company's Remuneration Policy, as approved by shareholders, or the payment is approved by a Shareholders' Resolution. The legislation requires two resolutions to be put to shareholders on separate sections of the Directors' Remuneration Report. The Remuneration Policy is only required to be approved by shareholders every three years or in the intervening period if amendments are proposed. The Company's Remuneration Policy was approved at the 2015 Annual General Meeting and accordingly, since no amendments are proposed, it will not be put before shareholders at the Annual General Meeting in 2016. Resolution 2 is an advisory resolution on the Implementation Section of the Directors' Remuneration Report, which details the remuneration packages paid to Directors during the year ended 30 September 2015. You can find the Implementation Section of the Directors' Remuneration Report on pages 42 to 46.

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 2.76p 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 4 March 2016. If approved, the date of payment of the final dividend will be 8 April 2016. An interim dividend of 1.28 pence per ordinary share was paid on 16 October 2015. This represents an increase of 0.20 pence per share, or 5.2 per cent, on the total 2014 dividend.

Re-election of Directors (Resolutions 4 and 5)

In accordance with the Articles of Association, all Directors retire at least every three years and all newly appointed Directors retire at the first Annual General Meeting following their appointment. Furthermore, any Non-executive Director having been in post for nine years or more is subject to annual re-election.

At this meeting, Tim Jones and Daemmon Reeve will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 21. 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 6 and 7)

Resolutions 6 and 7 propose the reappointment of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) as Auditors of the Company and authorise the Directors to set their remuneration.

Directors' authority to allot securities (Resolution 8)

The Company may only allot ordinary shares or grant rights over ordinary shares if authorised to do so by shareholders. This resolution seeks to grant 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 2017 or, if earlier, on 29 April 2017 (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 £346,468 approximately 33 per cent of the Company's issued ordinary share capital as at 4 December 2015.

Disapplication of pre-emption rights (Resolution 9)

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 9 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 £52,495 (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 4 December 2015. 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 2017 or, if earlier, 29 April 2017 (the date which is 15 months after the date of passing of the resolution).

Disapplication of pre-emption rights for a further 5% of existing share capital for a specified capital investment (Resolution 10)

The Directors are seeking this year a further power from shareholders to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings, to reflect the Pre-emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "Statement of Principles"). Accordingly, Resolution 10 will be proposed as a special resolution to grant such a power. The power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £52,495 (being five per cent of the Company's issued ordinary share capital at 4 December 2015, the latest practicable date prior to publication of this notice). This is in addition to the five per cent referred to in Resolution 9. If given, this power will expire on 29 April 2017 or at the conclusion of the AGM in 2017, whichever is the earlier. The Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with a specified capital investment (within the meaning of the Statement of Principles from time to time) which is announced contemporaneously with the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue. As at 4 December 2015 the only specified capital investment proposed is the potential site relocation in the UK.

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 4 December 2015) 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 4 December 2015 (the latest practicable reporting date prior to publication of this document) was 1,441,505. The proportion of issued share capital that they represented at that time was 2.75 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 3.05 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 2017 or, if earlier, 29 April 2017 (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.

Parent Company information and advisers

Directors	Tim Jones (Chairman and Non-executive Director) Daemmon Reeve (Chief Executive Officer) Richard Hope (Finance Director) Anita Haines (Non-executive Director) Jeff Iliffe (Non-executive Director) David Johnston (Non-executive Director) Ian Neil (Non-executive Director)
Secretary	Anita Steer
Registered Office	Northern Way, Bury St Edmunds, Suffolk, IP32 6NL Tel: + 44 (0) 1284 702500 Email: cosec@treatt.com Website: http://www.treatt.com
Registered Number	1568937
Audit Committee	Jeff Iliffe (Chairman) David Johnston Tim Jones Ian Neil
Remuneration Committee	Ian Neil (Chairman) Jeff Iliffe David Johnston Tim Jones
Nomination Committee	Tim Jones (Chairman) Daemmon Reeve Anita Haines Jeff Iliffe David Johnston Ian Neil
Brokers	Investec Investment Banking 2 Gresham Street, London, EC2V 7QP
Auditors	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) Abbotsgate House, Hollow Road, Bury St Edmunds, Suffolk, IP32 7FA
Solicitors	Eversheds LLP One Wood Street, London, EC2V 7WS. Greene and Greene 80 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1QB
Bankers	HSBC Bank plc 140 Leadenhall Street, London, EC3V 4PS Lloyds Banking Group Black Horse House, Castle Park, Cambridge, CB3 0AR Bank of America 5th Floor, 101 E. Kennedy Boulevard, Tampa, FL 33602
Registrars	Capita Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Share Price	Treatt Plc's share price is available on www.ft.com. Annual and interim reports are available on the Group's website (www.treatt.com)

Financial calendar

2014/15

Financial year ended	30 September 2015
Results for year announced	8 December 2015
Annual Report and Financial Statements published	14 December 2015
Annual General Meeting	29 January 2016
Final dividend for 2015 goes 'ex-dividend'	2 February 2016
Record date for 2015 final dividend	4 February 2016
Last day for dividend reinvestment plan election	14 March 2016
Final dividend for 2015 paid	8 April 2016

2015/16

Interim results to 31 March 2016 announced	17 May 2016*
Interim dividend for 2016 goes 'ex-dividend'	7 September 2016*
Record date for 2016 interim dividend	9 September 2016*
Last day for dividend reinvestment plan election	19 September 2016*
Financial year ended	30 September 2016
Interim dividend for 2016 paid	14 October 2016*
Results for year to 30 September 2016 announced	29 November 2016*
Final dividend for 2016 paid	23 March 2017*

* These dates are provisional and may be subject to change

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