TREATT

Half Year Report
&
Condensed Financial Statements

Six months ended 31 March 2018

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TREATT PLC
HALF YEAR RESULTS
SIX MONTHS ENDED 31 MARCH 2018

Momentum continues with adjusted[1,2] profit before tax growing by 20% compared to H1 2017

Treatt Plc (the 'Group'), the manufacturer and supplier of innovative ingredient solutions for the flavour, fragrance, beverage and consumer products industries, announces its half year results for the six months ended 31 March 2018.

FINANCIAL HIGHLIGHTS[2]:

	Half year ended 31 March 2018	Half year ended 31 March 2017	Change
Revenue	**£53.6m**	£47.1m	+13.7%
Adjusted operating margin[1]	**11.3%**	11.0%	+38bps
Adjusted operating profit[1]	**£6.1m**	£5.2m	+17.6%
Adjusted profit before tax[1]	**£5.8m**	£4.8m	+20.4%
Adjusted basic earnings per share[1]	**8.58p**	6.58p	+30.3%
Dividend per share	**1.60p**	1.45p	+10.3%

OPERATIONAL HIGHLIGHTS:

- Encouraging start to new five-year strategy
- Core business categories of citrus, tea and sugar reduction continue to drive top-line growth
- Strong revenue growth in UK and US markets
- Funding in place to accelerate US expansion and deliver new UK facilities for the future
    - US expansion well underway – completion due by end 2018
    - Full planning permission granted for UK site relocation
- Since period end, contracts exchanged for sale of Earthoil Plantations for cash consideration of £11.0m

Commenting on the results, Group CEO, Daemmon Reeve, said:

"Following the exceptional performance of the Group in 2017, it is very encouraging to again be reporting both strong revenue and profit growth for the half year. Our strategy continues to deliver with the main business drivers of citrus, tea and sugar reduction performing well in the period.

Whilst there is still much to do to complete the year, and movements in exchange rates or raw material prices can impact results, the Board is currently confident that the Group will meet its expectations for the financial year ending 30 September 2018."

Notes:
[1] All adjusted measures exclude exceptional items of net costs of £0.2m (2017: £nil) – see note 7 to the financial statements below.
[2] All figures are shown excluding discontinued operations – see note 9.

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HALF YEAR RESULTS STATEMENT

Introduction

The Group is pleased to report another encouraging set of results with revenue[2] up 14% to £53.6m (2017 H1: £47.1m). Adjusted[1,2] profit before tax of £5.8m for the half year ended 31 March 2018 was 20% higher than the £4.8m reported for the comparable period last year. Following the reduction in US corporate taxes, basic adjusted[1,2] earnings per share grew by 30% from 6.58p (2017 H1) to 8.58p (2018 H1).

During the first half of the financial year the Group's key product categories performed well, with our sugar reduction and tea categories both reporting double digit growth in sales, being 15.4% and 38.5% respectively. We also reported growth of 10.3% in citrus, a more mature market, where growth was in excess of the overall market as Treatt continues to gain market share.

Strategic review

This is the first set of financial results being reported against the revised strategy adopted in 2017 and the Board is pleased to report an encouraging start, particularly in its impact on the running of our citrus business which is now operated through a category management structure, embodying all functions across the global business.

While the key growth drivers of citrus, tea and sugar reduction continued to deliver strongly during the period, all other product categories performed well. Of particular note was the significant growth in revenues from our range of authentic, natural, fruit and vegetable extracts which are used to characterise the fresh authentic flavour in premium beverages. During the period we saw strong growth in our two largest markets, with revenues[2] in the UK growing by 45% and the US in constant currency showing an increase of 25%.

A key part of our strategy revolves around our investment plans to build a scalable business for future long-term growth. Work on our US capacity expansion continues apace with construction work well under way and we look forward to this being completed by the end of 2018 as planned. This expansion will bring on line significant additional capacity for our fast-growing tea and sugar reduction categories as well as expanding and modernising our scientific infrastructure. We were also very pleased to receive full planning permission for our new UK site at the Suffolk Park in Bury St Edmunds earlier this year and expect to appoint the principal contractor soon. We remain on course to transition the UK business to the Suffolk Park in late 2019. We are confident that the new premises will provide further impetus to the Group's development – fostering innovation, driving efficiencies and providing an international base to showcase our products and welcome our customers to.

Financial review

The Group's increase in adjusted[1,2] profit before tax has been driven by revenue[2] growth of 14% to £53.6m (2017 H1: £47.1m) as a result of new business wins and growth with existing customers. In constant currency terms, revenue[2] grew by 18%. Net operating margins[1,2] increased to 11.3% (2017 H1: 11.0%) as a combined result of the increased revenue generated as well as maintaining a tight control on the Group's administrative expenses.

The effect of movements in foreign exchange rates in the period was not material with the weaker USD/GBP exchange rate resulting in a small negative net FX impact (net of hedging) on the H1 2018 results of approximately £0.2m.

During the period, the Group successfully raised net proceeds of £20.8m through a share placing to support the Group's growth plans including the £46m capital investment programme to expand the Group's US operations and UK site relocation. As at 31 March 2018, therefore, the Group had a positive cash balance of £6.5m compared to a net debt position of £10.2m at the start of the financial year. The Group's balance sheet will be further strengthened through the receipt of proceeds from the sale of Earthoil Plantations since the period end as explained below.

At the time of the equity fundraising in November 2017 the Group had secured commitments for new bank facilities to support the capital investment programme. A US seven-year construction facility for $7m has now been put in place, but remains undrawn. Following the expected receipt of the sale proceeds from the disposal of Earthoil Plantations (as set out below) the requirement for any additional UK bank facilities to support the capital investment programme will remain under review.

During the period there was a net working capital outflow of £6.7m which largely related to an increase in trade and other receivables of £7.4m as the period ended strongly. This is expected to unwind in H2 as there has not been any material change in the average days sales outstanding.

The recently enacted Tax Cuts and Jobs Act in the United States has resulted in a material reduction in the Group's overall tax charge. Consequently, the effective tax rate for the half year has been estimated at 17% (2017 H1: 27%). Excluding a one-off deferred tax credit of £0.3m, the effective rate for the half year was approximately 23% which is the rate currently anticipated for the full financial year ending 30 September 2018 (excluding the impact of the deferred tax credit).

The current year exceptional costs of £0.2m relate to accelerated depreciation charges on the current UK site and one-off costs in respect of the site relocation which do not fall to be capitalised.

As a result of the increased operating profit and lower effective tax rate, basic adjusted earnings per share[1,2] increased by 30.3% to 8.58p (2016: 6.58p). Following the fund raise in the period, capital employed increased by 11% from £56.7m to £62.9m. As a consequence, return on capital employed[1,2] for the period was lower than in 2017 at 10.8% (2017: 12.0%), but is expected to grow as the impact from the Group's capital investment programme takes effect.

Dividend

The Board has declared an increase to the interim dividend of 10% to 1.60 pence per share (2017 interim dividend: 1.45 pence per share) which represents approximately one-third of the previous year's total dividend in line with our current policy. This will be payable on 16 August 2018 to all shareholders on the register at close of business on 6 July 2018.

Sale of Earthoil Plantations Limited

As announced on 8 May 2018, the Group has entered into a conditional agreement to sell Earthoil Plantations Limited for £11.0m (subject to adjustment based on Earthoil Plantations' actual trading performance in April and May 2018). This transaction is expected to complete on 31 May 2018. As previously stated, Earthoil was no longer core to Group operations and the Board is confident that by realising net proceeds of approximately £10.5m from this transaction, it can generate better returns by investing to drive future growth in core areas aligned with our strategy.

Prospects

The encouraging performance for the Group in the first half of the year has continued into the third quarter. Work continues on several projects not yet reflected in the current order book but which are of the quality and potential scale to drive further growth in the medium term.

Whilst there is still much to do to complete the year, and movements in exchange rates or raw material prices can impact results, the Board is currently confident that the Group will meet its expectations for the financial year ending 30 September 2018.

8 May 2018

Notes:
1. All adjusted measures exclude exceptional items of £0.2m (2017: £nil) – see note 7 to the financial statements below.
2. Excludes discontinued operations – see note 9 to the financial statements below.

TREATT PLC
HALF YEAR FINANCIAL STATEMENTS
CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 March 2018

	Notes	**Six months to 31 March 2018 (unaudited) £'000**	Six months to 31 March 2017 (unaudited) £'000
Revenue	6	**53,574**	47,132
Cost of sales		**(40,938)**	(35,631)
Gross profit		**12,636**	11,501
Administrative expenses		**(6,557)**	(6,333)
Operating profit		**6,079**	5,168
Net finance costs		**(314)**	(378)
Profit before taxation and exceptional items		**5,765**	4,790
Exceptional items	7	**(212)**	-
Profit before taxation		**5,553**	4,790
Taxation	8	**(962)**	(1,359)
Profit for the period from continuing operations		**4,591**	3,431
Profit for the period from discontinued operations	9	**557**	579
Profit for the period attributable to owners of the Parent Company		**5,148**	4,010

Earnings per share			
From continuing and discontinued operations:			
Basic	10	**9.27p**	7.69p
Diluted	10	**9.01p**	7.50p
Adjusted basic	10	**9.58p**	7.69p
Adjusted diluted	10	**9.32p**	7.50p
From continuing operations:			
Basic	10	**8.27p**	6.58p
Diluted	10	**8.04p**	6.41p
Adjusted basic	10	**8.58p**	6.58p
Adjusted diluted	10	**8.34p**	6.41p

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2018

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Profit for the period attributable to owners of the Parent Company	**5,148**	4,010
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency net investments	**(1,183)**	688
Current tax on foreign currency translation differences	**37**	-
Fair value movement on cash flow hedges	**51**	277
Deferred tax on fair value movement	**(47)**	(47)
	(1,142)	918
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit pension scheme	**(950)**	1,011
Deferred tax on actuarial gain or loss	**162**	(172)
	(788)	839
Other comprehensive (expense)/income for the period	**(1,930)**	1,757
Total comprehensive income for the period attributable to owners of the Parent Company	**3,218**	5,767

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2017

	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 2016	*1,053*	*2,757*	*(332)*	*(627)*	*3,675*	*30,661*	***37,187***
Net profit for the period	-	-	-	-	-	*4,010*	***4,010***
Exchange differences	-	-	-	-	*688*	-	***688***
Fair value movement on cash flow hedges	-	-	-	*277*	-	-	***277***
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	*1,011*	***1,011***
Taxation relating to items above	-	-	-	*(47)*	-	*(172)*	***(219)***
Total comprehensive income	-	-	-	*230*	*688*	*4,849*	***5,767***
Transactions with owners:							
Dividends	-	-	-	-	-	*(2,267)*	***(2,267)***
Share-based payments	-	-	-	-	-	*477*	***477***
Movement in own shares in share trusts	-	-	*6*	-	-	-	***6***
Gain on release of shares in share trusts	-	-	-	-	-	*94*	***94***
Issue of share capital	*5*	-	*(5)*	-	-	-	**-**
Taxation relating to items recognised directly in equity	-	-	-	-	-	*1*	***1***
Total transactions with owners	*5*	-	*1*	-	-	*(1,695)*	***(1,689)***
As at 31 March 2017	1,058	2,757	(331)	(397)	4,363	33,815	**41,265**

for the six months ended 31 March 2018

	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**
As at 1 October 2017	1,058	2,757	(175)	(80)	2,627	40,291	**46,478**
Net profit for the period	-	-	-	-	-	5,148	**5,148**
Exchange differences	-	-	-	-	(1,183)	-	**(1,183)**
Fair value movement on cash flow Hedges	-	-	-	51	-	-	**51**
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	(950)	**(950)**
Transfer between reserves	-	-	-	227	-	(227)	**-**
Taxation relating to items above	-	-	-	(47)	37	162	**152**
Total comprehensive income	-	-	-	231	(1,146)	4,133	**3,218**
Transactions with owners:							
Dividends	-	-	-	-	-	(1,939)	**(1,939)**
Share-based payments	-	-	-	-	-	529	**529**
Movement in own shares in share trusts	-	-	32	-	-	-	**32**
Gain on release of shares in share trusts	-	-	-	-	-	196	**196**
Issue of share capital	115	20,727	(10)	-	-	-	**20,832**
Taxation relating to items recognised directly in equity	-	-	-	-	-	40	**40**
Total transactions with owners	115	20,727	22	-	-	(1,174)	**19,690**
As at 31 March 2018	**1,173**	**23,484**	**(153)**	**151**	**1,481**	**43,250**	**69,386**

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP BALANCE SHEET

as at 31 March 2018

	Notes	As at 31 March 2018 (unaudited) £'000	As at 30 September 2017 (audited) £'000
ASSETS			
Non-current assets			
Goodwill	9	-	2,727
Other intangible assets		546	604
Property, plant and equipment		15,592	14,821
Deferred tax assets		1,556	1,380
		17,694	19,532
Current assets			
Inventories		39,004	42,878
Trade and other receivables		25,295	19,973
Current tax assets		-	148
Derivative financial instruments		222	483
Cash and bank balances		8,484	4,748
Assets classified as held for sale	9	9,466	-
		82,471	68,230
Total assets		100,165	87,762
LIABILITIES			
Current liabilities			
Borrowings		(1,430)	(7,680)
Provisions		(89)	(57)
Trade and other payables		(19,228)	(17,816)
Current tax liabilities		(1,204)	(1,450)
Liabilities classified as held for sale	9	(991)	-
		(22,942)	(27,003)
Net current assets		59,529	41,227
Non-current liabilities			
Borrowings		(560)	(7,293)
Post-employment benefits		(6,828)	(5,821)
Deferred tax liabilities		(449)	(764)
Derivative financial instruments		-	(403)
		(7,837)	(14,281)
Total liabilities		(30,779)	(41,284)
Net assets		69,386	46,478

CONDENSED GROUP BALANCE SHEET (continued)

as at 31 March 2018

	Notes	As at 31 March 2018 (unaudited) £'000	As at 30 September 2017 (audited) £'000
EQUITY			
Share capital	12	**1,173**	1,058
Share premium account	13	**23,484**	2,757
Own shares in share trusts		**(153)**	(175)
Hedging reserve		**151**	(80)
Foreign exchange reserve		**1,481**	2,627
Retained earnings		**43,250**	40,291
Total equity attributable to owners of the Parent Company		**69,386**	46,478

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 March 2018

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Cash flow from operating activities		
Profit before taxation including discontinued operations	**6,218**	5,493
Adjusted for:		
Depreciation of property, plant and equipment	**758**	709
Amortisation of intangible assets	**68**	71
Loss on disposal of property, plant and equipment	**-**	13
Loss on disposal of intangible assets	**31**	-
Net finance costs	**344**	420
Share-based payments	**547**	467
Decrease/(increase) in fair value of derivatives	**137**	(22)
Increase/(decrease) in post-employment benefit obligations	**57**	(55)
Operating cash flow before movements in working capital	**8,160**	7,096
Movements in working capital:		
Increase in inventories	**(1,520)**	(10,061)
Increase in trade and other receivables	**(7,374)**	(2,908)
Increase in trade and other payables, and provisions	**2,157**	5,811
Cash generated from operations	**1,423**	(62)
Taxation paid	**(892)**	(1,512)
Net cash from operating activities	**531**	(1,574)
Cash flow from investing activities		
Investment in subsidiaries	**-**	(900)
Proceeds on disposal of property, plant and equipment	**-**	-
Purchase of property, plant and equipment	**(2,256)**	(571)
Purchase of intangible assets	**(114)**	(36)
Repayment of redeemable loan notes	**-**	(675)
Interest received	**8**	1
	(2,362)	(2,181)

CONDENSED GROUP STATEMENT OF CASH FLOWS (continued)

for the six months ended 31 March 2018

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Cash flow from financing activities		
(Repayment)/increase in bank loans	**(9,729)**	1,408
Settlement of financial derivatives	**(227)**	-
Interest paid	**(352)**	(421)
Dividends paid	**(1,939)**	(2,267)
Proceeds on issue of shares	**20,833**	-
Net sale of own shares by share trusts	**229**	100
	8,815	(1,180)
Net increase/(decrease) in cash and cash equivalents	**6,984**	(4,935)
Effect of foreign exchange rates	**(28)**	47
Movement in cash and cash equivalents in the period	**6,956**	(4,888)
Cash and cash equivalents at beginning of period	**280**	6,581
Cash and cash equivalents at end of period	**7,236**	1,693
Cash and cash equivalents comprise:		
Cash and bank balances	**8,484**	3,703
Bank borrowings	**(1,248)**	(2,010)
	7,236	1,693

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the six months ended 31 March 2018

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Movement in cash and cash equivalents in the period	**6,956**	(4,888)
Repayment/(increase) in bank loans	**9,729**	(1,408)
Cash inflow/(outflow) from changes in net debt in the period	**16,685**	(6,296)
Effect of foreign exchange rates	**34**	(43)
Movement in net debt in the period	**16,719**	(6,339)
Net debt at beginning of period	**(10,225)**	(1,654)
Net cash/(debt) at end of period	**6,494**	(7,993)

The notes on pages 12 to 13 form part of these condensed half year financial statements

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements for the six months ended 31 March 2018 has been prepared in accordance with IAS 34

(b) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year)

(c) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

RICHARD HOPE
Chief Financial Officer
7 May 2018

NOTES TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS

1. Basis of preparation

The Group is required to prepare its condensed half year financial statements in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)). The Group has adopted the reporting requirements of IAS 34 'Interim Financial Reporting'.

The consolidated condensed half year financial statements are prepared on the basis of all International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board (IASB) that are currently in issue. New interpretations may be issued by the International Financial Reporting Interpretations Committee (IFRIC) on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the Group prepares its full set of financial statements under IFRS for the year ending 30 September 2018.

The information relating to the six months ended 31 March 2018 and 31 March 2017 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2017 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The balance sheet for the year ended 30 September 2017 has been re-presented in accordance with IFRS 5 (see note 9). The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. These condensed half year financial statements for the six months ended 31 March 2018 have neither been audited nor formally reviewed by the Group's auditors.

2. Accounting policies

These condensed half year financial statements have been prepared on the basis of the same accounting policies and presentation set out in the Group's 30 September 2017 annual report.

There were no new standards, or amendments to standards, which are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2018 which have had a material effect on these condensed half year financial statements.

3. Accounting estimates

The preparation of the condensed half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these condensed half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 30 September 2017.

4. Going concern

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

5. Risks and uncertainties

The operation of a public company involves a series of risks and uncertainties across a range of strategic, commercial, operational and financial areas. The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of this financial year (for example, causing actual results to differ materially from expected results or from those experienced previously) are the same as those detailed on pages 29-33 of the 2017 Annual Report and Financial Statements.

6. Segmental information

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 innovative ingredient solutions for the flavour, fragrance, beverage and consumer product industries with manufacturing sites in the UK and US. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

The segment information reported on in this note does not include any amounts for discontinued operations, details on which can be found in note 9.

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market for continuing operations:

		Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
United Kingdom		**5,371**	3,711
Rest of Europe	- Germany	**3,459**	3,107
	- Ireland	**3,252**	4,018
	- Other	**5,623**	3,933
The Americas	- USA	**19,884**	17,400
	- Other	**3,647**	4,166
Rest of the World	- China	**3,026**	2,782
	- Other	**9,312**	8,015
		53,574	47,132

7. Exceptional items

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

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Accelerated depreciation expense	**108**	-
UK relocation expenses	**103**	-
	212	-
Less: tax effect of exceptional items	**(40)**	-
	172	-

The exceptional items all relate to non-recurring items. The accelerated depreciation is in relation to the reduction in the estimated useful lives of UK assets which will not transition to the new UK site. Relocation expenses relate to one-off costs incurred in connection with the relocation of the Group's UK operations which is expected to take place in 2019.

8. Taxation

The effective tax rate for the six months ended 31 March 2018 has been estimated at 17% (six months ended 31 March 2017: 27.0%). This includes a one-off deferred tax credit of £339,000 as a result of the reduction in the main rate of US corporation tax. Excluding this credit, the effective group rate currently anticipated for the financial year ending 30 September 2018 is approximately 23%.

9. Discontinued operations

On 8 May 2018 the Group entered into a conditional agreement to dispose of Earthoil Plantations Limited which supplies ingredient solutions to the personal care industry. The disposal was effected as it was no longer core to Group operations and in order to generate cash flow for the expansion of the Group's other businesses. The disposal is expected to complete on 31 May 2018, on which date control of Earthoil Plantations Limited will pass to the acquirer.

The results of the discontinued operations, which have been included in the income statement, were as follows:

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Revenue	**4,049**	4,656
Cost of sales	**(3,121)**	(3,773)
Gross profit	**928**	883
Administrative expenses	**(233)**	(139)
Operating profit	**695**	744
Net finance costs	**(30)**	(42)
Profit before taxation	**665**	702
Taxation	**(108)**	(123)
Profit for the period attributable to owners of the Parent Company	**557**	579

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	As at 31 March 2018 (unaudited) £'000
Goodwill	**2,727**
Property, plant and equipment	**403**
Other intangible assets	**72**
Inventories	**4,648**
Trade and other receivables	**1,583**
Deferred tax assets	**33**
Total assets classified as held for sale	**9,466**

9. Discontinued operations (continued)

	As at 31 March 2018 (unaudited) £'000
Trade and other payables	434
Current tax liabilities	557
Total liabilities classified as held for sale	991
Net assets of disposal group	8,475

10. Earnings per share

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.

	Six months to 31 March 2018 (unaudited)	Six months to 31 March 2017 (unaudited)
Earnings (£'000)	5,148	4,010
Less: Profit from discontinued operations	(557)	(579)
Earnings from continuing operations	4,591	3,431
Weighted average number of ordinary shares in issue (No: '000)	55,545	52,118
Basic earnings per share – continuing and discontinued	9.27p	7.69p
Basic earnings per share – continuing	8.27p	6.58p

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:

	Six months to 31 March 2018 (unaudited) No ('000)	Six months to 31 March 2017 (unaudited) No ('000)
Weighted average number of shares	56,168	52,780
Weighted average number of shares held in the EBT and SIP	(623)	(662)
Weighted average number of shares for calculating basic EPS	55,545	52,118
Executive share option schemes	1,261	1,064
All-employee share options	306	312
Weighted average number of shares for calculating diluted EPS	57,112	53,494
Diluted earnings per share – continuing and discontinued	9.01p	7.50p
Diluted earnings per share – continuing	8.04p	6.41p

10. Earnings per share (continued)

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:

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Earnings for calculating basic and diluted earnings per share	**5,148**	4,010
Adjusted for:		
Exceptional items (see note 7)	**212**	-
Taxation thereon	**(40)**	-
Earnings for calculating adjusted earnings per share:		
From continuing and discontinued operations	**5,320**	4,010
Less: Profit from discontinued operations	**(557)**	(579)
Adjusted earnings from continuing operations	**4,763**	3,431
Adjusted basic earnings per share (pence)		
- Continuing and discontinued operations	**9.58p**	7.69p
- Continuing operations	**8.58p**	6.58p
Adjusted diluted earnings per share (pence)		
- Continuing and discontinued operations	**9.32p**	7.50p
- Continuing operations	**8.34p**	6.41p

11. Dividends

Equity dividends on ordinary shares:

	Six months to 31 March 2018 (unaudited) £'000	Six months to 31 March 2017 (unaudited) £'000
Interim dividend for the year ended 30 September 2016 of 1.35p per share	**-**	702
Final dividend for the year ended 30 September 2017 of 3.35p per share (2016: 3.00p per share)	**1,939**	1,565
	1,939	2,267

The declared interim dividend for the year ending 30 September 2018 of 1.60 pence was approved by the Board on 7 May 2018 and in accordance with IFRS has not been included as a deduction from equity at 31 March 2017. The dividend will be paid on 16 August 2018 to those shareholders on the register at 6 July 2018 and will, therefore, be accounted for in the financial statements for the year ending 30 September 2018.

12. Share capital

Called up, allotted and fully paid	£'000	Number
At 1 October 2017	1,058	52,905,170
Issued in period	**115**	**5,765,500**
At 31 March 2018	**1,173**	**58,670,670**

During the period Treatt Plc (the 'Parent Company') issued 5,265,500 ordinary shares of 2p each in a placing with institutional investors, raising net proceeds of £20.8m to support the Group's capital investment programme in the UK and US. In addition, the Parent Company issued 470,000 ordinary shares to the Treatt SIP Trust and 30,000 ordinary shares to the Employee Benefit Trust for the purpose of meeting obligations under various employee share option and incentive schemes.

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

13. Share premium account

	£'000
At 1 October 2017	2,757
Premium arising on issue of equity shares	**21,483**
Expenses of issue of equity shares	**(756)**
At 31 March 2018	**23,484**

As disclosed in note 12, during the period the company issued 5,265,000 ordinary shares of 2p each. These were issued at a share price of £4.10 per share, representing a premium of £4.08 per share.

14. Capital commitments

During the period the Group entered into material contracts in connection with the US expansion and UK relocation projects totaling £6.8m, of which £5.1m was unprovided for at the period end.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS
This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.