TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 2011.

Summary

Group revenue increased by 18% to £74.5 million (2010: £63.3 million)
Group operating profit after FX up by 40% to £6.9 million (2010: £4.9 million)
Profit before tax 42% higher at £6.4 million (2010*: £4.5 million)
Dividends increased 11.5% to 14.5p per share (2010: 13.0p)
Earnings per share up 40% to 42.5p (2010*: 30.3p)
Net assets per share increased to £2.44 (2010: £2.15)
* Before goodwill impairment in 2010 of £2.4m

Enquiries:

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Hugo Bovill	Managing Director
Richard Hope	Finance Director (Mobile on 5 December 2011: 07881 508437)

CHAIRMAN'S STATEMENT

“Another good year for the Group with operating profit increasing by 40% to £6.9m”

Results
The Group has enjoyed another good year in 2011 with strong growth in both sales and profits, with operating profit up by 40% to £6.9m. Group revenue continued to grow for the thirteenth year in succession with an increase for the year of 18% to £74.5m (2010: £63.3m). Group earnings before interest, tax, depreciation and amortisation increased by 33% to £8.0m (2010: adjusted*£6.0m); operating profits increased by 40% to £6.9m (2010: adjusted* £4.9m) with profit before tax for the year being up by 42% to a new all-time high of £6.4m (2010: adjusted *£4.5m). Basic earnings per share has increased by 40% to 42.5 pence (2010: adjusted* 30.3 pence) per share.

Over the last four years Group revenue has risen by 96% and profits before tax by 125%. This is a reflection of many years of hard work by management and staff in building a business that has been able to prosper in a period of economic and financial uncertainty.

The Board is proposing a final dividend of 9.7 pence (2010: 8.9 pence), increasing the total dividend for the year by 11.5% to 14.5 pence (2010: 13.0 pence) per share. The final dividend will be payable on 2 March 2012 to all shareholders on the register at close of business on 27 January 2012.

As reported at the half year, the Group had an exceptionally strong first six months and, as expected, the second half of the year continued at a steadier pace with some noticeable weakness in the final quarter. A combination of new business wins, continuing growth in the Americas and the well documented increase in global raw material prices has resulted in a significant increase in both revenues and profits for the Group during the year. The cash flows for the year were also good, with overall net debt reducing by £3.0m to £8.0m, with Group net short term borrowings of only £0.2m.

The growth over the last year has largely been driven by a very strong performance by Treatt USA, which principally serves the North American market, together with a marked turn around in the fortunes of Earthoil, the Group’s cosmetics ingredients business which specialises in organic and fair trade certified products. This has been underpinned by R.C. Treatt, the UK operating company, which has continued its steady performance of the last few years although, due to a weak Q4, its profits were down on the prior year.

During the year, the Group’s most significant raw material, orange oil (an orange juice by-product), rose from the $2/kg level it had been at in recent years, to almost $11/kg, before falling back to the $6-$7/kg range. As a result of this, the value of sales of orange oil products, which represented 24% of Group revenue (2010: 17%), increased by more than 70% during the year although volumes fell by more than 20% as a consequence of the Group’s conservative risk management policies during this period of exceptionally high prices. For most of the year, the US Dollar to Pound Sterling exchange rate had a broadly neutral effect on the business, but in the two weeks prior to year end there was a sudden strengthening of the US Dollar, which resulted in a foreign exchange loss of £0.3k on R.C. Treatt’s Dollar-denominated debt.

Over the last few years, R.C. Treatt has performed consistently well and whilst 2011 has proved to be a more difficult year, revenues still grew by 4% to £45.3m (2010: £43.6m). The Company began the financial year with a healthy order book, and this, together with the strong orange oil price, resulted in nine months of good profitability, but the final quarter of the year was a disappointment, with sales slowing and margins coming under significant pressure. The Company has benefitted, over the last few years, from its wide geographic spread, exporting to about 90 countries, which has enabled it to maintain a steady performance through turbulent times. Both Europe and Latin America were areas of good growth for the Company, with sales to Germany growing by 24%.

For Treatt USA, 2011 was a year of impressive growth. Although it did enjoy some benefits from the spike in orange oil prices, the underlying performance of the business was at a new level to that seen in previous years. Year on year US Dollar sales grew by 49% although gross margins did fall during the course of the year. As well as a sharp increase in the level of orange oil sales, the growth in specialty sales continued with another year of double digit growth, increasing in US Dollars by 14% (2010: 15%) across a wide range of products, and with total overheads remaining unchanged from the previous year, profits more than doubled compared to 2010.

Following a few years of difficult trading, 2011 has been a good year for Earthoil as it turned into profit. Year on year sales for Earthoil grew by 64%. This did, however, include a substantial shipment which had been delayed from the previous year. On a like for like basis sales grew by an encouraging 23%. This growth was achieved without any increase in overheads and this, together with the absence of the loss-making South African subsidiary which was disposed of last year, resulted in a net improvement to the Group of £0.6m.

Prospects

The Group has seen significant weakness in RC Treatt's order book over the last few months and there is a return to the short term de-stocking practices of two years ago which has been increased by the impact of the current global economic climate. This, coupled with falling raw material prices, does mean that the outlook for 2012 is uncertain.

Over the next few months, orange oil prices are expected to fall but the extent of the likely fall is unclear. However, the Group has many years' experience of managing its risk in periods of price volatility and so, whilst some stock losses are inevitable, this will relate mainly to 'pipeline' inventory and will be controllable.

The year ended 30 September 2011 was characterised by the significant improvements in Earthoil and Treatt USA and these should be consolidated upon over the next twelve months. At R.C. Treatt, however, the final quarter of last year saw a slow-down in activity which has continued into this financial year, where the impact of de-stocking has led to falling raw material prices, lower levels of sales and reduced margins. We do not now anticipate orders picking up much until mid-2012, especially for R.C. Treatt whose customers operate in many of the territories which are currently experiencing significant economic weakness. Consequently, the Board believe that pre-tax profits for the year ended 30 September 2012 will be significantly lower than was previously thought.

Summary

In summary, the Group has performed well over its entire product range over the last four years through difficult times, but the view for the current year ended 30 September 2012 is it will be one of the more challenging years in recent times with profits coming under pressure. However, the world continues to eat, drink and buy quality cosmetics, and overall demand continues to grow in spite of economic conditions. Flavour, fragrance and cosmetics companies look to Treatt to provide quality products in an efficient manner. As a truly independent and global business, Treatt remains well placed to take advantage of competitive opportunities, and through its commitment to continuous improvement, Treatt has become a supplier of choice to many large global businesses as well as national companies.

People

Most importantly, the Board recognise that these results would not have been achieved without the hard work and dedication of colleagues across four continents and would like to place on record its thanks to them.

Finally, following three years as a Non-executive and Chairman of Treatt Plc, I feel the time is right to hand over the reins, and, as previously announced, I shall be standing down at the AGM. It has been an enormous privilege to have been on the Board during a period of significant growth for the Group and I wish all at Treatt the very best for the future.

JAMES GRACE
Chairman
2 December 2011

* Excluding prior year goodwill impairment

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
GROUP INCOME STATEMENT

	Notes	**2011**	2010
		£'000	£'000
Revenue	3	**74,518**	63,298
Cost of sales		**(56,700)**	(47,759)
Gross profit		**17,818**	15,539
Administrative expenses		**(10,694)**	(10,427)
Operating profit before foreign exchange loss		**7,124**	5,112
Foreign exchange loss		**(260)**	(208)
Operating profit after foreign exchange loss		**6,864**	4,904
Loss on disposal of subsidiary		**-**	(88)
Finance revenue		**88**	77
Finance costs		**(580)**	(390)
Profit before taxation and goodwill impairment		**6,372**	4,503
Goodwill impairment		**-**	(2,432)
Profit before taxation		**6,372**	2,071
Taxation	4	**(2,017)**	(1,417)
Profit for the period		**4,355**	654
Attributable to:			
Owners of the Parent Company		**4,348**	653
Non-controlling interests		**7**	1
		4,355	654
Earnings per share			
Basic before goodwill impairment	6	**42.5p**	30.3p
Basic after goodwill impairment	6	**42.5p**	6.4p
Diluted	6	**42.3p**	6.4p

All amounts relate to continuing operations
The notes on pages 11 to 13 form part of this preliminary announcement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
GROUP STATEMENT OF COMPREHENSIVE INCOME

	2011 £'000	2010 £'000
Profit for the period	**4,355**	654
Other comprehensive income/(expense):		
Currency translation differences on foreign currency net investment	**94**	139
Current taxation on foreign currency translation differences	**(4)**	(28)
Deferred taxation on foreign currency translation differences	**7**	-
Fair value movement on cash flow hedge	**(864)**	-
Deferred taxation on fair value movement	**207**	-
Actuarial gain on defined benefit pension scheme	**599**	172
Deferred taxation on actuarial gain	**(144)**	(41)
Other comprehensive (expense)/income for the period	**(105)**	242
Total comprehensive income for the period	**4,250**	896
Attributable to:		
Owners of the Parent Company	**4,243**	895
Non-controlling interests	**7**	1
	4,250	896

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TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
1 October 2009	1,048	2,757	(692)	-	741	18,883	**22,737**	(1)	**22,736**
Net profit for the period	-	-	-	-	-	653	**653**	1	**654**
Other comprehensive income:									
Exchange differences net of tax	-	-	-	-	139	(28)	**111**	-	**111**
Actuarial loss on defined benefit pension scheme net of tax	-	-	-	-	-	131	**131**	-	**131**
Total comprehensive income	-	-	-	-	139	756	**895**	1	**896**
Transactions with owners:									
Dividends	-	-	-	-	-	(1,222)	**(1,222)**	-	**(1,222)**
Share-based payments	-	-	-	-	-	21	**21**	-	**21**
Movement in own shares in share trust	-	-	90	-	-	-	**90**	-	**90**
Loss on release of shares in share trust	-	-	-	-	-	(3)	**(3)**	-	**(3)**
1 October 2010	1,048	2,757	(602)	-	880	18,435	**22,518**	-	**22,518**
Net profit for the period	-	-	-	-	-	4,348	**4,348**	7	**4,355**
Other comprehensive income:									
Exchange differences net of tax	-	-	-	-	94	3	**97**	-	**97**
Fair value movement on cash flow hedge	-	-	-	(864)	-	207	**(657)**	-	**(657)**
Actuarial gain on defined benefit pension scheme net of tax	-	-	-	-	-	455	**455**	-	**455**
Total comprehensive income	-	-	-	(864)	94	5,013	**4,243**	7	**4,250**
Transactions with owners:									
Dividends	-	-	-	-	-	(1,330)	**(1,330)**	-	**(1,330)**
Share-based payments	-	-	-	-	-	20	**20**	-	**20**
Movement in own shares in share trust	-	-	117	-	-	-	**117**	-	**117**
Loss on release of shares in share trust	-	-	-	-	-	(17)	**(17)**	-	**(17)**
Purchase of shares from non-controlling Interest	-	-	-	-	-	-	**-**	(7)	**(7)**
30 September 2011	**1,048**	**2,757**	**(485)**	**(864)**	**974**	**22,121**	25,551	**-**	25,551

The notes on pages 11 to 13 form part of this preliminary announcement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
GROUP BALANCE SHEET

	2011	2010
	£'000	£'000
ASSETS		
Non-current assets		
Goodwill	**1,192**	1,051
Other Intangible assets	**742**	250
Property, plant and equipment	**10,120**	10,250
Deferred tax assets	**271**	418
Trade and other receivables	**586**	586
	12,911	12,555
Current assets		
Inventories	**20,338**	20,174
Trade and other receivables	**11,854**	12,502
Corporation tax receivable	**121**	51
Cash and cash equivalents	**3,534**	1,584
	35,847	34,311
Total assets	**48,758**	46,866
LIABILITIES		
Current liabilities		
Borrowings	**(3,922)**	(5,217)
Provisions	**(79)**	(415)
Trade and other payables	**(8,363)**	(8,213)
Corporation tax payable	**(228)**	(447)
	(12,592)	(14,292)
Net current assets	**23,255**	20,019
Non-current liabilities		
Deferred tax liabilities	**(532)**	(437)
Borrowings	**(7,606)**	(7,348)
Trade and other payables	**(135)**	-
Post-employment benefits	**(803)**	(1,596)
Derivative financial instruments	**(864)**	-
Redeemable loan notes payable	**(675)**	(675)
	(10,615)	(10,056)
Total liabilities	**(23,207)**	(24,348)
Net assets	**25,551**	22,518
EQUITY		
Share capital	**1,048**	1,048
Share premium account	**2,757**	2,757
Own shares in share trust	**(485)**	(602)
Hedging reserve	**(864)**	-
Foreign exchange reserve	**974**	880
Retained earnings	**22,121**	18,435
Equity attributable to owners of the Parent Company	**25,551**	22,518
Non-controlling interests	**-**	-
Total Equity	**25,551**	22,518

The notes on pages 11 to 13 form part of this preliminary announcement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
GROUP STATEMENT OF CASH FLOWS

	2011	2010
	£'000	£'000
Cash flow from operating activities		
Profit before taxation	**6,372**	2,071
Adjusted for:		
Foreign exchange loss	**111**	109
Depreciation of property, plant and equipment	**1,043**	1,042
Amortisation of intangible assets	**125**	174
Loss on disposal of property, plant and equipment	**8**	3
Loss on disposal of subsidiaries	**-**	88
Impairment of goodwill	**-**	2,432
Net interest payable	**527**	387
Share-based payments	**20**	21
Decrease in post-employment benefit obligation	**(194)**	(232)
Operating cash flow before movements in working capital	**8,012**	6,095
Changes in working capital:		
Increase in inventories	**(164)**	(4,169)
Decrease/(increase) in trade and other receivables	**649**	(2,614)
(Decrease)/increase in trade and other payables, and Provisions	**(185)**	3,049
Cash generated from operations	**8,312**	2,361
Taxation paid	**(1,998)**	(1,312)
Net cash from operating activities	**6,314**	1,049
Cash flow from investing activities		
Acquisition or disposal of investments in subsidiaries	**(14)**	(38)
Purchase of property, plant and equipment	**(1,265)**	(1,437)
Purchase of intangible assets	**(275)**	(134)
Interest received	**53**	3
	(1,501)	(1,606)
Cash flow from financing activities		
Increase/(repayment) of bank loans	**285**	(163)
Amounts converted to non-current borrowings	**-**	5,711
Interest paid	**(580)**	(390)
Dividends paid	**(1,330)**	(1,222)
Net sales of own shares by share trust	**100**	87
	(1,525)	4,023
Net increase in cash and cash equivalents	**3,288**	3,466
Cash and cash equivalents at beginning of period	**(3,471)**	(6,962)
Effect of foreign exchange rates	**5**	25
Cash and cash equivalents at end of period	**(178)**	(3,471)
Cash and cash equivalents comprise:		
Cash and cash equivalents	**3,534**	1,584
Bank borrowings	**(3,712)**	(5,055)
	(178)	(3,471)

The notes on pages 11 to 13 form part of this preliminary announcement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011	2010
	£'000	£'000
Increase in cash and cash equivalents	**3,293**	3,491
(Increase)/repayment of bank loans	**(285)**	163
Amounts converted from current borrowings	**-**	(5,711)
Cash inflow/(outflow) from change in net debt in the period	**3,008**	(2,057)
Effect of foreign exchange rates	**(21)**	(30)
Movement in net debt in the period	**2,987**	(2,087)
Net debt at start of the period	**(10,981)**	(8,894)
Net debt at end of the period	**(7,994)**	(10,981)

The notes on pages 11 to 13 form part of this preliminary announcement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2011
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 2011 and 2010 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 2010 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2011 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 2 December 2011.

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 2010, other than the following:

Derivative financial instruments and hedge accounting
The Group's activities expose it primarily to both the financial risks of changes in foreign currency exchange rates and interest rates. From time to time the Group uses foreign exchange forward contracts and interest rate swap contracts to hedge some of these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the board. Changes in the fair value of derivative financial instruments that are designated and effective as hedging instruments are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had been previously recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss for the period.

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 2011 which had a material effect on this preliminary statement.

3. Geographical segmental information

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

	2011	2010
	£'000	£'000
Revenue by destination		
United Kingdom	**8,755**	8,950
Rest of Europe	**20,949**	18,551
The Americas	**27,909**	19,238
Rest of the World	**16,905**	16,559
	74,518	63,298

4. Taxation

	2011	2010
	£'000	£'000
Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	**665**	950
Adjustments to UK tax in respect of previous periods	**(2)**	(8)
Overseas tax for the period	**1,038**	253
Adjustments to overseas tax in respect of previous periods	**11**	4
Total current tax	**1,712**	1,199
Deferred tax:		
Origination and reversal of timing differences	**216**	179
Effect of reduced rate on opening asset or liability	**-**	8
Adjustments in respect of previous periods	**(40)**	31
Change in manner of recovery of fixed assets	**129**	-
Total deferred tax	**305**	218
Tax on profit on ordinary activities	**2,017**	1,417

Current tax of £4,000 (2010: £28,000) was debited, and deferred tax of £7,000 was credited, to equity in respect of foreign currency translation differences. Deferred tax of £144,000 (2010: £41,000) was debited to equity in respect of post-employment benefit obligations and £207,000 of deferred tax was credited to equity in relation to fair value movements on hedged items.

5. Dividends

	2011	2010
	£'000	£'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2009 – 3.7p per share	**-**	376
Final dividend for year ended 30 September 2009 – 8.3p per share	**-**	846
Interim dividend for year ended 30 September 2010 – 4.1p per share	**419**	-
Final dividend for year ended 30 September 2010 – 8.9p per share	**911**	-
	1,330	1,222

The declared interim dividend for the year ended 30 September 2011 of 4.8 pence was approved by the Board on 20 May 2011 and was paid on 21 October 2011. Accordingly it has not been included as a deduction from equity at 30 September 2011. The proposed final dividend for the year ended 30 September 2011 of 9.7 pence will be voted on at the Annual General Meeting on 27 February 2012. Both dividends will therefore be accounted for in the results for the year ended 30 September 2012.

6. Earnings per 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 10,238,837 (2010: 10,199,504) and earnings of £4,355,000 (2010: £3,086,000 before and £654,000 after goodwill impairment in the prior year).

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 10,285,902 (2010: 10,237,603), and earnings of £4,355,000 (2010: £654,000 after goodwill impairment).

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

	2011	2010
	No ('000)	No ('000)
Weighted average number of shares	**10,481**	10,481
Weighted average number of shares held in employee benefit trust	**(242)**	(281)
Weighted average number of shares used for calculating basic EPS	**10,239**	10,200
Executive share option schemes	**-**	4
Savings-related share options	**47**	34
Weighted average number of shares used for calculating diluted EPS	**10,286**	10,238