TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Treatt Plc, the manufacturer and supplier of conventional, organic and fair trade ingredients for the flavour, fragrance and cosmetic industries, announces today its preliminary results for the year ended 30 September 2009.

Summary

Group revenue increased by 13% to £56.31 million (2008: £49.64 million)
Group net cash inflow of £6.9m (2008: Outflow £5.8m)
Group operating profit after FX up by 9% to £3.89 million (2008: £3.56 million)
Profit before tax 14% higher at £3.50 million (2008: £3.06 million)
Dividends increased 7% to 12.0p per share (2008: 11.2p)
Earnings per share up 26% to 24.5p (2008: 19.4p)

Enquiries:

Treatt plc	Tel: 01284 714820
Hugo Bovill	Managing Director
Richard Hope	Finance Director (Mobile on 7 December 2009: 07881 508437)

CHAIRMAN'S STATEMENT

"Group profit before tax increased by 14% to £3.5m, with sales up by 13% to £56.3m"

2009 has been a strong year for the Group, especially given the very difficult economic environment. Group revenue continued to grow with an increase for the year of 13.4% to £56.31m (2008: £49.64m). Over the last two years, therefore, Group revenue has risen by 48%. Group earnings before interest, tax, depreciation and amortisation increased by 11.5% to £5.01m (2008: £4.50m) with profit before tax for the year up by 14.3% to £3.50m (2008: £3.06m). Basic earnings per share has increased by 26.3% to 24.5 pence (2008: 19.4 pence) and net assets per share have increased by 5.3% to 217.0 pence per share (2008: 206.1 pence per share).

During the year the Group had a strong positive cash flow, generating a total cash inflow of almost £7m and reducing total Group debt from £15.8m to £8.9m. As a result, the total gearing ratio has fallen from 73% to 39% and the debt/equity ratio has reduced from 70% to 31%. As confirmed in the Interim Statement, all Group bank facilities were renewed without difficulty.

The Board is therefore proposing a final dividend of 8.3 pence (2008: 7.6 pence), increasing the total dividend for the year by 7.1% to 12.0 pence (2008: 11.2 pence) per share. The final dividend will be payable on 5 March 2010 to all shareholders on the register at close of business on 29 January 2010.

Group operating profit after foreign exchange translation differences increased by 9.5% to £3.9m (2008: £3.6m). As has been the case in previous economic downturns, the Group has performed well over the last year, with the Group's main UK operating business, R.C. Treatt, putting in a particularly strong result. However, following a very strong 2008, Treatt USA had a much more difficult time in 2009 whilst the Group's organic and fair trade business, Earthoil, continued to improve markedly with sales growth of 42%.

Overall the Group benefitted from the sharp strengthening of the US Dollar which occurred towards the end of the previous financial year and in the first quarter of this year, although as part of the Group's hedging policy it did suffer adverse foreign exchange translation differences totalling £0.45m in addition to the £0.60m experienced in the last quarter of the previous financial year. For further details of the Group's hedging policy see the Financial Review. Sales of orange oil products, which represent 17% of Group revenue (2008: 19%), decreased by 3% during the year (having grown by 54% the year before), whilst contribution from orange oil products fell by 19% following a 42% increase in 2008. However this should be seen in the context that orange oil fell during the financial year from close to US$2.50/Kg to little more than US$1.00/Kg although the market began to firm moderately once again in Q4 due to a reduced global orange crop and improving demand. In addition, the decline in the vast majority of other commodity prices during the year had a generally negative effect on Group margins, although this was offset to a considerable extent by the stronger US Dollar.

As already mentioned, R.C. Treatt continued to perform strongly with particularly healthy demand from its major customers and with strong export sales being maintained. Global aroma chemical sales were virtually unchanged following several years of double digit growth, whilst sales of manufactured citrus essential oils increased by 7%. Revenue at R.C. Treatt has increased by 6% to £38.9m (2008: £36.6m), with profits up by 22%. At the start of the financial year the US Dollar rate vs UK Sterling strengthened from $1.78 to almost $1.40 and then returned to end the year at $1.60. This resulted in the adverse foreign currency translation differences of £0.45m referred to above.

The absence of last year's one-off gains on lemon oil sales and generally weaker demand in the US, resulted in a substantial decline in Treatt USA's profitability in 2009 with sales in US Dollars falling by 6%. On the positive side, with falling commodity prices, Treatt USA was able to significantly reduce its inventory levels and thereby generate a cash inflow of more than US$5m (£3.1m). The growth in Treattarome™ sales continued with an increase, in US Dollars, of 14% (2008: 28%) across a wide range of products, with the extensive range of tea products doing particularly well.

Having taken full control of Earthoil in April 2008, these results reflect the first full year under 100% ownership. On a like-for-like basis, Earthoil revenues increased by 42% whilst the final stages of integrating Earthoil's UK business with that of the Group was completed following the relocation of Earthoil's vegetable oil operations from Lichfield to Bury St. Edmunds. The Earthoil organic and fair trade farming and production projects in India, Kenya and South Africa continue to progress well and the last year has seen Earthoil win substantial new business in organic and fair trade vegetable oils.

In summary, the Group continues to demonstrate its position as one of the leading, independent and truly global suppliers of ingredients (natural, organic, fair trade and aroma chemicals) for the flavour, fragrance and cosmetics industries. The Group also remains a world leader in agricultural food science and analysis and remains very well placed to leverage opportunities provided by the increased specialism and technical expertise required to meet ever more challenging customer demands.

Final Salary Pension Scheme
As a result of falling discount rates, the IAS19 post-employment benefit liability in the balance sheet has increased by £1.5m (£1.05m net of deferred tax), despite an investment gain for the year of £1.5m. However, the triennial actuarial valuation of R.C. Treatt's final salary pension scheme, which took place as at 1 January 2009, resulted in an increase in the actuarial deficit from £1.5m in 2006 (adjusted following £1.5m of one-off contributions) to £1.7m. This is despite the scheme having been closed to new entrants in 2001 and pensionable salaries frozen in real terms in 2003. Over the three years since the previous full valuation, investment returns were £2.2m lower than expected but liabilities had reduced by £2.2m as a consequence of the much higher assumed discount rate. As a result, the company has agreed with the pension trustees to increase contributions by a modest £37k per annum and thereby remain on schedule to eliminate the deficit in 2016. For further information on this please see the Financial Review.

Prospects
The new financial year has started slowly with sales and margins down on the same period last year, although seasonally Q2 and Q3, which are still to come, are consistently the strongest periods for the Group.

With economic recovery now beginning in many parts of the world, particularly the US, we are expecting 2010 to be a period of consolidation for the Group. With lower commodity prices compared to a year ago, and a weaker US Dollar, sales and margins may not be maintained for the coming year, although we do expect both Treatt USA and Earthoil to turn in stronger results. In addition, given the continuing economic uncertainty, Group order books are lower than a year ago as customers have delayed placing long term contracts due to falling prices and uncertain consumer demand, although this situation may now begin to reverse once again in the light of upward price pressures.

People
Firstly, 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.

Following 15 years on the Board, 7 of which have been as Chairman, I have decided that the time has come to retire from the Board and I am therefore proposing to step down at the conclusion of the AGM in February 2010. It has been my pleasure to serve on the Board and I am pleased to advise that James Grace, who has served as a Non-executive Director for the last year, will be succeeding me as Chairman.

David Appleby, who has been a Director of Treatt for 24 years, firstly as Manufacturing Director and then as a Non-executive Director, has announced that he wishes to retire from the Board with effect from 31 December 2009. David has been a loyal servant of Treatt and I would like to thank him for his tremendous dedication and contribution to the Group over many years.

In the light of these changes, we are pleased to welcome Ian Neil to the Board as a Non-executive Director. Ian has been familiar with Treatt's business for many years and brings with him over 30 years of flavour and fragrance industry experience.

EDWARD DAWNAY
Chairman
4 December 2009

"I would like to thank Ned Dawnay for his 15 years of service with Treatt plc. He has been a great support to the Board through good, and sometimes difficult, moments and his guidance and humour has always been much appreciated. We wish him well in his retirement." Hugo Bovill - Managing Director.

OPERATING REVIEW 2009

"The Group continued to invest strongly in developing its manufacturing and business continuity capabilities"

The Group continued to make substantial operational improvements throughout 2009, investing over £1 million in enhancing its global manufacturing capabilities whilst at the same time strengthening its IT infrastructure as part of the development of the Group's business continuity and disaster recovery systems. In addition, R.C. Treatt began the process of upgrading its production area for manufactured products with a number of new high grade tanks and improved the layout and design of this area in order to maximise efficiencies. The capital projects undertaken during the year will continue to enable the Group to maintain its competitiveness and grow market share.

2009 also saw the continued integration of Earthoil's operations within those of the Treatt Group in order to maximise efficiency and operational synergies. This included relocating Earthoil's UK business to the main site in Bury St Edmunds. During the year the Group gave notice to the tenant occupying one of its buildings in Northern Way and the property has been converted, at minimal cost, to meet the needs of Earthoil's vegetable oil business. This building provides an additional 14,000 sq. ft. of production, storage and office space and will also make available a significant area of outside storage. This property also allows the Group to maintain complete segregation of potentially allergenic materials such as nut oils. The Board will also keep under review the need for appropriate additional premises if they become available in suitable locations.

The financial year began in the midst of the world economic crisis, falling consumer demand and commodity prices declining. The Group's main operational objective was therefore to substantially reduce inventory levels and improve cash flow whilst maintaining service levels. These objectives were achieved with inventory levels falling by more than 20% from £20.1m to £16.0m even though sales grew by 13%. 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. In addition, the Group continues to improve and develop its ERP system through a process of continuous enhancement.

In its sector of the chemical industry Treatt is taking an active role in complying with the REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) regulation which will have a major impact on the chemical industry in Europe over the next decade. Treatt is working within SIEF (Substance Information Exchange Forums) and consortia to ensure that products that are key to the business are in compliance with the regulation. A year on from the pre-registration phase and Treatt is well positioned for the next phases of the regulation. The Group is committed to working closely with our supply chain and are in constant dialogue with customers and suppliers in our efforts to ensure REACH compliance and business continuity. 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.

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. Extensive stress testing of this plan is now being undertaken following which we will utilise the expertise developed during the preparation of this plan in order to incorporate Treatt USA as well. As part of the natural disaster recovery protection from which the Group benefits, the main site in the UK is divided into several discrete buildings separated by a public roadway, and in addition the Group has considerable operational synergies between the UK and US. This would enable the Group to put into practice one of many contingency plans in the event of a major incident by moving a significant amount of its activity to alternative locations.

During the course of the year, Treatt bought and sold materials in almost one hundred countries around the world. In addition, Earthoil produces organic and fair trade 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 seamlessly address 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 17% (2008:19%) of Group revenue, fell sharply in price from being consistently above US$2/kg to, at one point, less than US$1/kg. The Group reduced its orange oil supply pipeline as much as it could, whilst maintaining service levels and meeting orders and contracts as required, thus enabling the Group to minimise the effect of the falling price on sales and margins. Following the previous year's sharp rise in lemon oil prices, as expected lemon oil fell back from US$50/kg to a more realistic US$25/kg and the Group has continued to maintain a strong level of sales and contribution from its lemon oil products. Lemon oil has always been a significant item within Treatt's product portfolio.

R.C. Treatt

Revenue increased by 6% with sales to the top ten customers representing just over 40% of turnover, with some of the Company's largest customers maintaining strong demand during the year in spite of worsening economic conditions. This sales growth was also significantly supported by the stronger US Dollar. Following the increase in manufacturing capacity referred to above, which led to a 61% increase in the volume of orange oil products sold in 2008, the Company managed to almost maintain this level, experiencing a modest 3% reduction in volume in 2009. This resulted in the value of orange oil sales being maintained although contribution fell by 20%. As explained in the Chairman's Statement, the impact of the strengthening US Dollar resulted in adverse foreign exchange translation differences of £0.45m which were offset by higher sales and margins as inventory, which had been purchased when the Dollar was weaker, was converted into revenue at a more advantageous exchange rate. 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 in many territories remain under considerable pressure, revenues in various other parts of the world such as the Far East have performed very well over the last year.

Treatt USA

Over the last 5 years Treatt USA has experienced fluctuating fortunes and this pattern was repeated again this year. Following record profits in 2008 Treatt USA had a very difficult 2009 as customers in North America, in particular, underwent significant de-stocking and competitive pressures increased still further. Treatt USA went into the year with strong order books but as the financial year wore on sales and margins weakened considerably. On the positive side, Treattarome™ products continue to provide exciting and innovative opportunities for growth with tea products proving to be particularly popular with a second successive year of significant growth. Overall, Treattarome™ sales were up in US Dollars by 14% (2008: 28%) year on year.

Treatt China

The Group's Shanghai office has now been open for more than three years and is proving to be of significant benefit with sales to Hong Kong and China having increased by 16% over the last year, following a 70% increase in the preceding year. The Board believes that its activities in China remain very important to the future of the Group, both in terms of supply and sales. The decision was therefore taken part way through the year to restructure its sales operation in China by setting up a new strategic alliance with one of the Group's principal suppliers in the region and although it is early days, initial signs are that this will have a significantly positive impact on our performance in the region.

Earthoil
2009 has been a year of significant improvement for Earthoil with like-for-like sales increasing by 42%. By building on Earthoil's excellent product range and leveraging Treatt's worldwide sales infrastructure, sales throughout the Earthoil Group of companies increased, with sales of organic vegetable oil products being an area of particularly notable growth. Earthoil's innovative fair trade and organic farming projects in Kenya, India and South Africa continue to progress well with both Kenya and India achieving the fair trade 'Fair for Life' accreditation (see www.imo.ch) during the year. In fact tea tree became one of the most important crops in the Mount Kenya region as it was able to survive, and indeed prosper, in spite of the severe drought conditions which caused many other crops to fail. It has been of particular note that contrary to conventional wisdom, the yield from our organic mint project in India has actually proved to be greater than that for conventional mint. Consequently, Earthoil now produces organic geranium oil, organic and fair trade tea tree oil and a range of organic and fair trade mint oils. For further information on Earthoil's unique range of products visit www.earthoil.com.

Investment for the Future
In 2009 R.C. Treatt continued to invest £0.8m (2008: £0.9m) in capital expenditure as the Board believe in running the business for the long term and not reacting to short term economic fluctuations. Naturally, a more conservative approach to new capital proposals was taken during the early part of the year due to the highly uncertain outlook. Over the next year we will continue to give priority to those capital projects with very short (less than twelve month) pay back periods.

Over the last year Treatt USA incurred a relatively low level of capital expenditure with the emphasis being on maximising efficiencies from the existing plant and equipment. Over the forthcoming financial year, investment is likely to be increased in a few areas, particular in IT with the implementation of bar coding (which was introduced in the UK three years ago).

Earthoil is not expected to require material investment as sales and margins can be grown on the back of the existing Group infrastructure. However, since the year end Earthoil Kenya has started a project to install a boiler and distillation unit at its organic and fair trade tea tree plantation in the foothills of Mount Kenya.

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 the detection and reduction of agricultural residues and industrial contaminants. 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 recognises that one of its strengths lies with the expertise, experience and knowledge of its workforce and places a high priority on remaining at the forefront of the industry. To this end we are always looking for appropriately talented and motivated individuals both from within the industry and complementary industries.

We are highly committed at RC Treatt to our graduate recruitment programme which has proved very successful over a number of years in allowing us to reinforce various areas of the business and assisting in succession planning. We therefore intend to expand the programme over the next year to include Treatt USA. This will underpin the Group's future success by having a pipeline of emerging talent schooled at Treatt which will enable us to meet the future needs of our customers on a global basis.

FINANCIAL REVIEW 2009

"Group EBITDA increased by 11.5% to £5.0m"

Performance Analysis

Income Statement

Group revenue increased by 13.4% during the year to £56.31m (2008: £49.64m). R.C. Treatt's sales rose by 6.2% whilst, in constant currency, sales at our USA subsidiary, Treatt USA, decreased in US Dollars by 6.2%. On a like-for-like basis, ie assuming 100% ownership in the preceding year, Earthoil Group sales rose by 42%. Operating profit after foreign exchange translation differences increased by 9.5% to £3.9m (2008: £3.6m) whilst earnings before interest, tax, depreciation and amortisation for the year rose by 11.5% to £5.01m (2008: £4.50m). Group profit before tax increased by 14.3% to £3.50m (2008: £3.06m).

The total dividend for the year has been increased by 7.1% to 12.0p per share, resulting in a dividend cover of 2.03 times earnings.

The US Dollar (being Treatt's most significant foreign currency) strengthened sharply from $2.00 to the Pound at the end of June 2008, to below $1.50 in December 2008. This represented a cumulative movement 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 £0.45m in the early part of the financial year. However, over the following six months, the other side of the hedge resulted in better margins than would otherwise have been the case as inventory, which was purchased when the US Dollar was weak, is sold to customers in a range of currencies. Finally, it should be noted that the strengthening of the US Dollar has increased Group net assets as a gain of £1.2m was recorded in 'The Statement of Total Recognised Income and Expense' in relation to the Group's investment in overseas subsidiaries, principally Treatt USA (in addition to a similar gain in the previous year of £1.0m).

In spite of lower consumer demand, sales of aromatic chemicals remained strong and Treattarome™ products continued to perform well. As would be expected in a falling market, revenue from orange oil products fell during the year by 3% with the contribution from these products decreasing by 18%, although this is still above the levels in 2007. Despite the substantial growth in the previous year, Group non-orange derived citrus oil business remained strong with Treatt continuing to increase its market share. Gross margins of 24.5% were achieved this year (2008: 25.3%) which reflects the fact that although commodity prices declined (sometimes sharply) during the year, percentage margins were supported by the benefit of a much stronger US Dollar as explained above. Over the last five years, Aroma Chemical margins have remained remarkably steady despite fierce competition as customers look to Treatt for a total service package of quality, service and price. In other words, lowest price does not mean lowest cost from a customer perspective.

The Group's administrative expenses increased by 16.4% to £9.5m (2008: £8.1m). This partly reflects the increased costs of Earthoil which were only included in administrative expenses for six months last year, and also the effect of retranslating Treatt USA's costs at a much stronger US Dollar exchange rate. On a like-for-like basis, excluding Earthoil and using constant exchange rates, the increase would be a more modest 6.6%. Staff numbers across the Group increased to 248 employees of which 40 relate to Earthoil colleagues in France, Kenya, India and South Africa.

The Group's net finance costs have decreased by 20% from £0.49m to £0.39m. This movement was caused by both lower levels of borrowing and reduced interest rates, although in common with most other businesses the margins and fees included within finance costs, which relate to the Group's banking facilities, have significantly increased. Interest cover for the year increased by 38% to 9.9 times (2008: 7.2 times).

Basic earnings per share for the year increased by 26% to 24.5 pence (2008: 19.4 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 these programmes, options were granted over a further 64,000 shares during the year, whilst 18,000 were exercised by UK and US employees under the 2006 Save As You Earn scheme and 2008 Employee Stock Purchase Plan. Following its establishment in 2004, the EBT currently holds 288,000 shares (2008: 317,000) acquired in the market in order to satisfy future option schemes without causing shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Cash Flow

The Group generated significant cash inflows during the year with total borrowings falling by £6.9m to £8.9m (2008: £15.8m). The Group has a mix of secured and unsecured borrowing facilities totalling £17.6m which expire in one year or less. Within the cash flows of the Group, the largest elements related to inventories and accounts receivable which together generated a £6m cash inflow. The cash inflow in relation to inventories totalled £4.1m, a significant amount of which related to de-stocking at Treatt USA. As an ingredients specialist, Treatt take many long term contracts with customers as well as servicing the immediate spot needs of its' diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore it is part of the Group's business model to hold significant levels of inventory, although in periods of falling commodity prices less cash is likely to be tied up in inventory in this way.

Capital expenditure for the year decreased slightly to £1.0m (2008: £1.1m), details of which are provided in the Operating Review.

Final Salary Pension Scheme

Following the actuarial review in January 2006, regular contributions to the scheme were increased in order to eliminate the actuarial deficit by 2016. In addition, special contributions totalling £1.5m were also made in 2006.

In January 2009 the pension scheme actuary carried out the latest full actuarial review of the final salary pension scheme to assess the extent to which R.C. Treatt's current contribution rates to the scheme are expected to meet the future liabilities of the scheme.

The scheme has been closed to new entrants since 2001 and 'final salaries' were frozen in real terms in 2003. The movement in the actuarial deficit for the three years ending 1 January 2009, can be explained as follows:

Analysis of Actuarial Deficit

	£'000
Original deficit at 1 January 2006	(3,020)
Special one-off contributions in 2006	1,500
Revised deficit at 1 January 2006	(1,520)
Interest on deficit	(578)
Investment return lower than expected	(2,239)
Company contributions in excess of benefits accruing over three years	633
Change of actuarial assumptions	2,253
Miscellaneous items	(202)
Deficit at 1 January 2009	(1,653)

Overall, therefore, there was only a very modest increase in the deficit. This was because although investment returns were much worse than expected (lower by £2.2m), the liabilities have been discounted at a much higher rate and so have reduced (together with other assumption changes) by an equal and opposite £2.2m. Therefore R.C. Treatt has agreed to increase its contributions by a modest £37,000 per year in order to remain on course to clear the deficit by the middle of 2016.

At the start of the year the *IAS 19, "Employee Benefits"* pension asset, net of deferred tax, was £0.4m and this has now increased by £1.0m to £1.4m largely as a result of a reduction in the discount rate used for liabilities. Clearly, therefore, due to the timing of the three year actuarial review (which has a real effect on cash flows) versus the period covered by the IAS 19 deficit (the financial year), together with the differing assumptions which are required to be made, the reasons for the movements in both deficits are quite different whereas the overall difference between the two is not significant.

Following the changes made to the pension scheme in recent years (see note 25), 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 £22.7m (2008: £21.6m), with net assets per share increasing by 5% to £2.17 (2008: £2.06). Net current assets represent 56% (2008: 52%) 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 £0.7m (2008: £0.8m) 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 and the overseas Earthoil companies can fluctuate with Sterling. Currently these are not hedged as the risks are considered insufficient to justify the cost of putting the hedge in place.

Secondly, with R.C. Treatt exporting to 90 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in three currencies in addition to Sterling, with the US Dollar being by far the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated commodity price and therefore has an impact on the Sterling gross margin. Raw materials are also mainly purchased in US Dollars and therefore US Dollar bank accounts are operated, through which US Dollar denominated sales and purchases flow. 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 £0.9m (2008: £1.0m) represents an effective tax rate of 25% (2008: 33%). This is lower than the standard rate of UK corporation tax of 28% (2008: 28%) as a result of pension contributions which are paid each year over and above the actual pension charge in the income statement. The overall tax charge of £1.0m (2008: £1.1m) has not increased in line with profits as there were significant unrelieved losses in the previous year in relation to Earthoil. There were no significant adjustments required to the previous year's tax estimates.

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
GROUP INCOME STATEMENT

	Notes	2009	2008
		£'000	£'000
Revenue	3	**56,313**	49,641
Cost of sales		**(42,502)**	(37,093)
Gross profit		**13,811**	12,548
Administrative expenses		**(9,465)**	(8,133)
Share of results of joint ventures		**-**	(264)
Operating profit before foreign exchange loss		**4,346**	4,151
Foreign exchange loss		**(453)**	(595)
Operating profit after foreign exchange loss		**3,893**	3,556
Finance revenue		**186**	289
Finance costs		**(578)**	(781)
Profit before taxation		**3,501**	3,064
Taxation	4	**(1,013)**	(1,090)
Profit for the period		**2,488**	1,974
Attributable to:			
Equity holders of the parent		**2,485**	1,979
Minority interest		**3**	(5)
		2,488	1,974
Earnings per share			
Basic	6	**24.5p**	19.4p
Diluted	6	**24.4p**	19.4p

All amounts relate to continuing operations

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2009 £'000	2008 £'000
Profit for the period	**2,488**	1,974
Currency translation differences on foreign currency net investment	**1,194**	1,048
Current taxation on foreign currency translation differences	**(175)**	-
Actuarial loss on defined benefit pension scheme	**(1,821)**	(1,011)
Deferred taxation on actuarial loss	**510**	283
Total recognised net income for the period	**2,196**	2,294

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	2009 £'000	2008 £'000
Total recognised net income for the period	**2,196**	2,294
Dividends	**(1,138)**	(1,100)
Share-based payments	**20**	23
Movement in own shares in share trust	**69**	(17)
Loss on release of shares in share trust	**(4)**	(4)
Increase in shareholders' equity	**1,143**	1,196
Opening shareholders' equity	**21,593**	20,397
Closing shareholders' equity	**22,736**	21,593

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
GROUP BALANCE SHEET

	2009	2008
	£'000	£'000
ASSETS		
Non-current assets		
Goodwill	**4,272**	3,763
Property, plant and equipment	**9,847**	9,461
Intangible assets	**290**	336
Deferred tax assets	**616**	185
Trade and other receivables	**586**	361
	15,611	14,106
Current assets		
Inventories	**16,045**	20,123
Trade and other receivables	**9,901**	11,947
Corporation tax receivable	**63**	52
Cash and cash equivalents	**2,678**	236
	28,687	32,358
Total assets	**44,298**	46,464
LIABILITIES		
Current liabilities		
Bank loans and overdrafts	**(9,799)**	(14,008)
Provisions	**-**	(436)
Trade and other payables	**(5,606)**	(6,465)
Corporation tax payable	**(549)**	(276)
	(15,954)	(21,185)
Net current assets	**12,733**	11,173
Non-current liabilities		
Deferred tax liabilities	**(371)**	(279)
Bank loans	**(1,773)**	(2,016)
Trade and other payables	**(789)**	(178)
Post-employment benefits	**(2,000)**	(538)
Redeemable loan notes payable	**(675)**	(675)
	(5,608)	(3,686)
Total liabilities	**(21,562)**	(24,871)
Net assets	**22,736**	21,593
SHAREHOLDERS' EQUITY		
Called up share capital	**1,048**	1,048
Share premium account	**2,757**	2,757
Own shares in share trust	**(692)**	(761)
Employee share option reserve	**23**	31
Foreign exchange reserve	**741**	(453)
Retained earnings	**18,860**	18,975
Equity attributable to shareholders of the parent	**22,737**	21,597
Minority interest	**(1)**	(4)
Shareholders' Equity	**22,736**	21,593

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
GROUP CASH FLOW STATEMENT

	2009	2008
	£'000	£'000
Cash flow from operating activities		
Profit before taxation	**3,501**	3,064
Adjusted for:		
Foreign exchange loss	**1,130**	969
Depreciation of property, plant and equipment	**952**	767
Amortisation of intangible assets	**167**	172
Loss on disposal of property, plant and equipment	**11**	3
Loss on disposal of intangible assets	**5**	-
Net interest payable	**541**	722
Share-based payments	**20**	23
Share of results of joint ventures	**-**	264
Decrease in post-employment benefit obligation	**(358)**	(403)
Operating cash flow before movements in working capital	**5,969**	5,581
Changes in working capital:		
Decrease/(increase) in inventories	**4,078**	(3,012)
Decrease/(increase) in trade and other receivables	**1,923**	(4,708)
(Decrease)/increase in trade and other payables, and provisions	**(1,295)**	1,188
Cash generated from operations	**10,675**	(951)
Taxation paid	**(755)**	(730)
Net cash from operating activities	**9,920**	(1,681)
Cash flow from investing activities		
Acquisition of investments in subsidiaries	**-**	(329)
Purchase of property, plant and equipment	**(879)**	(1,083)
Purchase of intangible assets	**(126)**	(44)
Interest received	**37**	59
	(968)	(1,397)
Cash flow from financing activities		
Repayment of bank loans	**(574)**	(157)
Interest paid	**(578)**	(781)
Dividends paid	**(1,138)**	(1,100)
Net sales/(purchase) of own shares by share trust	**65**	(22)
	(2,225)	(2,060)
Net increase/(decrease) in cash and cash equivalents	**6,727**	(5,138)
Cash and cash equivalents at beginning of period	**(13,522)**	(8,257)
Effect of foreign exchange rates	**(167)**	(127)
Cash and cash equivalents at end of period	**(6,962)**	(13,522)
Cash and cash equivalents comprise:		
Cash and cash equivalents	**2,678**	236
Bank overdrafts	**(9,640)**	(13,758)
	(6,962)	(13,522)

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009 **£'000**	2008 £'000
Increase/(decrease) in cash and cash equivalents	**6,560**	(5,265)
Loans in acquired subsidiaries	**-**	(406)
Repayment of borrowings	**574**	157
Cash inflow/(outflow) from change in net debt in the period	**7,134**	(5,514)
Effect of foreign exchange rates	**(240)**	(250)
Movement in net debt in the period	**6,894**	(5,764)
Net debt at start of the period	**(15,788)**	(10,024)
Net debt at end of the period	**(8,894)**	(15,788)

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009
NOTES TO THE PRELIMINARY STATEMENT

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 2009 and 2008 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 2008 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2009 have been audited and approved, but have not yet been filed.

The Group's audited financial statements 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 4 December 2009.

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 2008.

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:

	2009	2008
	£'000	£'000
Revenue by destination		
United Kingdom	**8,256**	7,789
Rest of Europe	**16,448**	14,478
The Americas	**17,875**	13,711
Rest of the World	**13,734**	13,663
	56,313	49,641

4. Taxation

	2009	2008
	£'000	£'000
Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**870**	**851**
Adjustments to UK tax in respect of previous periods	**(6)**	**(57)**
US federal and state tax on US profits for the period	**-**	**180**
Adjustments to US tax in respect of previous periods	**8**	**28**
Total current tax	**872**	**1,002**
Deferred tax:		
Origination and reversal of timing differences	**142**	**88**
Adjustments in respect of previous periods	**(1)**	**-**
Total deferred tax	**141**	**88**
Tax on profit on ordinary activities	**1,013**	**1,090**

Deferred tax of £510,000 (2008: £283,000) was charged to equity in respect of post-employment benefit obligations.

5. Dividends

	2009	2008
	£'000	£'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2008 – 3.6p per share	**365**	-
Final dividend for year ended 30 September 2008 – 7.6p per share	**773**	-
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
	1,138	1,100

The declared interim dividend for the year ended 30 September 2009 of 3.7 pence was approved by the Board on 22 May 2009 and was paid on 2 October 2009. Accordingly it has not been included as a deduction from equity at 30 September 2009. The proposed final dividend for the year ended 30 September 2009 of 8.3 pence will be voted on at the Annual General Meeting on 19 February 2010. Both dividends will therefore be accounted for in the results for the year ended 30 September 2010.

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 10,167,177 (2008: 10,156,647) and earnings of £2,488,000 (2008: £1,974,000), 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 10,177,825 (2008: 10,165,571), and the same earnings as above.