TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Treatt Plc, the manufacturer and supplier of conventional, organic and ethically-traded ingredients for the flavour, fragrance and cosmetic industries, announces today its preliminary results for the year ended 30 September 2008.

Summary

Group revenue increased by 30% to £49.64 million (2007: £38.07 million)
Group operating profit before FX up by 42% to £4.2million (2007: £2.9 million)
Group operating profit after FX up by 9% to £3.6million (2007: £3.3 million)
Profit before tax 8% higher at £3.06 million (2007: £2.83 million)
Dividends increased 3.7% to 11.2p per share (2007: 10.8p)
Earnings per share down 3% to 19.4p (2007: 20.0p)

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Hugo Bovill Managing Director
Richard Hope Finance Director (Mobile on 15 December 2008: 07881 508437)

CHAIRMAN'S STATEMENT

“Group revenues grew from £38m to £50m, an increase of 30%”

In 2008, Group revenue continued to grow with an increase for the year of 30.4% to £49.64m (2007: £38.07m). Group earnings before interest, tax, depreciation and amortisation increased by 7.7% to £4.50m (2007: £4.17m) with profit before tax for the year up by 8.4% to £3.06m (2007: £2.83m). Basic earnings per share reduced to 19.4 pence (2007: 20.0 pence). Net assets per share have increased by 5.9% to 206.1 pence per share (2007: 194.6 pence per share).

The Board is proposing a final dividend of 7.6 pence (2007: 7.3 pence), increasing the total dividend for the year by 3.7% to 11.2 pence (2007: 10.8 pence) per share. The final dividend will be payable on 6 March 2009 to all shareholders on the register at close of business on 30 January 2009.

Overall the Group has had a good year, with the core businesses of R.C. Treatt and Treatt USA performing well. Group operating profit before foreign exchange translation differences increased by 42% to £4.2m (2007: £2.9m). In particular, Treatt USA recovered from a poor 2007 to achieve record sales and profits in 2008 and R.C. Treatt continued to meet expectations. Following losses within the Earthoil joint venture, the Group acquired the remaining 50% of Earthoil and then took immediate steps to reduce costs and begin to increase sales. In total, the combined joint venture and subsidiary losses of Earthoil for the year were £0.6m.

In the last two months of the financial year the world financial crisis had a significant effect, as the sharp strengthening of the US Dollar resulted in adverse foreign exchange translation differences for the year totalling more than £0.5m as explained below. Sales of orange oil products, which represent 19% of Group revenue (2007: 16%), increased by 54% during the year whilst contribution from orange oil products rose by 42% as a result of significant capacity and efficiency improvements. The price of orange oil has remained relatively stable above US$2 per kilo throughout the year.

As explained in our Interim Statement, following the worldwide shortage of lemons there was, as expected, a very sharp increase in the price of lemon oil. This had several significant effects on the Group. As a consequence of raw material shortages, the Group took immediate steps to secure and strengthen its inventory position which consequently enabled it to win new business as well as generate some stock profits as a result of using lower cost lemon oil against higher priced sales. However, the Group will also suffer some significant losses over the coming year on fixed price contracts which were agreed before these increases arose, which has therefore resulted in an onerous contract provision of £0.4m for the year.

R.C. Treatt, the Group’s UK operating subsidiary, continued to operate strongly with particularly healthy growth in the Middle and Far East. Global aroma chemical sales grew by 13% reflecting higher costs and selling prices, whilst sales of manufactured citrus essential oils increased by 35%. Revenue has increased by 23% to £36.6m (2007: £29.7m), with profits up by 7%. Towards the end of the financial year the US Dollar strengthened in a very short space of time from $2=£1 to $1.78=£1 which resulted in an adverse foreign exchange hedging translation difference of £0.5m. Since the year end the US Dollar has strengthened to approximately $1.50 resulting in further adverse foreign exchange translation differences. For details of the Group’s hedging policy see the Financial Review.

Treatt USA’s profits in 2008 increased substantially to a new record high, whilst sales in US Dollars grew by 37%. The excellent result for the year was helped by some one-off gains on lemon oil sales, but nevertheless the US business did perform well across its product portfolio. The growth in Treattarome™ sales continued with an increase, in US Dollars, of 28% (2007: 13%) across a wide range of products.

Following the full acquisition of Earthoil in April 2008, the results of Earthoil have improved, resulting in a break even position for the final quarter of the year. The Board continue to believe that the strategic benefits of Earthoil to the Treatt Group will materialise over time. Earthoil now comprises organic (and ethical trade) farming and production projects in India, Kenya and South Africa and through the ethical trade projects, the Earthoil Organic Foundations in Kenya and India will be able to support community projects from the ethical trade premiums.

In summary, the Group continues to demonstrate its position as one of the leading, independent and truly global suppliers of ingredients (natural, organic, ethically-traded and conventional) for the flavour, fragrance and cosmetics industries. The Group also remains a world leader in agricultural food science and analysis.

Final Salary Pension Scheme

As one would expect, the final salary pension scheme returned to deficit as compared to an asset last year of £0.05m, resulting in a deficit this year of £0.39m after deferred tax. The significant investment losses in the scheme were offset in large part by a reduction in the liabilities of the scheme. The actuary has confirmed that the liability remains on schedule to be eliminated by 2016. For further information on this please see the Financial Review.

Prospects

Although the Group continues to trade in line with management expectations, clearly the coming months are going to see a period of significant economic uncertainty and it is unclear how this will affect demand for Treatt's products. As explained above, the further strengthening of the US Dollar since the year end has resulted in substantial adverse foreign exchange translation differences totalling £1m. However, as a result of the stronger Dollar, margins are increasing as Dollar denominated inventory, which was purchased when the Dollar was weaker, is now being sold. The underlying businesses continue to perform well with sales for October and November being significantly up on the same period last year.

As petroleum and other world commodity prices start to fall, we are expecting to see some raw material price reductions although this will, in part, be offset by the strength of the US Dollar. With sales to 90 countries around the world, markets are expected to be difficult but Group order books are currently 70% higher than they were a year ago, with 75% being denominated in US Dollars.

People

We are pleased to welcome James Grace to the Board as a Non-executive Director. James has been familiar with Treatt's business for many years and brings with him a wealth of financial and City experience as well as having served as a Non-executive for a number of other businesses. Finally, the Board would like to place on record its thanks to colleagues throughout the world, for their effort, commitment and dedication to Treatt over the last year.

EDWARD DAWNAY
Chairman
12 December 2008

OPERATING REVIEW

"Continued investment in the Group's manufacturing capabilities has resulted in a significant increase in the production of manufactured essential oils"

As reported last year, the financial year began with the implementation of highly cost effective investment and improvement to the UK's manufacturing facilities, which has already achieved pay back within the financial year. In addition, the Group continued to make substantial operational improvements throughout 2008. This investment has enabled the Group to increase production of added–value manufactured products. In time, this should enable the Group to increase market share, whilst maintaining margins.

Over the year, the Group also began to fully integrate Earthoil's operations within those of the Treatt Group in order to maximise efficiency and operational synergies. This included moving Earthoil's UK business onto the Group's J.D. Edwards Enterprise Resource Planning (ERP) system in November 2007, moving all organic essential oil inventory and activity to R.C. Treatt's site in Bury St. Edmunds and fully integrating Earthoil personnel within the Treatt organisation structure.

The Group continues to place a very high level of priority on managing its inventory levels. Although inventory levels have increased in value by 19% on a like for like basis (ie excluding Earthoil), this is set against the back drop of a 70% increase in order books. Overarching control of inventories is carried out by stock teams in both the UK and US who meet frequently, and review in detail, information using a number of IT tools linked in to the ERP system. As a consequence of the work carried out in this area, less than 1% of Group inventory is more than two years old at the year end. In addition, the Group continues to improve and develop its ERP system through a process of continuous enhancement.

With the Group's continued growth, we are focused on maximising the potential from our properties and are constantly seeking ways of improving our use of the resources available to us. Following a review of our property requirements, the Board has decided to give notice to tenants occupying one of the buildings in Bury St. Edmunds. This will enable the Group to utilise an additional 14,000 sq. ft. of production, storage and office space and will also make available a significant area of outside storage. The Board will also keep under review the need for appropriate additional premises if they become available in suitable locations, however such investment is unlikely in the next twelve months.

Treatt continues to take an active role in our sector of the chemical industry in the implementation process for the European REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulations which will have a major impact on the chemical industry in Europe over the next decade. The Group is currently a member of several trade association led 'pre-consortiums.' The pre-registration phase has come to an end and Treatt is well positioned for the next phases having submitted several hundred pre-registrations. We are therefore poised to implement the requirements of this highly complex and costly legislation as and when required. Indeed, Treatt remains committed to playing an active role in debating, lobbying and implementing legislative change and we continue to demonstrate our commitment to trade organisations throughout the industry, with the Group's Managing Director having held the position of President of the International Federation of Essential Oils and Aroma Trades (IFEAT) for the last three years.

The Group also continues to place significant importance on developing its disaster recovery and business continuity plans and has put in place a highly detailed plan for R.C. Treatt in order to ensure that it is able to respond effectively should a major unforeseen event occur. Utilising the expertise developed during the preparation of this plan, it will now be extended and developed to incorporate Treatt USA as well.

During the course of the year, Treatt bought and sold materials in almost one hundred countries around the world. In addition, Earthoil now produces organic and ethically-traded essential and vegetable oils in Kenya, South Africa and India. We believe that this global reach enables the Group to be especially well placed to meet the needs of major multi-national businesses that look to Treatt to address seamlessly the many complexities of importing and exporting goods to or from any corner of the world.

Trading

Group

Over the year, orange oil, an orange juice by-product which represents about 19% (2007:16%) of Group revenue, remained at historically high levels, being consistently above US$2/kg. In addition, the market price of orange terpenes, in turn a co-product from orange oil, has remained firm for most of the year. In contrast, lemon oil prices increased very sharply during the year from about US$20/kg to closer to US$55/kg which had a significant impact on the results for the year, as explained in the Chairman's statement. Lemon oil has always been a significant item within Treatt's product portfolio.

R.C. Treatt

Revenue increased by 23% with sales to the top ten customers again representing just over one third of turnover. The increased manufacturing capacity referred to above led to a 61% increase in the volume of orange oil products which were sold in the year. This resulted in increased orange oil sales and contribution of 55% and 64% respectively. This demonstrates the fact that, without the adverse impact of foreign currency movements, the underlying performance of the UK business remains strong with operating profit before adverse foreign exchange translation differences increasing by 39%. As explained in the Chairman's Statement, the net impact of the strengthening US Dollar has been to reduce the Company's profits by more than £0.5m. The overall diversity of R.C. Treatt's product range and customer base, both in terms of size and location, continues to provide a well-balanced risk profile such that at a time when sales to the UK and Europe remain under considerable pressure, revenues in various other territories such as the Middle and Far East have performed very well over the last year.

Treatt USA

This last year has seen Treatt USA bounce back with record sales and profits, following a disappointing and difficult 2007. Although Treatt USA did benefit from some stock profits in relation to lemon oil, the Company won some significant new citrus essential oil business. Treatt USA continues to grow its infrastructure and headcount on a carefully managed basis in order to meet the demands on the business, with its order book at year end being 95% up in US Dollar terms (130% increase in GBP). Treattarome™ products continue to provide exciting and innovative opportunities for growth with tea products, in particular, proving to be popular with a doubling of sales over the last year. Overall, Treattarome™ sales were up 28% (2007: 13%) year on year. Other Treattarome™ products which performed well in the year included sugar, honey, passion fruit and cucumber.

Treatt China

The Group's Shanghai office has now been open for more than two years and is proving to be of significant benefit with sales to Hong Kong and China having increased by 70% over the last year. The year did not, however, pass without its challenges, particularly in regard to the 'Olympics effect' which resulted in considerable difficulty for businesses importing and exporting in and out of China, together with the implementation of temporary restrictions on the movement of "hazardous" goods through the country. The Board believes that its activities in China remain very important to the future of the Group, both in terms of supply and sales.

Earthoil

The first six months of the financial year were very disappointing. During this time Earthoil was a 50% joint venture and its sales did not grow at the rate which was expected at the time of the investment. Consequently, the Group acquired the remaining 50% on a pure earn-out basis. As a result, and by building on Earthoil's excellent product range and leveraging Treatt's worldwide sales infrastructure, sales throughout the Earthoil Group of companies have started to improve. Through innovative ethical trade organic farming projects in both Kenya and India, Earthoil is continuing to develop and grow its sales of niche market products.

Investment for the Future

R.C. Treatt

The level of capital expenditure in 2008 of £0.9m (2007: £0.9m) was, as expected, in line with historic levels. In the current climate the Company plans to take a very conservative approach to capital expenditure over the coming year. Instead, the focus will be on maximising the pay back from the completion of recent projects. Priority for new capital projects will be given to those with very short (less than twelve month) pay back periods and a lower priority will be given to those of a long term strategic nature with little or no immediate impact on the Group's performance in the foreseeable future.

Treatt USA

The emphasis over the last year has been to invest in those areas of the business which were seeing the highest levels of growth, including the Treattarome™ and distillation areas, and a trans-atlantic Group project to enhance the manufacture of some high value-added products. Over the coming year the approach taken with regard to capital expenditure will be the same as at R.C. Treatt.

Research and Development (R&D)

Over the last few years the Group has made significant investments in R&D capabilities in the UK and US, both in terms of new product development and enhancing the technical capabilities in areas such as agricultural residue and industrial contaminant detection. In addition to the on-going strengthening of our R&D capabilities, the Group will continue to invest in high calibre technical personnel in order to enhance the Group's service offering to its customers. The Group also carries out a significant amount of global research into new and changing raw materials from around the world and continues to develop close partnerships with companies in producing countries in order to develop new sources of raw materials on a financially sustainable basis.

Personnel

The Group strives to maintain a balance between longer serving employees and the creation of new positions, thus bringing stability and efficiency to all areas and meeting the ever changing strategic needs of the business. To this end the Group continues to place emphasis on staff training and personal development through both internal and external courses. In line with Government initiatives, the Group is accessing relevant training opportunities and funding whenever possible.

FINANCIAL REVIEW

"Group operating profit before foreign exchange translation differences increased by 42% to £4.2m"

Performance Analysis
Income Statement
Group revenue increased by 30.4% during the year to £49.64m (2007: £38.07m). R.C. Treatt's sales rose by 23.3% whilst, in constant currency, sales at our USA subsidiary, Treatt USA, increased in US Dollars by 37.0%. Operating profit before foreign exchange translation differences increased by 42% to £4.2m (2007: £2.9m) whilst earnings before interest, tax, depreciation and amortisation for the year rose by 7.7% to £4.50m (2007: £4.17m). Group profit before tax increased by 8.4% to £3.06m (2007: £2.83m).

The total dividend for the year has been increased by 3.7% to 11.2p per share, resulting in a dividend cover of 1.74 times earnings.

In the final quarter of 2008 the US Dollar (being Treatt's most significant currency) strengthened sharply from $1.99 at the end of June to $1.78 at year end, a movement of 10.6%. Since the year end Sterling has now fallen below $1.50, a cumulative movement since June of 25%. As explained further on in this report under 'Treasury Policies', the Group hedges its foreign exchange risk at R.C. Treatt by holding and managing US Dollar borrowings. In the short term this can result in timing differences. As a result of the sharp movement in the US Dollar, the Group suffered adverse foreign exchange translation differences of £0.5m in the last quarter of the financial year with a further £1m adverse foreign exchange difference occurring since year end. However, over the next six months, the other side of the hedge will result in better margins as inventory which was purchased when the US Dollar was weak, is sold to customers in a range of currencies. Indeed, November's UK gross margin percentage was at its highest level since 2005. Finally, it should be noted that the strengthening of the US Dollar, has increased Group net assets as a gain of £1.05m was recorded in 'The Statement of Total Recognised Income and Expense' in relation to the Group's investment in overseas subsidiaries, principally Treatt USA.

Sales of aromatic chemicals remained strong and Treattarome™ products continued to perform well. Revenue from orange oil products rose during the year by 54% with the contribution from these products increasing by 42%. For the reasons outlined in the Chairman's Statement, with a mix of stock profits and new business wins, lemon oil sales grew by 78%, with contribution more than doubled. Gross margins of 25.3% were achieved this year (2007: 26.8%) which reflects the fact that as commodity prices increased during the year, percentage margins were squeezed even if cash margins were maintained. In addition, the increased orange oil business at lower margins also resulted in a change to the Group's product mix. Over the last year, Aroma Chemical margins have again remained steady despite fierce competition as customers look to Treatt not just for competitive pricing, but good service as well.

The Group's administrative expenses increased by 12.8% to £8.1m (2007: £7.2m). On a like for like basis, the increase was 7.5% reflecting increases in payroll and energy costs particularly. Staff numbers across the Group increased to 229 employees of which 33 relate to Earthoil, including colleagues in France, Kenya, India and South Africa.

The Group's net finance costs have increased from £0.44m to £0.49m. This was a 'net' movement, with interest costs increasing due to the higher levels of borrowing whilst on the positive side the pension finance income increased by £0.15m. Interest cover for the year was still 7.2 times (2007: 7.5 times).

Basic earnings per share for the year decreased to 19.4 pence (2007: 20.0 pence). The calculation of earnings per share excludes those shares which are held by the Treatt Employee Benefit Trust (EBT) since they do not rank for dividend.

During the year the Group continued its annual programme of offering share saving schemes for staff in the UK and USA. Under US tax legislation, staff at Treatt USA are able to exercise options annually, whilst the UK schemes provide for three-year savings plans. As part of this programme, options were granted over a further 53,000 shares during the year, whilst 17,000 were exercised by UK employees under the 2005 Save As You Earn scheme. Following its establishment in 2004, the EBT currently holds 317,000 shares (2007: 309,000) acquired in the market in order to satisfy future option schemes without causing any shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required in order to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Acquisition of Subsidiaries

As explained in the Chairman's Statement, in April 2008 the Group acquired the remaining 50% of 'Earthoil'. More information on Earthoil can be found at *www.earthoil.com*. The second 50% was acquired by making a £0.25m advance which is recoverable against either the earn-out in 2012, or if that is insufficient, against the redeemable loan notes payable in 2015. The earn-out consideration for the second 50% will be payable in 2012 and will be calculated as 5.5 times the average profits for the calendar years 2010 and 2011.

For the first six months of the year, Earthoil was a 50%-owned joint venture, and turned in a very disappointing trading result, generating a loss for the Group of £0.4m. In the next three months following 100% ownership, Earthoil continued to make a further loss of £0.4m. In the final three months of the year however, as steps taken by Treatt following the full acquisition started to have an effect, Earthoil broke even.

Cash Flow

During the year, total borrowings of the Group increased by £5.8m to £15.8m (2007: £10.0m). The Group has a mix of secured and unsecured borrowing facilities totalling £17.3m which expire in one year or less. Within the cash flows of the Group, the most significant related to inventories and accounts receivable which together tied up a further £7.7m of working capital. The cash outflow in relation to inventories totalled £3m as a result of the combined effect of higher commodity prices and a 70% increase in order books. In order to secure supply and protect margins on fixed price contracts, as the order book has increased it has always been necessary to purchase raw materials to 'cover' contracts at the time orders are placed which can sometimes be more than a year ahead of scheduled deliveries. Therefore, it is part of the Group's business model that an increase in orders tends to increase inventories.

Capital expenditure for the year increased slightly to £1.1m (2007: £1.0m), details of which are provided in the Operating Review.

Final Salary Pension Scheme

Following the last three-year actuarial review in January 2006, contributions to the scheme were increased in order to eliminate the actuarial deficit by 2016. In addition, over the last two years special contributions totalling £1.5m have also been made.

At the start of the year the *IAS 19, "Employee Benefits"* pension asset, net of deferred tax, was £0.05m and this has now turned into a deficit net of deferred tax of £0.4m. Within this relatively modest movement, however, there was a reduction in the value of investments of £3m which has been offset by a reduction of £2m in the value of liabilities as a result of the increase in corporate bond discount rates used to discount those liabilities.

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

Balance Sheet
Over the year, Group shareholders' funds have grown to £21.6m (2007: £20.4m), with net assets per share increasing by 6% to £2.061 (2007: £1.946). Net current assets represent 52% (2007: 50%) of shareholders' funds and the Group's land and buildings are all held at historical cost. It should be noted, however, that net assets have been reduced by £0.8m (2007: £0.7m) as a result of shares held by the EBT, due to the accounting requirements for employee trusts. This impact will be reversed when these shares are used to satisfy employee share option schemes.

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

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

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

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

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

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

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

Group Tax Charge
The Group's current year tax charge of £1.0m (2007: £0.4m) represents an effective tax rate of 33% (2007: 14%). This is higher than the standard rate of UK corporation tax of 28% (2007: 30%) as a result of losses incurred by Earthoil which cannot be relieved against current year profits. Last year's effective tax rate was much lower than normal due to the tax relief obtained on the special pension contributions. The overall tax charge of £1.1m (2007: £0.8m) has increased in line with profits. There were no significant adjustments required to the previous year's tax estimates.

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008
GROUP INCOME STATEMENT

	Notes	**2008**	2007
		£'000	£'000
Revenue	3	**49,641**	38,066
Cost of sales		**(37,093)**	(27,858)
Gross profit		**12,548**	10,208
Administrative expenses		**(8,133)**	(7,207)
Share of results of joint ventures		**(264)**	(70)
Operating profit before foreign exchange (loss) / gain		**4,151**	2,931
Foreign exchange (loss)/gain		**(595)**	333
Operating profit after foreign exchange (loss) / gain		**3,556**	3,264
Finance revenue		**289**	136
Finance costs		**(781)**	(572)
Profit before taxation		**3,064**	2,828
Taxation	4	**(1,090)**	(801)
Profit for the period		**1,974**	2,027
Attributable to:			
Equity holders of the parent		**1,979**	2,027
Minority interest		**(5)**	
		1,974	2,027
Earnings per share			
Basic	6	**19.4p**	20.0p
Diluted	6	**19.4p**	19.9p

All amounts relate to continuing operations

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GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2008 £'000	2007 £'000
Profit for the period	**1,974**	2,027
Currency translation differences on foreign currency net investment	**1,048**	(509)
Actuarial (loss)/gain on defined benefit pension scheme	**(1,011)**	1,900
Deferred taxation on actuarial loss/(gain)	**283**	(532)
Total recognised net income for the period	**2,294**	2,886

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	2008 £'000	2007 £'000
Total recognised net income for the period	**2,294**	2,886
Dividends	**(1,100)**	(1,053)
Share-based payments	**23**	21
Increase in share capital	**-**	633
Movement in own shares in share trust	**(17)**	(197)
Loss on release of shares in share trust	**(4)**	(34)
Increase in shareholders' equity	**1,196**	2,256
Opening shareholders' equity	**20,397**	18,141
Closing shareholders' equity	**21,593**	20,397

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GROUP BALANCE SHEET

	2008 £'000	2007 £'000
ASSETS		
Non-current assets		
Goodwill	**3,763**	-
Property, plant and equipment	**9,461**	8,456
Intangible assets	**336**	455
Interest in joint ventures	**-**	2,613
Deferred tax assets	**185**	-
Trade and other receivables	**361**	-
Post-employment benefits	**-**	70
Redeemable loan notes receivable	**-**	1,350
	14,106	12,944
Current assets		
Inventories	**20,123**	16,238
Trade and other receivables	**11,947**	6,785
Corporation tax receivable	**52**	52
Cash and cash equivalents	**236**	-
	32,358	23,075
Total assets	**46,464**	36,019
LIABILITIES		
Current liabilities		
Bank loans and overdrafts	**(14,008)**	(8,382)
Provisions	**(436)**	-
Trade and other payables	**(6,465)**	(4,412)
Corporation tax payable	**(276)**	(37)
	(21,185)	(12,831)
Net current assets	**11,173**	10,244
Non-current liabilities		
Deferred tax liabilities	**(279)**	(474)
Bank loans	**(2,016)**	(1,642)
Trade and other payables	**(178)**	-
Post-employment benefits	**(538)**	-
Redeemable loan notes payable	**(675)**	(675)
	(3,686)	(2,791)
Total liabilities	**(24,871)**	(15,622)
Net assets	**21,593**	20,397
SHAREHOLDERS' EQUITY		
Called up share capital	**1,048**	1,048
Share premium account	**2,757**	2,757
Own shares in share trust	**(761)**	(743)
Employee share option reserve	**31**	29
Foreign exchange reserve	**(453)**	(1,501)
Retained earnings	**18,975**	18,807
Equity attributable to shareholders of the parent	**21,597**	20,397
Minority interest	**(4)**	-
Shareholders' Equity	**21,593**	20,397

TREATT PLC
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GROUP CASH FLOW STATEMENT

	2008 £'000	2007 £'000
Cash flow from operating activities		
Profit before taxation	**3,064**	2,828
Adjusted for:		
Foreign exchange loss/(gain)	**842**	(373)
Depreciation of property, plant and equipment	**767**	733
Amortisation of intangible assets	**172**	176
Loss on disposal of property, plant and equipment	**3**	3
Net interest payable	**722**	512
Share-based payments	**23**	21
Share of results of joint ventures	**264**	70
Decrease in post-employment benefit obligation excluding special contribution	**(403)**	(225)
Operating cash flow before movements in working capital and special post-employment benefit contribution	**5,454**	3,745
Special post-employment benefit contribution	**-**	(1,035)
Changes in working capital:		
Increase in inventories	**(3,012)**	(2,280)
Increase in trade and other receivables	**(4,708)**	(395)
Increase in trade and other payables	**1,188**	622
Cash generated from operations	**(1,078)**	657
Taxation paid	**(730)**	(628)
Net cash from operating activities	**(1,808)**	29
Cash flow from investing activities		
Acquisition of investments in joint ventures	**-**	(1,375)
Acquisition of investments in subsidiaries	**(329)**	
Purchase of property, plant and equipment	**(1,083)**	(1,017)
Purchase of intangible assets	**(44)**	(50)
Purchase of redeemable loan notes	**-**	(1,350)
Interest received	**59**	60
	(1,397)	(3,732)
Cash flow from financing activities		
Repayment of bank loans	**(157)**	(125)
Interest paid	**(781)**	(572)
Dividends paid	**(1,100)**	(1,053)
Net purchase of own shares by share trust	**(22)**	(231)
	(2,060)	(1,981)
Net decrease in cash and cash equivalents	**(5,265)**	(5,684)
Cash and cash equivalents at beginning of period	**(8,257)**	(2,573)
Cash and cash equivalents at end of period	**(13,522)**	(8,257)
Cash and cash equivalents comprise:		
Cash and cash equivalents	**236**	-
Bank overdrafts	**(13,758)**	(8,257)
	(13,522)	(8,257)

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008
GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008	2007
	£'000	£'000
Decrease in cash and cash equivalents	**(5,265)**	**(5,684)**
Loans in acquired subsidiaries	**(406)**	**-**
Repayment of borrowings	**157**	**125**
Cash outflow from change in net debt in the period	**(5,514)**	**(5,559)**
Effect of foreign exchange rates	**(250)**	**172**
Movement in net debt in the period	**(5,764)**	**(5,387)**
Net debt at start of the period	**(10,024)**	**(4,637)**
Net debt at end of the period	**(15,788)**	**(10,024)**

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008
NOTES TO THE PRELIMINARY STATEMENT

1. Basis of preparation

In accordance with Section 240 of the Companies Act 1985, the Company confirms that the financial information for the years ended 30 September 2008 and 2007 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 Group's audited financial statements received an unqualified audit opinion and the auditor's report contained no statement under section 237(2) or 237(3) of the Companies Act 1985.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 12 December 2008.

2. Accounting policies

These financial statements have been prepared in accordance with the accounting policies set out in the full financial statements for the period ending 30 September 2007 other than as follows:

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

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

3. Segmental information

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

	2008	2007
	£'000	£'000
Revenue by destination		
United Kingdom	**7,789**	6,576
Rest of Europe	**14,478**	11,694
The Americas	**13,711**	10,263
Rest of the World	**13,663**	9,533
	49,641	38,066

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008
NOTES TO THE PRELIMINARY STATEMENT

4. Taxation

	2008 £'000	2007 £'000
Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**851**	300
Adjustments to UK tax in respect of previous periods	**(57)**	13
US federal and state tax on US profits for the period	**180**	70
Adjustments to US tax in respect of previous periods	**28**	-
Total current tax	**1,002**	383
Deferred tax:		
Origination and reversal of timing differences	**88**	382
Effect of reduced tax rate on opening asset or liability	**-**	46
Adjustments in respect of previous periods	**-**	(10)
Total deferred tax	**88**	418
Tax on profit on ordinary activities	**1,090**	801

Deferred tax of £283,000 (2007: £532,000) was charged to equity in respect of post-employment benefit obligations.

5. Dividends

	2008 £'000	2007 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2007 – 3.5p per share	**358**	-
Final dividend for year ended 30 September 2007 – 7.3p per share	**742**	-
Interim dividend for year ended 30 September 2006 – 3.4p per share	**-**	341
Final dividend for year ended 30 September 2006 – 7.1p per share	**-**	712
	1,100	1,053

The declared interim dividend for the year ended 30 September 2008 of 3.6 pence was approved by the Board on 23 May 2008 and was paid on 3 October 2008. Accordingly it has not been included as a deduction from equity at 30 September 2008. The proposed final dividend for the year ended 30 September 2008 of 7.6 pence will be voted on at the Annual General Meeting on 23 February 2009. Both dividends will therefore be accounted for in the results for the year ended 30 September 2009.

6. Earnings per Ordinary Share

(1) Basic earnings per share
Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,156,647 (2007: 10,136,986) and earnings of £1,974,000 (2006: £2,027,000), being the profit on ordinary activities after taxation.

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

(2) Diluted earnings per share
Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares, of 10,165,571 (2007: 10,174,314), and the same earnings as above.