Full Year Results

Year ended 30 September 2017

Contents

TREATT PLC
FULL YEAR RESULTS
YEAR ENDED 30 SEPTEMBER 2017

Adjusted* profit before tax up 46% and adjusted* EPS up 42% as the Group delivers a strong set of results

Treatt plc, the manufacturer and supplier of innovative ingredient solutions for the flavour, fragrance, beverage and consumer product industries, announces today its results for the year ended 30 September 2017.

FINANCIAL HIGHLIGHTS:

	Financial year ended 30 September 2017	Financial year ended 30 September 2016	Change
Revenue	**£109.6m**	£88.0m	+24.5%
Gross Margin	**24.5%**	23.2%	+130bps
Operating profit*	**£13.8m**	£9.5m	+44.6%
Adjusted profit before tax*	**£12.9m**	£8.8m	+45.7%
Adjusted basic earnings per share*	**18.29p**	12.84p	+42.4%

OPERATIONAL HIGHLIGHTS:

- New business wins with global FMCG businesses
- 2020 strategic plan delivered three years early
- New five-year strategy now in place
- Continued focus on key growth drivers of citrus, tea and sugar reduction solutions
- Good progress made in regard to our UK site relocation and US expansion

PLACING ANNOUNCEMENT:

- Placing to raise £21.6m through the issue of 5,265,500 new ordinary shares of 2p each in the Company announced 28 November 2017
- Net proceeds of placing to be used to accelerate US expansion and help deliver new UK facilities for the future

Commenting on the results, CEO Daemmon Reeve said:

"Treatt has enjoyed a very strong year with material wins in important growth categories. Once again the team have performed with exceptional skill and determination to deliver a set of results which mark another year of sustainable profitable growth. With our new five-year strategy now in place, colleagues across the Treatt Group are approaching the new financial year with passion and determination."

Prospects:

The Group has had an encouraging start to the new financial year ending 30 September 2018 with both the UK and US tracking on plan. Furthermore, with order books up compared with the same time last year, the Group continues to perform in line with the Board's expectations for the full year.

Notes:
* All adjusted measures exclude exceptional items in the prior year – see note 7.

Enquiries:

Treatt plc **+44 (0)1284 702500**

Daemmon Reeve Chief Executive Officer

Richard Hope Chief Financial Officer

Brokers

Investec Investment Banking

Patrick Robb +44 (0)20 7597 5970

David Anderson

Alex Wright

Public relations

Davidson Ryan Dore

Lawrence Dore +44 (0)20 7520 9218

CHAIRMAN'S STATEMENT

"This has been an outstanding year for Treatt, with adjusted* profit before tax up by 46%"

Strategic overview

Over the last five years we have reshaped our business and our clear strategic direction has resulted in a consistently strong financial performance. The Group's focus on the key growth drivers in the beverage sector, including innovative citrus, tea and sugar reduction solutions, as well as growth markets such as China and North America, is showing clear signs of success.

As previously reported, 2017 saw the delivery of the financial objectives in our 2020 strategic plan some three years early. The Board has now approved a new five-year strategy which is evolutionary by nature and builds on the success and focus of the business over the past five years.

Notwithstanding our strong growth and market position, we operate in a highly competitive global market, and to build on our success we must continue to invest in our capabilities. As such, and to support the new growth strategy, the Board considers that appropriate levels of capital investment will be required to modernise the Group's operations. Accordingly, the Group plans, as previously announced, to undertake a capital investment programme to expand the Group's US operations and to invest in the Group's UK relocation and expansion plan.

Results

2017 was an outstanding year for Treatt with significant milestones achieved in both sales and profits. For the first time in our history sales exceeded £100m at £109.6m with profit before tax reaching double figures at £12.9m.

Revenue increased in the year by 24.5% to £109.6m (2016: £88.0m) whilst gross profit margin improved by 130bps from 23.2% to 24.5% as our product mix continued to move towards higher value products and services. In constant currency, revenue increased by 18.5% and adjusted* profit before tax grew by 31.5% on a like-for-like basis.

Adjusted* profit before tax of £12.9m grew by 45.7% compared with £8.8m last year, resulting in adjusted* basic earnings per share growth of 42.4% at 18.29p (2016: 12.84p).

Dividends

The Directors propose to pay a final dividend of 3.35p per share (2016: 3.00p), increasing the total dividend for the year by 10.3% to 4.80p (2016: 4.35p). If approved by shareholders at the forthcoming AGM, the final dividend will be payable on 22 March 2018 to all shareholders on the register at the close of business on 9 February 2018. Shareholders who wish to participate in the dividend re-investment plan for this and future dividends should elect to do so by 1 March 2018.

UK site relocation

Outline planning permission for the new ten-acre site at the Suffolk Business Park, Bury St Edmunds, has been granted, the land acquired, and the detailed planning application submitted with approval expected in early 2018. Once the tendering process has taken place, work is expected to commence on the build of the new site in summer 2018 with completion in late 2019.

The site will be a purpose-built, science-led facility designed to drive further growth with domestic and international fast-moving consumer goods companies, as well as to increase our production capacity, thereby creating a scalable business for the longer term.

US site development

Due to its success in recent years, Treatt USA is reaching the limits of its current production capacity. We last expanded capacity at this site in 2011/2012. The Board has now approved further investment in the existing site in Lakeland, Florida which will involve an extension to the manufacturing facilities to accommodate the installation of additional speciality stills. These will allow us to meet customer demand, particularly for two of our fastest growing product categories - tea and sugar reduction. We are also expanding our technical and office facilities to create a more efficient and technical workplace. Construction is underway with completion scheduled for late 2018.

Placing

To part fund this investment programme, we have separately announced an equity placing to raise approximately £21.6m with new and existing institutional investors which is subject to shareholder approval at a general meeting on 18 December 2017.

Corporate governance

We believe strongly in the principles of good corporate governance and regularly undertake reviews to ensure that these are embedded throughout the organisation. This includes making sure that the Board has the breadth of skills and experience needed to optimise the Group's prospects and our responsibilities to all our shareholders, staff, the communities with which we work, the environment, society at large and all stakeholders. A key area of the Board's focus includes defining and communicating our risk appetite and conducting a broad assessment in respect of our business risks in the shorter, as well as the longer term. 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.

People – our strength

We believe adapting to change is essential for the continued growth of our Group, which is why our culture sits firmly at the heart of our strategy. Over time our people continue to adapt to an ever-evolving landscape, whilst never losing sight of our core values. I would like to take this opportunity to thank them for all their hard work and enthusiasm without which I would not be able to report this truly exceptional year for Treatt.

Prospects

The Group has had an encouraging start so far to the new financial year ending 30 September 2018 with both the UK and US tracking on plan. Furthermore, with order books up compared with the same time last year, the Group continues to perform in line with the Board's expectations for the full year.

TIM JONES
Chairman
28 November 2017

Notes:
* All adjusted measures exclude exceptional items in the prior year, details of which are given in note 7.

CHIEF EXECUTIVE OFFICER'S REPORT

"A remarkable year for the Group as our efforts and performance delivered exciting new customer wins and give us further confidence for the future"

Review of FY17

It has been a year of strong growth for the Group with important new business wins with fast-moving consumer goods (FMCG) customers. The dedication, patience and skill of colleagues throughout the Group have achieved some notable successes and I want to thank my teams for everything they do and are achieving for the business.

We started our financial year with strong momentum from the end of the prior year and that momentum continued across the Group throughout 2017. Material new business wins in our three core areas of citrus, tea and sugar reduction have delivered growth for the business in the year.

Our progress over the last five years has been very encouraging. As Treatt transitions from its trading house roots to a more science-led, partnership approach with its customers, the collective confidence and energy of the business is growing. I am particularly encouraged that after five years of progress we have today more momentum and a greater hunger to push the business than ever before. This progress is reflected in our financial performance. In the last five years, we have more than doubled adjusted* profit before tax to £12.9m this year, having grown sales to over £100m for the first time in the Group's history.

It is worth noting that the sales cycle for some of our customer projects can, on occasion, be measured in years from initial conversations regarding a specialist ingredient solution to the final contract with a customer. Multiple rounds of stability trials, consumer acceptance testing and considerations on suitable product launch timing by our customers all have an impact. Treatt's teams have been working with customers on some of these more meaningful opportunities for some considerable time and it is pleasing to see this patience rewarded with contribution from a number of these new wins in the year.

Citrus

Citrus, which is present in a large and growing number of beverages and an area where Treatt has had strong capabilities for many years, has provided solid growth in the year and our focused strategy is delivering notable wins. Citrus is also a good example of where we have strategically applied our deep knowledge of raw material markets to the benefit of our customer base, adding value and bringing them success. Getting our flavour solutions "designed in" at the inception stage of new beverage formulations is a key development in enabling us to achieve our objective of sustainable, profitable growth.

Tea

Through our proprietary distillation, we supply a range of natural distillates with an authentic fresh-brewed tea flavour. This has been a key driver of our success in the tea market, which is built around growth in the consumption of iced tea principally, but not exclusively, in the North American market as consumer preference moves from carbonated soft drinks.

Sugar reduction

Sugar reduction remains a key focus for the entire drinks industry and our volumes and customer breadth have grown. Beverage formulators continue to find important and authentic flavour nuances from our offerings, as well as seeing the benefits of our ability to maintain flavour profiles, in the technically complex world of reducing sugar content.

Sugar reduction is a strongly developing trend as political pressure and consumer awareness drive demand for lower sugar levels. Consequently, sugar reduction remains a hot topic for the beverage industry. Manufacturers are looking to achieve reduction without sacrificing the pleasing taste experience on the palate and importantly, flavour, which is much more complex than just the notion of sweetness. It is the latter vital nuance which Treatt has focused on, and our offerings into this market play to our strengths of authentic taste, but critically without the carbohydrates and associated calories of sugar.

Other product categories and markets

While the key growth drivers of citrus, tea and sugar reduction delivered strongly during the year, it was pleasing that the wider business also performed well. Notable growth in high-impact synthetic aroma chemicals, working with our partner Endeavour Specialty Chemicals, was achieved, and a new five-year agreement signed with them during the year. Earthoil, the Group's niche fair trade and organic cosmetic ingredients business, has continued to maintain its progress of recent years. It is managed as a stand-alone business and is not considered core to the Group's operations.

Looking geographically, both the traditionally important markets of North America and Europe performed strongly. Pleasingly our newer strategic efforts in China and India are also showing encouraging progress since we have committed more locally-based sales and technical resources to cover these markets, supported by greater product focus.

Update on strategy

In September 2017 the Board approved the latest iteration of our Group strategy. This new strategy is an evolution of the previous strategy which saw us hit internal five-year financial targets some three years early. Our focus remains on the Group's core growth areas of citrus, tea and sugar reduction, whilst ensuring sustainable growth in the Group's wider business.

Capital investment programme

To support this growth strategy, and to create a scalable business for the longer term, the Directors consider that appropriate levels of capital investment will be required to modernise the Group's operations. This will include developing an environment to promote its partnership-based client approach, and enhancing its technical capabilities to drive product innovation, margin expansion and operational efficiencies. Investment will also be required to increase capacity at the Group's facilities to meet expected customer demand.

Accordingly, as previously announced, the Group plans to undertake a capital investment programme to further expand the Group's US production and operational capacity as well as to invest in the Group's UK relocation and expansion plan.

UK site relocation and expansion

In the UK, we look forward to our site relocation with excitement and a great sense of opportunity. Our new environment will provide a fundamentally improved customer experience, enabling us to showcase our expertise and extending our capabilities. We will have an appropriate technical-led facility aligned to meet our customers' requirements, at the same time as bringing all the operational benefits of being within one coherent facility, as opposed to the six sub-optimal buildings we currently occupy.

It has not been appropriate to commit to expenditure on new capital equipment in our current location but as part of the move more modern equipment will be purchased to optimise our manufacturing capabilities in the beverage space, and deliver process improvements which will greatly improve operational efficiencies, such as automated warehousing. We will also be able to build deeper relationships with customers through collaborative working in our laboratories to make final refinements to formulations which will speed up the product approval process and improve acceptance rates.

Much of our success in the last few years has been achieved by building a collaborative culture for our work colleagues and to have achieved so much is gratifying, particularly considering our currently constrained physical environment. The new facility will be transformational in this regard and will enable us to more than meet customer expectations of a technical-led solutions provider.

This project is estimated to cost a net £35m, details of which can be found in the Financial Review.

US expansion

Significant growth in tea and sugar reduction solutions during the year and a commensurate order book and opportunity pipeline has accelerated our plan to increase production capacity and supporting infrastructure around the manufacturing of those products at our Florida facility.

We can build on land we already own and at the time of writing construction is underway on this $14m project, with completion and commissioning estimated by the end of 2018. This enhancement will provide a platform for the next phase of our strategy as we increase our focus on the areas of consumer growth in the markets we serve.

This investment will deliver additional manufacturing capacity as well as efficiency and process improvements. It will also provide important physical expansion for our research and development teams, which are critical partners to our commercial team within key and target accounts. In addition, the expansion will provide important customer experience improvements and, as in the UK, we will be able to welcome more of our customer scientists to work in our laboratories with our own teams.

Funding

The Group capital investment programme is expected to be funded as follows:

- a new five-year revolving credit facility totalling £15m, for which the Group has already received a commitment letter from HSBC (UK);
- a new ten-year construction loan totalling US$11m, for which the Group has already received a commitment letter from Bank of America; and
- the placing of new ordinary shares separately announced raising approximately £21.6m, subject to a general meeting on 18 December 2017.

People

We believe our strategy is right for our business but the power behind its delivery is the energy our fantastic teams give every day. We work tirelessly to ensure they are aligned and that Treatt is an attractive company to work for. We take care of our colleagues and ensure they are given opportunities to develop. Attraction and retention are of paramount importance to the business and our staff turnover remains pleasingly very low. We have increased our Global HR team in the last year which has been a crucial step in delivering our engagement strategy, with greater investments being made in bespoke training and support for staff.

We have deepened relationships with key schools and colleges in the local area as well as partner universities. As we move closer to our site relocation in the UK we are turning our focus to building relationships with our prospective near neighbours in education to ensure our talent pipeline remains robust.

As has been the case for the last five years, a core focus will be on our colleagues throughout the Treatt Group as we strive for even higher levels of engagement, passion and determination. The power of our colleagues' efforts for the business has been clearly evident in the success of the last five years and through investment in bespoke training programs, and promoting a happy, vibrant culture where the company looks after our colleagues and engages with the community, we intend to make Treatt an even better environment in which to work, learn and drive success. The majority of our colleagues are also shareholders in the business and that connection provides tangible alignment to motivation and pride in working for Treatt.

Health and safety is of prime importance

Our culture underpins our positive work around health and safety across the Treatt Group. Health and safety is owned by all colleagues and we continue to challenge ourselves to find ways to continually improve, manage risks and develop in this critical area.

Community

Our values of teamwork, pride and passion, integrity and challenge, as well as enjoying our work, are central to how we deliver continued business success.

Supporting the communities in which we work has always been important to us; we regularly seek opportunities for staff to be involved in our communities in the UK, US and across the globe and I never fail to be impressed by our team's commitment and support for these causes.

In August, to support mental health charity Mind, colleagues demonstrated true grit and determination when they cycled 880 miles in just 104 hours in atrocious weather conditions, raising over £8,000, with the support of staff across all our global offices. Staff in the UK joined the local council's waste department on a spring cleaning project, whilst in Lakeland, Florida, the Treatt team donned their hi-vis vests and cleaned up a two-mile stretch of their local highway, collecting over 19 bags of rubbish to help their local community keep clean. The US team also provided huge support for the second year running to KidsPack, a charity that supports disadvantaged children with food packages and clothing with groups helping consistently every week. We also welcomed the NSPCC to our UK offices to talk about keeping children safe online with further support for the charity with a 'walk a mile at lunchtime' challenge, donating £1 per mile walked by staff taking part.

We have also been shortlisted for several awards, and I was extremely proud that one of our apprentices was a finalist in the West Suffolk Trainee of the Year Awards, and that we won the Chamber of Commerce (East of England) Regional High Growth Business Award, thereby becoming a finalist in the British Chambers of Commerce Annual Business Awards. Other awards where Treatt has been shortlisted as a finalist included the Lloyds Bank Mid-Market Business of the Year Award, West Suffolk Sport in the Workplace Award and Best Brand Evolution for our re-brand in the Marketing New Thinking Awards.

Summary

The Treatt journey continues and our financial year has started positively in what can be a seasonally quieter period. We are encouraged by our order books which are up year-on-year.

Colleagues throughout the Group are working to deliver on business opportunities in our pipeline and bring to that pipeline new and exciting projects. Our two key infrastructure projects in the UK and US are moving forward and our teams are driven to deliver these projects while maintaining our excellent level of customer service. As we sharpen our focus on our three strategic growth areas of citrus, tea and sugar reduction, we are finding more opportunities to improve processes and derive value for the mutual benefit of our stakeholders.

DAEMMON REEVE
Chief Executive Officer
28 November 2017

Notes:
* All adjusted measures exclude exceptional items in the prior year, details of which are given in note 7.

"Strong revenue growth of 25%, resulting in adjusted* earnings per share up by 42%"

Financial overview

Financial overview	2017	
Revenue	£109.6m	+25%
Profit before tax*	£12.9m	+46%
Dividend	4.80p	+10%
Earnings per share*	18.29p	+42%

Key performance indicators	2017	2016
Net operating margin*	12.6%	10.8%
Return on capital employed*	24.3%	24.6%
Average net debt to EBITDA*	0.39	0.35

* All measures are adjusted to exclude exceptional items in the prior year.

Income Statement

Revenue and profit

Revenue for the year grew by 24.5% to £109.6m (2016: £88.0m) with strong growth across all of the Group's main product categories as a result of, *inter alia*, a number of new global FMCG business wins. In constant currency terms, revenue grew by 18.5%, with 6% of the revenue growth being reflective of a stronger US Dollar in 2017 as compared to 2016.

Strong revenue growth in Germany (+30%) to £7.2m, South America (+97%) to £8.2m, China (+27%) to £5.8m and in our largest market of North America (+26%) to £42.6m demonstrate the global nature of our market and broadly-based success being achieved by Treatt.

Gross profit grew significantly by 31.4% with gross profit margins increasing from 23.2% to 24.5%. Over the last three years, gross profit margins have grown by 240bps as the business has transitioned to a more added-value, solution-based offering. Alongside this, process improvement efficiencies and the removal of intermediate agency commissions has played an important part in driving the gross margin improvement.

Administrative expenses grew by 19.8% in the year to £13.0m (2016: £10.9m), although on a constant currency basis the increase was a less marked 14.1%. The £2.1m increase in administrative expenses was driven predominantly by increases in base wages and salaries of £0.9m, with headcount numbers increased across the Group; up by 6% in the UK and by 4% in the US. The exceptionally strong financial performance in the year also resulted in higher share-based payments (up by £0.4m) and bonuses which were up by £0.8m.

Over the last five years net operating margin has grown steadily from 7.6% in 2012 to 12.6% in 2017 as the business has focused its strategy on growing revenue, replacing traded commodity business with bespoke, innovative products, whilst maintaining a tight control of costs. The success of this strategy has resulted in a 44.6% increase in operating profit* to £13.8m (2016: £9.5m).

Capital employed increased in the year from £38.8m to £56.7m as a result of the increased profits being generated, and the increased investment in inventory of £12.9m. As a consequence, return on capital employed* remained broadly unchanged at 24.3% (2016: 24.6%).

The Group looks to mitigate its foreign exchange risk. The impact of movements in foreign exchange rates on profit before tax is the net of retranslating overseas profits, retranslating foreign currency transactions in UK businesses and the gains or losses on foreign exchange hedging instruments such as forward and option contracts. When taken together the net impact on profit before tax for the year was a gain of £1.4m (2016: loss of £0.5m).

There were no exceptional costs in the year (2016: £0.6m). On an adjusted basis, which excludes last year's exceptional costs, earnings before interest, tax, depreciation and amortisation for the year increased by 39% to £15.3m (2016: £11.0m). Profit before tax after exceptional items rose by 55% to £12.9m (2016: £8.3m). Further information on the previous year's exceptional items is given in note 7.

Compound 10-year growth per annum*	
Revenue	**11.2% pa**
Profit before tax	**16.4% pa**
Earnings per share	**16.4% pa**
EBITDA	**13.9% pa**

* all measures exclude exceptional items

Foreign exchange gains and losses

Whilst the Group's functional currency is the British Pound ('Sterling'), the amount of business which is transacted in other currencies creates foreign exchange exposure, particularly the US Dollar and, to a more limited extent, the Euro. The US Dollar ended the year 3% weaker against GBP at £1=$1.34 (2016: £1 = $1.30). As explained further under 'Financial Risk Management' set out below, 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 retranslation gains or losses in the income statement. This has resulted in a small loss on trading transactions of £0.5m in 2017 (2016: £Nil) and a loss on foreign exchange contracts of £0.1m (2016: £2.2m loss) which has been netted off the revenue line in the income statement. As part of the Group's hedge accounting, a foreign exchange gain of £0.3m was taken to reserves through the Statement of Other Comprehensive Income (2016: £0.2m gain).

There was a substantial currency impact, a loss of £1.1m (2016: £2.6m gain), 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 30% to £0.91m (2016: £0.70m) as a result of the higher debt levels in the year, resulting from increased investment in inventory and the acquisition of land for the UK site relocation. Although debt levels have risen, the cost of funding the higher debt has been partly mitigated by an interest rate swap (as set out in more detail below). The Board continues to be of the view that whilst a significant proportion of current banking facilities remain unutilised, the current level of these facilities remains appropriate in order to manage working capital volatility during the year and also in light of significant capital expenditure requirements over the next few years. Despite the increase in net finance costs, interest cover* for the year increased to 15.1 times (2016: 13.6 times).

As part of the Group's risk management processes, R C Treatt fixed $9m of US Dollar borrowings at 5.68% for ten years by way of an interest rate swap in 2011. 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 £0.4m (2016: £0.8m).

Group Tax Charge

The current tax charge of £3.4m (2016: £2.4m) represents an effective rate (based on profit before tax and exceptional items) of 26.7% (2016: 27.0%). After providing for deferred tax, the overall tax charge increased by £1.2m to £3.3m (2016: £2.1m); an overall effective tax rate (after exceptional items) of 26% (2016: 26%). 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 17% in 2020, the Group's overall effective rate of tax is expected to fall over the course of the next three years assuming the profit mix between tax jurisdictions remains broadly unchanged.

Earnings per share

Basic earnings per share (adjusted to exclude exceptional items, as set out in note 9 below) for the year increased by 42.4% to 18.29p (2016: 12.84p). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) and Treatt SIP Trust (SIP) which are not beneficially owned by employees since they do not rank for dividend, and is based upon adjusted profit after tax.

Dividends

The proposed final dividend of 3.35p per share (2016: 3.00p) increases the total dividend per share for the year by 10.3% to 4.80p, representing dividend cover of 3.8 times earnings for the year and a rolling three-year cover after exceptional items of 3.6 times. The Board's policy has been to maintain dividend growth on a consistent basis at between 2.0 and 2.5 times three-year rolling cover. However, in light of the Group's capital investment programme, this year's dividend increase has been set with a more prudent level of dividend cover. The Board considers this to be appropriate given the forthcoming cash requirements of the business in order to fund the UK site relocation and expansion and the US expansion. Nevertheless, this represents an increase in the dividend of 55% over the last five years.

Balance Sheet

Group shareholders' funds grew by £9.3m (2016: £4.0m) in the year to £46.5m (2016: £37.2m), with net assets per share increasing by 24% to 88p (2016: 71p). Over the last five years, net assets per share have grown by 77%. 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 £0.2m (2016: £0.3m) 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 the exercise of employee share options.

Cash Flow

The level of capital expenditure in the year was £5.2m compared with £0.8m in 2016, and included £3.7m for the purchase of the land for the new UK site. No major projects in the UK were commenced in the year, with the UK site relocation being at the planning stage with capital expenditure tending to be related to ongoing routine renewal and maintenance whilst plans progress towards the intended relocation. Preliminary work for the US site expansion commenced, but the project is at the early stages. The cash flow benefit of delaying certain capital projects in the UK in anticipation of the new site will inevitably reverse (as explained below) as both delayed projects, and brought forward capital expenditure, will occur as part of the site relocation. Of the £13m of planned capex at the new UK site, approximately £6m relates to projects which would have been undertaken at the current site in the last four years, had the impending site move not been on the horizon. This includes rationalising tanks, implementing clean-in-place technology and computer-controlled stills.

Inventory held at the year end was £42.9m (2016: £30.0m), an increase of £12.9m. This was due to a combination of the growth in the business over the last year, higher order books and higher prices for certain key raw materials. 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.

Whilst short-term working capital swings are affected by the factors referred to in the previous paragraph, and the free cash flow in the year was an outflow of £3.3m, the net free cash flow generated over the last five years totals £19.1m.

The net cash outflow in the year was also impacted by the final Earthoil settlement and related loan note redemption, totalling £1.5m, and a one-off change to the dividend timetable of £0.8m. These combined with the land of £3.7m, total £6m of non-recurring cash flow items in the year.

Net Debt

As a result of the movement in cash, as described above, the Group's net debt rose by £8.6m to £10.2m (2016: £1.7m) with a corresponding increase in the level of gearing from 4% to 22%.

At the balance sheet date the Group had a mix of secured and unsecured borrowing facilities totalling £25.9m, of which £14.0m expire in one year or less. Since the balance sheet date, all UK working capital facilities have been renewed and expiry dates extended, such that all but $3m with HSBC and £2m with Lloyds (£4.3m approx.) of the facilities across the Group now expire more than twelve months after the balance sheet date. 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.

UK Site Relocation

As explained in the Chairman's Statement and CEO Report, we continue to progress detailed plans for relocating our UK business from its current site in Bury St Edmunds, UK, to a brand new purpose-built facility nearby. During the year we acquired a ten-acre greenfield site on the new Suffolk Business Park in Bury St Edmunds. The project has outline planning permission, and a detailed reserved matters planning application has been submitted, with approval currently anticipated in early 2018. This is a project which the Board believes is essential in order to deliver our growth objectives over the medium to long term.

We want to keep shareholders apprised of developments and the following table breaks down the latest cost estimates for the project. Note that these include costs to upgrade our plant and machinery and new technologies. As a business we keep abreast of new technologies which can add value to our operations and the move gives us the opportunity to incorporate some of these in the design and build of the new facility. The level of investment in this area is still subject to final review but current estimates are in the order of £13m, of which approximately half relates to projects held back from the current site, with the balance being new and enhanced technologies.

The overall estimated costs of this move break down into four key elements with the latest estimated costs (see below for further information as to the basis of these estimates) as follows:

New site acquisition and build costs	£26m
Plant, machinery and technical capability enhancements	£13m
Relocation expenses	£1m
Disposal of current site following completion of move	(£5m)
Total net relocation budget (estimate)	£35m

We hope to be in a position to appoint the main contractor in the first half of 2018, with construction expected to begin in mid-2018 and the new site being up and running by late 2019.

Whilst the detailed costs for the project have been prepared in full quantity surveyor detail in preparation for the tendering process, benchmarked against industry standards, and tested by two independent firms of architects, the Board recognises the risks inherent in a project of this scale. The Board has reviewed the level of contingency allowed for in the project, being 7.5%, and considered the flexibility built into the plant and machinery spend. These factors, combined with the level of headroom within the Group's existing banking facilities, and those currently being expected over the course of the next three years, give the Board confidence that risks inherent in the UK relocation project have been mitigated as far as practicable.

US Site Expansion

Treatt USA moved to its current site in Lakeland, Florida in 2002 where it occupies a 15-acre site. Since then, the business has experienced very strong growth, particularly in the last five years. The substantial increase in demand for our tea and sugar reduction products, which are manufactured in the US, means that we now need to increase capacity again, having last done so five years ago.

We have, therefore, begun a second expansion project which will double our capacity for these key product categories, with space for further expansion, as well as expanding our laboratory and office facilities which are now full to capacity. We expect the project to cost approximately $14m and be completed by late 2018.

Treatt Employee Benefit Trust and Treatt SIP Trust

The Group has an HMRC-approved Share Incentive Plan (SIP) for its UK employees and, as far as practicable, also offers a similar scheme to its US staff. All UK staff with a year's service were awarded £550 (2016: £525) of 'Free Shares' during the year as part of the Group's employee incentive and engagement programme as the Board is firmly of the view that increased employee share ownership is an important tool for driving positive employee engagement in the business. A similar scheme exists for US staff who were awarded $850 (2016: $825) of Restricted Stock Units during the year. These shares are forfeited by employees who leave within three years from the date of grant.

Under the SIP UK employees could also purchase up to £1,800 of Treatt shares (or 10% of salary, whichever is lower) out of gross income at no cost to the company which the company matched on a one-for-one basis. In the year a total of 28,000 (2016: 52,000) matching shares were granted.

During the year, 150,000 (2016: 160,000) shares were issued to the SIP at par (2 pence per share). The SIP currently holds 356,000 shares (2016: 241,000), of which 84,000 are beneficially owned by the company and are available for future awards. It is anticipated that going forward the obligations under the SIP will be satisfied through the issue of new 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 saving plans.

Under the Long Term Incentive Plans which were approved by shareholders at the 2014 Annual General Meeting, Executive Directors and certain key employees were granted 252,000 nil cost share options during the year which will vest after three years on a sliding scale, subject to performance conditions. In total, options were granted over 370,000 (2016: 806,000) shares during the year, whilst 323,000 (2016: 159,000) were exercised from options awarded in prior years which have now vested.

During the year, 100,000 (2016: Nil) shares were issued to the Employee Benefit Trust (EBT) at par (2 pence per share). The EBT currently holds 353,000 shares (2016: 577,000) 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.

Final Salary Pension Scheme

The R C Treatt final salary pension scheme (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 UK defined contribution pension plan with effect from 1 January 2013. This means that the defined benefit scheme has been de-risked as far as it is practicable and reasonable to do so.

The last three-year actuarial review of the scheme was carried out as at 1 January 2015, the result of which was that the scheme had an actuarial surplus of £314,000. Consequently, the Group 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 95% or less of the scheme liabilities, then the company would voluntarily resume contributions.

As required by The Pension Regulator, the actuarial review was updated on a consistent basis as at 30 September 2017 and, in common with most other final salary pension schemes, this revealed a reduced actuarial deficit which, in the case of the scheme, was £0.3m (2016: deficit of £1.7m), being a funding level of 98% (2016: 92%). The improvement in the funding level largely resulted from an increase in the discount rate used to measure the future liabilities of the scheme. Having agreed to voluntarily resume contributions of £300k per annum for the year ended 30 September 2017, the Group has agreed with the trustees that it is not required to make contributions to the Scheme for the year ending 30 September 2018.

Alongside this, the IAS 19, “Employee Benefits” pension liability in the balance sheet, net of deferred tax, fell in the year from £6.1m to £4.8m. The decrease in the deficit was largely the result of reduced scheme liabilities caused by an increase in the discount rates applied, and an increase in the value of scheme assets.

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 two 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 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 short-term swings in currencies.

Summary

In 2012 we began a new journey for Treatt by establishing a focused strategy of growing our profits in a sustainable manner in the flavour, fragrance and consumer goods markets. By 2015 we had delivered good progress and we therefore refreshed our strategy through to 2020 by setting ourselves new and challenging goals.

It is therefore enormously pleasing to report that in 2017 we have delivered the financial objectives in our 2020 strategy three years early. The growth in revenue and profits sets 2017 up as the most successful year in Treatt's history with the resultant entry into the FTSE UK SmallCap index.

We now have new goals and targets to aim for with our new 2022 growth strategy. A major part of that strategy is the extensive capital investment programme in both the UK and US, which the Board believes will provide the scalable platform to drive the long-term growth in the business.

RICHARD HOPE
Chief Financial Officer
28 November 2017

Notes:
* All adjusted measures exclude exceptional items in the prior year, details of which are given in note 7.

TREATT PLC

FULL YEAR RESULTS

GROUP INCOME STATEMENT

for the year ended 30 September 2017

	Notes	2017 £'000	2016 £'000
Revenue	6	**109,627**	88,040
Cost of sales		**(82,819)**	(67,639)
Gross profit		**26,808**	20,401
Administrative expenses		**(13,003)**	(10,852)
Operating profit[1]		**13,805**	9,549
Net finance costs		**(913)**	(703)
Profit before taxation and exceptional items		**12,892**	8,846
Exceptional items	7	**-**	(553)
Profit before taxation		**12,892**	8,293
Taxation	8	**(3,347)**	(2,144)
Profit for the period attributable to owners of the Parent Company		**9,545**	6,149
Earnings per share			
Basic	9	**18.29p**	11.85p
Diluted	9	**17.72p**	11.68p
Adjusted basic[2]	9	**18.29p**	12.84p
Adjusted diluted[2]	9	**17.72p**	12.65p

[1]Operating profit is calculated as profit before net finance costs, exceptional items and taxation.

[2]All adjusted measures exclude exceptional items, and in the case of earnings per share the related tax effect, details of which are given in note 9.

All amounts relate to continuing operations.

The notes on pages 26 to 31 form part of this full year results announcement.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2017

	2017 £'000	2016 £'000
Profit for the period attributable to owners of the Parent Company	**9,545**	6,149
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency net investments	**(1,107)**	2,576
Current tax on foreign currency translation differences	**59**	-
Fair value movement on cash flow hedges	**659**	120
Deferred tax on fair value movement	**(112)**	(47)
	(501)	2,649
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on defined benefit pension scheme	**1,468**	(4,297)
Deferred tax credit on actuarial gain or loss	**(250)**	643
	1,218	(3,654)
Other comprehensive income/(expense) for the period	**717**	(1,005)
Total comprehensive income for the period attributable to owners of the Parent Company	**10,262**	5,144

The notes on pages 26 to 31 form part of this full year results announcement.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 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 2015	*1,050*	*2,757*	*(423)*	*(700)*	*1,119*	*29,382*	*33,185*
Net profit for the year	-	-	-	-	-	*6,149*	*6,149*
Other comprehensive income:							
Exchange differences	-	-	-	-	*2,576*	-	*2,576*
Fair value movement on cash flow hedges	-	-	-	*120*	-	-	*120*
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	*(4,297)*	*(4,297)*
Transfer between reserves	-	-	-	-	*(20)*	*20*	-
Taxation relating to items above	-	-	-	*(47)*	-	*643*	*596*
Total comprehensive income	-	-	-	*73*	*2,556*	*2,515*	*5,144*
Transactions with owners:							
Dividends	-	-	-	-	-	*(2,095)*	*(2,095)*
Share-based payments	-	-	-	-	-	*597*	*597*
Movement in own shares in share trusts	-	-	*94*	-	-	-	*94*
Gain on release of shares in share trusts	-	-	-	-	-	*171*	*171*
Issue of share capital	*3*	-	*(3)*	-	-	-	-
Taxation relating to items recognised directly in equity	-	-	-	-	-	*91*	*91*
Total transactions with owners	*3*	-	*91*	-	-	*(1,236)*	*(1,142)*
1 October 2016	*1,053*	*2,757*	*(332)*	*(627)*	*3,675*	*30,661*	*37,187*
Net profit for the period	-	-	-	-	-	9,545	**9,545**
Other comprehensive income:							
Exchange differences	-	-	-	-	(1,107)	-	**(1,107)**
Fair value movement on cash flow hedges	-	-	-	659	-	-	**659**
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	1,468	**1,468**
Taxation relating to items above	-	-	-	(112)	59	(250)	**(303)**
Total comprehensive income	-	-	-	547	(1,048)	10,763	**10,262**
Transactions with owners:							
Dividends	-	-	-	-	-	(3,025)	**(3,025)**
Share-based payments	-	-	-	-	-	951	**951**
Movement in own shares in share trusts	-	-	162	-	-	-	**162**
Gain on release of shares in share trusts	-	-	-	-	-	193	**193**
Issue of share capital	5	-	(5)	-	-	-	**-**
Taxation relating to items recognised directly in equity	-	-	-	-	-	748	**748**
Total transactions with owners	5	-	157	-	-	(1,133)	**(971)**
30 September 2017	**1,058**	**2,757**	**(175)**	**(80)**	**2,627**	**40,291**	**46,478**

The notes on pages 26 to 31 form part of this full year results announcement.

GROUP BALANCE SHEET

as at 30 September 2017

	2017 £'000	2016 £'000
ASSETS		
Non-current assets		
Goodwill	**2,727**	2,727
Other intangible assets	**604**	637
Property, plant and equipment	**14,821**	11,361
Deferred tax assets	**1,380**	1,436
	19,532	16,161
Current assets		
Inventories	**42,878**	29,990
Trade and other receivables	**19,973**	17,853
Current tax assets	**148**	4
Derivative financial instruments	**483**	-
Cash and bank balances	**4,748**	6,588
	68,230	54,435
Total assets	**87,762**	70,596
LIABILITIES		
Current liabilities		
Borrowings	**(7,680)**	(487)
Provisions	**(57)**	(67)
Trade and other payables	**(17,816)**	(14,151)
Current tax liabilities	**(1,450)**	(999)
Derivative financial instruments	**-**	(9)
Redeemable loan notes payable	**-**	(675)
	(27,003)	(16,388)
Net current assets	**41,227**	38,047
Non-current liabilities		
Borrowings	**(7,293)**	(7,755)
Post-employment benefits	**(5,821)**	(7,401)
Deferred tax liabilities	**(764)**	(1,111)
Derivative financial instruments	**(403)**	(754)
	(14,281)	(17,021)
Total liabilities	**(41,284)**	(33,409)
Net assets	**46,478**	37,187

GROUP BALANCE SHEET (continued)

as at 30 September 2017

	2017 £'000	2016 £'000
EQUITY		
Share capital	**1,058**	1,053
Share premium account	**2,757**	2,757
Own shares in share trusts	**(175)**	(332)
Hedging reserve	**(80)**	(627)
Foreign exchange reserve	**2,627**	3,675
Retained earnings	**40,291**	30,661
Total equity attributable to owners of the Parent Company	**46,478**	37,187

The notes on pages 26 to 31 form part of this full year results announcement.

GROUP STATEMENT OF CASH FLOWS
for the year ended 30 September 2017

	2017 £'000	2016 £'000
Cash flow from operating activities		
Profit before taxation	**12,892**	8,293
Adjusted for:		
Depreciation of property, plant and equipment	**1,399**	1,347
Amortisation of intangible assets	**137**	142
Loss on disposal of property, plant and equipment	**7**	2
Net finance costs	**913**	703
Share-based payments	**966**	566
Increase in fair value of derivatives	**(185)**	(122)
(Decrease)/increase in post-employment benefit obligations	**(112)**	145
Operating cash flow before movements in working capital	**16,017**	11,076
Movements in working capital:		
Increase in inventories	**(13,607)**	(2,501)
(Increase)/decrease in receivables	**(2,454)**	688
Increase in payables	**4,727**	1,541
Cash generated from operations	**4,683**	10,804
Taxation paid	**(2,822)**	(2,022)
Net cash from operating activities	**1,861**	8,782
Cash flow from investing activities		
Investment in subsidiaries	**(900)**	(752)
Proceeds on disposal of property, plant and equipment	**13**	-
Purchase of property, plant and equipment	**(5,111)**	(679)
Purchase of intangible assets	**(105)**	(109)
Purchase of redeemable loan notes	**(675)**	-
Interest received	**12**	8
	(6,766)	(1,532)

GROUP STATEMENT OF CASH FLOWS (continued)
for the year ended 30 September 2017

	2017 £'000	2016 £'000
Cash flow from financing activities		
Increase in bank loans	**2,284**	381
Interest paid	**(925)**	(711)
Dividends paid	**(3,025)**	(2,095)
Net sale of own shares by share trusts	**355**	265
	(1,311)	(2,160)
Net (decrease)/increase in cash and cash equivalents	**(6,216)**	5,090
Effect of foreign exchange rates	**(85)**	15
Movement in cash and cash equivalents in the year	**(6,301)**	5,105
Cash and cash equivalents at beginning of year	**6,581**	1,476
Cash and cash equivalents at end of year	**280**	6,581
Cash and cash equivalents comprise:		
Cash and bank balances	**4,748**	6,588
Bank borrowings	**(4,468)**	(7)
	280	6,581

The notes on pages 26 to 31 form part of this full year results announcement.

GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
for the year ended 30 September 2017

	2017 £'000	2016 £'000
Movement in cash and cash equivalents in the year	**(6,301)**	5,105
Increase in bank loans	**(2,284)**	(381)
Cash (outflow)/inflow from changes in net debt in the year	**(8,585)**	4,724
Effect of foreign exchange rates	**14**	(223)
Movement in net debt in the year	**(8,571)**	4,501
Net debt at beginning of year	**(1,654)**	(6,155)
Net debt at end of year	**(10,225)**	(1,654)

The notes on pages 26 to 31 form part of this full year results announcement

NOTES TO THE FULL YEAR RESULTS

1. Basis of preparation

In accordance with Section 435 of the Companies Act 2006, the Group confirms that the financial information for the years ended 30 September 2017 and 2016 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The statutory accounts for the year ended 30 September 2016 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2017 have been audited and approved, but have not yet been filed.

The Group's audited financial statements for the year ended 30 September 2017 received an unqualified audit opinion and the auditor's report contained no statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 28 November 2017.

2. Accounting policies

These financial statements have been prepared in accordance with the accounting policies set out in the full financial statements for the year ending 30 September 2016.

There were no new standards and amendments to standards which are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2017 which had a material effect on this preliminary statement.

3. Accounting estimates

The preparation of the preliminary statement 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 this preliminary statement, 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 2016.

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. During the year all the Group's expiring banking facilities have been renewed on existing or improved terms. Accordingly, this preliminary statement has 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 next twelve months (for example, causing actual results to differ materially from expected results or from those experienced previously) are the same in all material respects as those detailed on pages 26-30 of the 2016 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, 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		2017 £'000	2016 £'000
United Kingdom		**10,271**	8,794
Rest of Europe	- Germany	**7,206**	5,527
	- Ireland	**7,280**	5,871
	- Other	**11,235**	11,011
The Americas	- USA	**42,571**	33,729
	- Other	**8,164**	4,142
Rest of the World	- China	**5,772**	4,536
	- Other	**17,128**	14,430
		109,627	**88,040**

All Group revenue is in respect of the sale of goods, other than property rental income of £17,000 (2016: £17,000). No country included within 'Other' contributes more than 5% of the Group's total revenue. The largest customer represented 10.7% of Group revenue (2016 there were no customers which represented more than 10% of Group revenue).

7. Exceptional items

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

	2017 £'000	2016 £'000
Legal and professional fees	-	302
Restructuring costs	-	251
	-	553
Less: tax effect of exceptional items	-	(38)
	-	515

The exceptional items in the prior year all related to non-recurring items. The legal and professional fees related to the costs in respect of the full and final settlement of the Earthoil earnout dispute. The restructuring costs related to one-off non-recurring reorganisation costs incurred in the US and Kenya.

8. Taxation

	2017 £'000	2016 £'000
Analysis of tax charge for the year		
Current tax:		
UK corporation tax on profits for the period	**1,278**	967
Adjustments to UK tax in respect of previous period	**(84)**	9
Overseas corporation tax on profits for the period	**2,260**	1,370
Adjustments to overseas tax in respect of previous periods	**(10)**	8
Total current tax	**3,444**	2,354
Deferred tax:		
Origination and reversal of timing differences	**(135)**	(179)
Effect of reduced tax rate on opening assets and liabilities	**-**	(27)
Adjustments in respect of previous periods	**38**	(4)
Total deferred tax	**(97)**	(210)
Tax on profit on ordinary activities	**3,347**	2,144
Analysis of tax charge/(credit) in other comprehensive income:		
Current tax:		
Foreign currency translation differences	**(59)**	-
Deferred tax:		
Cash flow hedges	**112**	47
Defined benefit pension scheme	**250**	(643)
Total deferred tax	**362**	(596)
Total tax charge/(credit) recognised in other comprehensive income	**303**	(596)
Analysis of tax credit in equity:		
Current tax:		
Share-based payments	**(218)**	(16)
Deferred tax:		
Share-based payments	**(530)**	(75)
Total tax credit recognised in equity	**(748)**	(91)

9. 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.

	2017	2016
Profit after taxation attributable to owners of the Parent Company (£'000)	9,545	6,149
Weighted average number of ordinary shares in issue (No: '000)	52,198	51,895
Basic earnings per share (pence)	**18.29p**	11.85p

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:

	2017 No ('000)	2016 No ('000)
Weighted average number of shares	52,780	52,575
Weighted average number of shares held in the EBT and SIP	(582)	(680)
Weighted average number of shares used for calculating basic EPS	52,198	51,895
Executive share option schemes	1,229	645
All-employee share options	445	122
Weighted average number of shares used for calculating diluted EPS	53,872	52,662
Diluted earnings per share (pence)	**17.72p**	11.68p

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:

	2017 £'000	2016 £'000
Profit after taxation attributable to owners of the Parent Company	9,545	6,149
Adjusted for:		
Exceptional items (see note 7)	-	553
Taxation thereon	-	(38)
Earnings for calculating adjusted earnings per share	9,545	6,664
Adjusted basic earnings per share (pence)	**18.29p**	12.84p
Adjusted diluted earnings per share (pence)	**17.72p**	12.65p

10. Dividends

Equity dividends on ordinary shares:

	Dividend per share for years ended 30 September:				
	2017 Pence	**2016 Pence**	2015 Pence	**2017 £'000**	2016 £'000
Interim dividend	**1.45p[2]**	**1.35p[1]**	1.28p	**1,461**	662
Final dividend	3.35p[3]	**3.00p[1]**	2.76p	**1,564**	1,433
	4.80p	**4.35p**	4.04p	**3,025**	2,095

[1]Accounted for in the subsequent year ended 30 September 2017 in accordance with IFRS.

[2] The declared interim dividend for the year ended 30 September 2017 was paid on 17 August 2017 and has therefore also been accounted for in the year ended 30 September 2017.

[3] The proposed final dividend for the year ended 30 September 2017 of 3.35 pence will be voted on at the Annual General Meeting on 26 January 2018 and will therefore be accounted for in the financial statements for the year ending 30 September 2018.

11. Related party transactions

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

Transactions with subsidiaries

	2017 £'000	2016 £'000
Interest received on loan notes from:		
Earthoil Plantations Limited	**9**	4
Earthoil Kenya PTY EPZ Limited	**4**	2
Dividends received from:		
R C Treatt & Co Limited	**1,977**	1,862
Treatt USA Inc	**2,167**	1,037

11. Related party transactions (continued)

Balances with subsidiaries:

	2017 £'000	2016 £'000
Redeemable loan notes receivable:		
Earthoil Plantations Limited	-	950
Earthoil Kenya PTY EPZ Limited	-	400
Amounts owed to/(by) parent undertaking:		
Earthoil Plantations Limited	(416)	13
R C Treatt & Co Limited	516	(712)

The redeemable loan notes were redeemed in full during the financial year. Amounts owed to the Parent Company are unsecured and will be settled in cash.

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.