TREATT PLC
(Company Nbr 1568937)

ANNUAL REPORT
AND
FINANCIAL STATEMENT

FOR THE YEAR ENDED
30TH SEPTEMBER 2006

THURSDAY

A8B59ONI
A07 12/04/2007 593
COMPANIES HOUSE

About the Company

Treatt is a supplier of ingredients to the flavour and fragrance industry These ingredients are included by Treatt's customers as part of a flavour or fragrance which may then be manufactured from a concentrated mixture of hundreds of different ingredients

The ingredients Treatt manufacture are mainly based on essential oils which are distilled or blended Aroma chemicals, and a range of Treattarome™ natural distillates manufactured from the named food, are also supplied Typical products including a Treatt ingredient could range from air fresheners, cosmetics, shampoos and soaps to soft drinks, confectionery and basic pharmaceutical products Treatt is a world leader in the supply of essential oils for these uses.

There are hundreds of different essential oils extracted from many different organic materials Some examples of common oils are peppermint, lime, lavender, orange and eucalyptus Essential oils have been used as flavour and fragrance ingredients for centuries and their use for this purpose far outweighs other uses such as aromatherapy

Contents

	Page
Financial Summary and Calendar	03
Chairman's Statement	04
Operating Review	05
Financial Review	07
Company Information and Advisers	09
Five Year Trading Record	10
Report of the Directors	11
Corporate Governance Statement	15
Statement of Directors' Responsibilities	17
Directors' Remuneration Report	18
Independent Auditors' Report to the Members of Treatt plc	21
Group Income Statement	22
Group Statement of Recognised Income and Expense	23
Group and Company Statements of Changes in Shareholders' Equity	23
Group and Company Balance Sheet	24
Group Cash Flow Statement	25
Group Reconciliation of Net Cash Flow to Movement in Net Debt	26
Notes to the Financial Statements	27
Notice of Annual General Meeting	53

Financial Statements

Page

Financial Summary

	2006	2005
REVENUE	**£35 41m**	£32 52m
PROFIT BEFORE TAX	**£3 29m**	£3 41m*
EARNINGS PER SHARE (Basic)	**23.3p**	23 3p*
DIVIDENDS PER SHARE	**10 5p**	9 5p
NET ASSETS PER SHARE	**£1.76**	£1 67*

* Restated in accordance with International Financial Reporting Standards – see note 26 on page 47

Calendar

2006

Financial year ended	30 September 2006
Results for year announced	11 December 2006
Annual Report and Financial Statements published	20 December 2006
Final dividend for 2006 goes 'ex-dividend'	31 January 2007
Record date for 2006 final dividend	2 February 2007
Last day for Dividend Reinvestment Plan Election	9 February 2007
Annual General Meeting	26 February 2007
Final dividend for 2006 paid	9 March 2007

2007

Interim results to 31 March 2007 announced	21 May 2007*
Financial year ended	30 September 2007
Interim dividend for 2007 paid	1 October 2007*
Results for year announced	10 December 2007*
Final dividend for 2007 paid	7 March 2008*

* These dates are provisional and may be subject to change

Chairman's Statement

"The Group had a good underlying performance with sales increasing by 9% to £35.4m"

2006 saw Group revenue for the year rise by 8 9% to £35 41m (2005 £32 52m) Group earnings before interest, tax, depreciation and amortisation decreased by 3 3% to £4 36m (2005 restated* £4 51m) with profit before tax for the year reducing by 3 5% to £3 29m (2005 restated £3 41m) Earnings per share remained unchanged at 23 3 pence (2005 restated 23 3 pence) The level of the Group's net debt/equity ratio ended the year at 26% (2005 restated 12%)

The Board is recommending a final dividend of 7 1 pence (2005 6 4 pence), increasing the total dividend for the year by 10 5% to 10 5 pence (2005 9 5 pence) per share The final dividend will be payable on 9 March 2007 to all shareholders on the register at close of business on 2 February 2007

The underlying performance of the Group as a whole was good because, despite the absence of last year's substantial one-off stock gains on orange and grapefruit oil products, Group profit before tax has only reduced by £0 12m In other words, what was a short term profit in 2005 has become underlying long term profitability in 2006

The highlight of the year has been the continued strong performance of R C Treatt, the Group's UK operating subsidiary Turnover has increased by 10% to £27 5m, with profits also increasing by 9%, again despite the absence of last year's one-off stock gains Over the last two years, R C Treatt's profit before tax has increased by 64% This growth has been broadly spread, but the profits from sales of aroma and specialty chemicals has been particularly strong, underpinned by a higher petroleum price and generally increasing prices for most commodity raw materials However, most of the growth in sales and profit from aromatic chemicals has arisen from an increase in the volume of orders received, resulting in sales growth of 15% This activity has particularly prospered on the back of the Enterprise Resource Planning (ERP) computer system which was installed almost three years ago Over the course of the year, orange prices have been relatively stable and remained at around $2/kg, but margins have tightened resulting in a £0 4m reduction in orange oil profits

Treatt USA, on the other hand, have experienced a difficult year in the absence of last year's profits from grapefruit oil Although turnover increased by 4%, profits fell as high margin grapefruit business was replaced with much lower margin commodity sales However, the underlying growth potential of Treatt USA remains very strong with sales of our innovative Treattarome™ ('From The Named Food') distillate products continuing to perform well In particular we are delighted by the launch of a wide range of new Treattarome™ products including Cocoa, Raspberry, Blueberry and Strawberry

During the year we were also pleased to announce the opening of a sales office, Treatt China, in Shanghai, where we saw sales in China & Hong Kong increase by 18% over the previous year Treatt has traded extensively with China for many years and we believe that the creation of Treatt China will enable the Group to increase substantially its activity in the region over the coming years

Treatt is proud that it continues to enhance its reputation as a world leader in agricultural food science and analysis, whilst continuing to be a leading independent manufacturer of natural ingredients for the flavour and fragrance industry, with a presence in Europe, the United States and China

International Financial Reporting Standards (IFRS)
As previously announced, these results are the first set of results to be published in accordance with IFRS Following the publication of restated results for the year ended 30 September 2005, these results confirm that IFRS have not had a material impact on the Group's Income Statement and that, as expected, the most significant impact flows from recognising a pension liability (net of deferred tax) of £2 2m (2005 £2 3m) which has been offset by a reduction in dividends payable of £1 05m (2005 £0 95m) See the Financial Review on page 7 for further details

Pension Deficit
The triennial actuarial valuation of R C Treatt's final salary pension scheme, which took place as at 1 January 2006, resulted in an increase in the actuarial deficit from (£2 7m) to (£3 0m) This is despite the scheme having been closed to new entrants in 2001, pensionable salaries frozen in real terms in 2003 and investment returns exceeding expectations over the period by £1 8m As a result, the company decided to make additional one-off contributions totalling £1 5m, of which £0 5m was paid in July 2006, and a further £1m was paid after the year end in October 2006, thereby halving the deficit For further information on this please see the Financial Review on page 7

Prospects
Following the last few difficult years, the flavour and fragrance industry is now beginning to see a return to growth However, the industry continues to be affected by significant mergers and acquisitions Whilst the new financial year has got off to a disappointingly slow start, Group sales are expected to continue to increase over the coming year although, yet again, margins could tighten further After a number of difficult years in the UK and Europe, we are now seeing positive signs of growth in the domestic and continental European markets and we believe this growth is set to continue over the coming year As well as continuing growth in China, we are also looking forward to a continued strong performance in the Middle East

We believe that the ERP computer system will continue to unlock further potential for improvements in service delivery, sales growth and improved margins, especially at R C Treatt We are also continuing to develop our newly installed bar coding system which will further enhance the Group's capabilities Having significantly expanded its Treattarome™ range, Treatt USA are looking forward to some sales growth in 2007 both from Treattaromes and also from its broad portfolio of citrus products, with margins remaining steady

Generally, we are expecting essential oil prices to remain firm with orange oil continuing within a relatively narrow pricing band whilst petroleum prices remain high

People
During the year we were deeply saddened by the death of Geoffrey Bovill who served as Chairman and as a Director of Treatt for 57 years, retiring from the Board last year Geoffrey made a highly significant contribution to the Group and we all miss him, his experience and his wisdom very much indeed

Last, and certainly not least, the Board would like to place on record its thanks for the tremendous efforts made by colleagues throughout the world Without their dedication, commitment and hard work over the past twelve months, Treatt would not be as well placed as it is today to achieve further successes in the future

EDWARD DAWNAY
Chairman
8 December 2006

* '2005 restated' means that the prior year's results have been restated in accordance with International Financial Reporting Standards – see note 26 to the financial statements on page 47 for a full explanation

Operating Review

"The £1.2m Enterprise Resource Planning (ERP) system continues to deliver significant operational improvements"

2006 was another year of operational improvement throughout the Treatt Group As a result of continuing development of the ERP system, which was first installed in the UK in January 2004, R C Treatt has continued to go from strength to strength through continuous operational and efficiency improvements to its manufacturing and planning processes

Similarly, the integration of Treatt USA into the main ERP system in mid 2005 has provided the Group with a global platform from which to develop and enhance operational activities

The Group's investment in ERP of £1 2m is being depreciated over four years for hardware and seven years for software and will be fully depreciated in 2010 Ongoing enhancements to the system, such as the integration of bar coding and the creation of a sophisticated stock level management system has enabled R C Treatt, in particular, to be able to estimate, with a high degree of accuracy, the likely demand and order profiles for a significant proportion of the Company's products This, in turn, enables customers to receive a quick, reliable and high quality service

Following the acquisition last year of a further 6 5 acres of land together with 9,000 sq ft of warehousing and 2,500 sq ft of office space adjacent to our existing facilities in Lakeland, Florida, the Group now owns the freehold on 23 acres of land and property in the UK and USA Consequently, we are extremely focussed on maximising the potential from our properties and are constantly seeking ways of improving our use of the resources available to us

As changes in legislation and regulation are becoming more rapid and ever more complex, Treatt are committed to playing an active role in debating, lobbying and implementing change Specifically, the new European REACH (Registration, Evaluation and Authorisation of Chemicals) legislation will have a major impact on the industry over the next few years and we have already taken early steps to ensure that we are well placed to implement the requirements of this highly complex and costly legislation as and when required Treatt continues to play an active role in trade organisations throughout the industry, with the Group's Managing Director currently holding the position of President of the International Federation of Essential Oils and Aroma Trades (IFEAT)

Treatt continues to trade with almost one hundred countries around the world and it is, therefore, 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

After many years of cyclical volatility, the price of orange oil, an orange juice by-product, has been relatively stable over the last year, remaining within a narrow range of $1 80 - $2 20 per kilo The high price of petroleum has resulted in a significantly higher 'floor' to orange oil prices regardless of crop and weather forecasts Sales of orange oil products continue to represent 15% (2005 15%) of Group sales and as a result of some long term fixed price contracts which were negotiated when the market price was lower, orange oil profits fell by £0 7m compared to the previous year

R C Treatt

Revenue increased by 10% with sales to the top ten customers again representing just over one third of turnover In terms of activity levels, there was a 4% increase in the number of orders The strong global customer base of R C Treatt remains widely spread both in terms of size and location, thereby providing a well balanced risk profile As expected, however, gross margins for the year fell back due to the absence of the one-off stock gains referred to in the Chairman's Statement The Company is now well placed to focus and target its strategic growth in specific areas, of which sales of mint oil products and sales to confectionery customers are proving a particular success

Treatt USA

2006 was a disappointing year with US Dollar sales growth of just 4% The weaker than expected revenue, combined with a significant fall in citrus oil profits following the one-off gains the previous year, resulted in much lower profits than in 2005, although profitability does remain healthy Treattarome™ products continue to provide exciting and innovative opportunities for growth

Treatt China

During the year, the Board decided that the time was right to build on the Group's existing trading activities and relationships by opening a representative office in Shanghai Sales to China (& Hong Kong) increased by 18% compared to 2005 and further double digit growth is expected year on year over the next three years

Investment for the Future

R C Treatt

The level of capital expenditure in 2006 of £0 6m (2005 £0 4m) was, as expected, in line with historic levels This included a number of value-added initiatives in the distillation area, which will increase capacity with a pay back of less than twelve months In addition, the new bar coding system continued to be extended to new operational activities within the Company which will further enhance the Company's efficiencies and customer service Over the coming year, the Company is intending to increase significantly its investment in the distillation area where the majority of high value added products are produced In addition, ongoing changes to legislation and regulations will require further plant and machinery investment throughout the site As ever, the Company will keep under constant review the facilities and logistical set up at its plant in England and will make appropriate investments as and when required

Treatt USA

Over the coming year, Treatt USA will be expanding its laboratories and relocating a number of administration functions to the new building acquired last year In addition, they will continue to invest in the Treattarome™ business and are planning to install a new pilot plant for Research and Development into new essential oil distillation products In addition, there may be some purely "business driven" capital expenditure which may arise in relation to new business

Research and Development (R&D)

As well as the investment referred to above, during the year R C Treatt invested in a new, multi-functional pilot plant which is being used primarily for R&D The new pilot plant at Treatt USA (referred to above) will also enable the technical team in the US to develop and test new techniques and processes 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

As previously announced, at the start of the year new flexible contracts were introduced for operational and technical personnel at R C Treatt These new contracts have modernised working practices in the UK and enables the Group to respond competitively to short term fluctuations in demand Over the past year, Treatt USA have implemented a job evaluation and career progression programme enabling employees to progress within the organisation when they reach skill levels which are required by the business

Financial Review

"Dividends increased by 10% following strong underlying performance"

Performance Analysis

Income Statement

Group revenue increased by 8 9% during the year to £35 41m (2005 restated £32 52m) R C Treatt's sales rose by 9 6% whilst in constant currency, sales at our USA subsidiary, Treatt USA, increased in US Dollars by 3 7% Earnings before interest, tax, depreciation and amortisation for the year fell by 3 3% to £4 36m (2005 restated £4 51m) and Group profit before tax similarly fell by 3 5% to £3 29m (2005 restated £3 41m)

These results were achieved despite the absence of last year's substantial one-off stock gains In view of this the Board believe that the underlying performance of the Group was strong and are, consequently, able to increase the total dividend for the year by 10 5% to 10 5 pence per share, resulting in dividend cover remaining at more than twice earnings

Whilst, as expected, there was a substantial reduction in profits from orange and grapefruit oil products, overall profitability held up better than expected, principally as a result of strong growth from sales of aromatic chemicals which increased by 15% year on year

Gross margins of 28 6% were achieved this year (2005 32 5%) despite the absence of last year's increased margins which had arisen on orange and grapefruit oil products Over the last year, Aroma Chemical margins have remained firm despite fierce competition as customers look to Treatt not just for competitive pricing, but excellent service too Over the year the US Dollar (being Treatt's most significant currency) weakened from $1 77 to $1 87, a movement of 5 6% which created a natural downward pressure on margins

The Group's administrative expenses fell by a satisfactory 5 7% to £6 6m (2005 £7 0m) This decrease reflects a 'levelling out' of the Group's overhead base following a stepped change in the infrastructure at Treatt USA over the last three years The 2006 administrative expenses of £6 6m are 10% higher than in 2004 Staff numbers across the Group increased to 180 employees, having grown by 4% on the previous year This increase in headcount included some key appointments in sales, operations and technical laboratory staff in the UK in order to further enhance R C Treatt's innovative capabilities for the future

The Group's net finance costs increased by 47% to £210,000 (2005 restated £143,000) reversing a declining trend for the last few years This is largely a consequence of the sharply increased US base rates over the last two years together with an increase in base rates in the UK. As explained below, total borrowings were also increased Interest cover for the year was still a comfortable 17 times (2005 restated 25 times)

Earnings per share for the year remained constant at 23 3 pence per share (2005 restated 23 3 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 programme of offering share saving schemes on an annual basis 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 51,000 shares during the year Following its establishment in 2004, the EBT currently holds 262,000 shares (2005 300,000) acquired in the market in order to satisfy future option schemes without causing any shareholder dilution

Cash Flow

During the year, total borrowings of the Group increased by £2 6m to £4 6m (2005 £2 0m) However, the underlying cash performance of the Group remains strong since the increased borrowings can be entirely attributed to increased inventory balances and additional pension contributions The Group remains committed to holding appropriate levels of inventory in order to secure supply and maintain long term delivery commitments to customers

Capital expenditure for the year remained steady at £0 8m (2005 £0 9m), details of which are provided in the Operating Review

Balance Sheet

Over the year Group shareholders' funds have grown to £18,141,000 (2005 restated £17,220,000), with net assets per share increasing to £1 76 (2005 restated £1 67) Net current assets represent 75% (2005 restated 74%) 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 £546,000 (2005 £625,000) 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 saving 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 to justify the cost of putting the hedge in place

Secondly, with R C Treatt exporting to over 80 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

International Financial Reporting Standards
As a company listed on the London Stock Exchange, Treatt is required to implement International Financial Reporting Standards (IFRS) with effect from accounting periods beginning on or after 1 January 2005 Therefore these are the first set of full financial statements which have been published using IFRS The most significant effect of IFRS flows from *IAS 19 Employee Benefits* which requires the surplus or deficit in the defined benefit pension scheme operated by R C Treatt to be brought on to the balance sheet using similar calculations as previously prescribed by FRS 17 The pension scheme liability (net of deferred tax) of £2 2m (2005 restated £2 3m) is explained in detail in note 22 The only other material impact of IFRS relates to the treatment of dividends which are now only accounted for when they are paid (interim dividends) or approved at the Annual General Meeting (final dividends) This has had the positive effect of reducing the Company's liabilities by approximately £1m The remaining impact of IFRS has resulted in a significant increase in the level of detail and complexity contained within these financial statements which have consequently increased in volume by over 25% to 54 pages

Final Salary Pension Scheme
Every three years the pension scheme actuary carries out a 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 In addition, the trustees of the scheme are required to discuss with the Company the latest guidance from the Pension Regulator that contribution rates should be set to clear any deficit within 10 years

The scheme has been closed to new entrants since 2001 and 'final salaries' were frozen in real terms in 2003 The scheme has also enjoyed excellent investment returns over the last three years Despite these factors, the 2006 actuarial review reported an increase in the actuarial deficit (which should not be confused with the IAS 19 deficit referred to above) The movement in this deficit can be explained as follows

Analysis of Actuarial Deficit

	£'000
Original deficit at 1 January 2003	(2,736)
Effect of capping pensionable salary increases to RPI	896
Revised deficit at 1 January 2003	(1,840)
Interest on deficit	(421)
Investment return higher than expected	1,813
Company contributions in excess of benefits accruing over three years	375
Change of actuarial assumptions	(3,092)
Miscellaneous items	143
Deficit at 1 January 2006	(3,022)

The main explanation as to why the deficit has increased is that the actuarial assumptions, largely in relation to life expectancy, increased the liabilities of the scheme by more than £3m Following the actuarial review, the Company met with the trustees of the scheme and agreed to take the following actions

(1) To make two additional special contributions in July and October 2006 totalling £1 5m, and
(2) To increase on-going contributions to £630,000 per annum (previously £445,000 per annum) increasing by RPI

As a result of these actions, the deficit in the pension scheme is currently expected to be eliminated by 2017, assuming actuarial assumptions remain unchanged

Group Tax Charge
The Group's current year tax charge of £788,000 (2005 £1,159,000) represents an effective tax rate of 24% (2005 restated 34%) This is significantly lower than the standard rate of UK corporation tax of 30% as a result of tax relief received in relation to cash contributions to the final salary pension scheme during the year including a one-off payment of £465,000 Similarly, in 2007 the Group expect to receive additional tax relief of £300,000 in relation to a one-off payment of £1m made to the pension scheme in October 2006 (see post balance sheet events note in the Directors' Report on page 11) The overall tax charge of £956,000 (2005 restated £1,070,000) has fallen in line with profits Last year's estimated Florida state tax of $102,000 was reduced to $49,000 when the returns were finalised, resulting in the prior year tax adjustment disclosed in note 6

Company Information and Advisers

Directors	Edward William Dawnay (Chairman and Non-executive Director) Hugo William Bovill (Managing Director) Anita Jane Haines (Human Resources Director) Richard Andrew Hope (Finance Director) Douglas David Appleby (Non-executive Director) Peter Alan Thorburn (Non-executive Director)
Secretary	Richard Andrew Hope
Registered Office	Northern Way, Bury St Edmunds, Suffolk IP32 6NL
	Tel + 44 (0) 1284 702500 E Mail co sec@treatt com Fax + 44 (0) 1284 714880 Website http //www treatt com
Registration Number	1568937
Audit Committee	Edward William Dawnay (Chairman) Peter Alan Thorburn Douglas David Appleby
Remuneration Committee	Peter Alan Thorburn (Chairman) Edward William Dawnay Douglas David Appleby
Nomination Committee	Edward William Dawnay (Chairman) Douglas David Appleby Hugo William Bovill Peter Alan Thorburn
Stockbrokers	Investec Investment Banking 2 Gresham Street, London EC2V 7QP
Auditors	Baker Tilly Abbotsgate House, Hollow Road, Bury St Edmunds, Suffolk IP32 7FA
Solicitors	Macfarlanes 10 Norwich Street, London EC4A 1BD
Bankers	HSBC Bank plc 140 Leadenhall Street, London EC3V 4PS Barclays Bank plc PO Box 216, Brightwell Court, Martlesham Heath, Ipswich, Suffolk IP5 3PW
Registrar and Transfer Office	CAPITA REGISTRARS The Registry, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Share Price	The Company's share price is listed in the Financial Times and The Daily Telegraph and is also available on http.//www ft com Annual and interim reports are available on the Company's Website (http.//www treatt com)

Five Year Trading Record

	Years ended 30 September				
	2002[1] £'000	2003[1] £'000	2004[1] £'000	2005[2] £'000	**2006[3] £'000**
INCOME STATEMENT					
Revenue	30,740	31,683	31,809	32,521	**35,411**
Profit before exceptional items	2,771	2,088	2,307	3,406	**3,288**
Exceptional items	(739)	(139)	61	–	**–**
Profit before taxation	2,032	1,949	2,368	3,406	**3,288**
Taxation	(554)	(545)	(669)	(1,070)	**(956)**
Profit for the year attributable to equity shareholders	1,478	1,404	1,699	2,336	**2,332**
BALANCE SHEET					
Property, plant and equipment	9,523	9,911	9,536	8,650	**8,396**
Intangible assets	n/a	n/a	n/a	724	**669**
Deferred tax asset/(liability)	(194)	(362)	(519)	521	**457**
Current assets	16,803	16,730	15,171	17,410	**20,347**
Current liabilities	(6,260)	(6,420)	(4,592)	(4,667)	**(6,711)**
Non-current bank loans	(2,941)	(2,631)	(2,271)	(2,179)	**(1,927)**
Post-employment benefits	n/a	n/a	n/a	(3,239)	**(3,090)**
Shareholders funds	16,931	17,228	17,325	17,220	**18,141**
CASH FLOW					
Cash generated from operating activities	968	2,263	4,952	2,548	**106**
Dividends paid	(820)	(860)	(861)	(895)	**(949)**
Corporation tax paid	(943)	(355)	(312)	(812)	**(1,153)**
Additions to non-current assets	(3,137)	(1,364)	(646)	(862)	**(816)**
Net sale/(purchase) of own shares by Share Trust	–	–	(278)	(347)	**79**
Shares issued	195	4	–	–	**–**
Other cash flows	168	141	203	(55)	**122**
(Decrease)/increase in net cash	(3,736)	(379)	2,935	(423)	**(2,611)**
Net borrowings	(4,159)	(4,538)	(1,603)	(2,026)	**(4,637)**
RATIOS					
Gearing	24 6%	26 3%	9 3%	11 8%	**25 6%**
Earnings per share before exceptional items (basic)	19 7p	14 6p	16 0p	23 3p	**23 3p**
Dividend per share[4]	8 4p	8 4p	8 8p	9 5p	**10 5p**
Dividend cover (times)[4]	1 71	1 62	1 90	2 46	**2 21**
Net assets per share	164 6p	167 4p	168 0p	167 3p	**176 3p**

1 As originally reported in accordance with UK GAAP
2 As restated in accordance with International Financial Reporting Standards
3 As reported herein in accordance with International Financial Reporting Standards
4 For 2005 and 2006 the dividend per share shown relates to the interim dividend declared and final dividend proposed, both of which are paid after the year end and, under IFRS, accounted for in the subsequent financial year

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS The principal differences between UK GAAP and IFRS are explained in note 26 of the financial statements which provides an explanation of the transition to IFRS

Report of the Directors

Financial Statements
The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2006

Principal Activity
The Group's principal activity is the supply of flavour and fragrance ingredients This involves blending and distilling essential oils, the marketing of aroma chemicals and the production of other natural distillates for the flavour and fragrance industry

Comments on the Group's activities and its outlook for the future are given in the Chairman's Statement, Operating and Financial Reviews on pages 4 to 8

Business Review
The Directors have provided the following business review in accordance with the Companies Act Accordingly, the Group is disclosing the main trends and factors likely to affect the future development, performance and position of the Group's business

Key Performance Indicators (KPIs)
KPIs have been set at Group level, having been devised to allow the Board and shareholders to monitor the Group as a whole, as well as operating businesses within the Group The Group has financial KPIs which it monitors on a regular basis at Board level and, where relevant, at operational executive management meetings as follows

	2006	2005
Group revenue	**£35.4m**	£32 5m
Group profit before tax	**£3.3m**	£3 4m
Group earnings per share	**23 3p**	23 3p
Group return on capital employed	**18.1%**	19 8%

For discussion of these financial KPIs please refer to the Chairman's Statement at page 4, the Operating Review on pages 5 to 6 and the Financial Review on pages 7 to 8

Risks and Uncertainties
The Company has provided in the Chairman's Statement, Operating and Financial Review and the notes to the financial statements details of various risks and uncertainties it faces, which include

- foreign exchange risk, particularly with regard to the US Dollar, as the Group trades with approximately one hundred countries around the globe,
- credit risk in ensuring payments from customers are received in full and on a timely basis,
- legislative and regulatory risk as new requirements are being imposed on business and the industries with which the Group are involved, for example the new European REACH (Registration, Evaluation and Authorisation of Chemicals) legislation,
- movements in commodity and essential oil prices often caused by unpredictable weather patterns or other sudden changes in supply or demand, for example the impact of the 2004 Florida hurricanes on grapefruit oil prices

The Group has taken appropriate steps to manage and control these risks, which include

- the implementation of a foreign exchange hedging policy as explained in the Financial Review,
- agreeing appropriate payment terms with customers including, where necessary, payment in advance or by securing payment through bank letters of credit,
- taking a pro-active and leading role in ensuring the Group's systems and procedures are adapted to ensure compliance with new or changing legislative or regulatory requirements,
- ensuring that Group purchases of raw materials are based upon a well researched understanding of the risks involved and ensuring that appropriate inventory balances are held in order to meet future demand, whilst not holding excessive levels which may expose the Group to unnecessary levels of risk

Group risk is regularly reviewed at Board level to ensure that risk management is being implemented and monitored effectively

The Group regularly reviews its commercial insurance programme and maintains an appropriate and adequate portfolio of insurance policies in line with the nature, size and complexity of the business

The Group also has in place a 'Business Continuity' team whose on-going responsibility is to assess the issues which the Group would face should it experience a major, unforeseen, disaster and to put in place a clear action plan as to how the Group would continue to operate successfully in such an event

Results and Dividends
The results of the Group for the year are set out on page 22 and show a profit before taxation for the year of £3,288,000 (2005 restated £3,406,000)

The Directors recommend a final dividend of 7 1p (2005 6 4p) per ordinary share

This, when taken with the interim dividend of 3 4p (2005 3 1p) per share paid on 2 October 2006, gives a total dividend of 10 5p (2005 9 5p) per share for the year ended 30 September 2006

Post Balance Sheet Events
Following the triennial actuarial valuation of the R C Treatt & Co Limited (a fully owned subsidiary undertaking) final salary pension scheme as at 1 January 2006, the Group decided to invest £1 5m of additional funds into the scheme in order to reduce the deficit by half Of this investment, £0 5m was made during the financial year in July 2006, and a further £1m was invested after the balance sheet date, in October 2006

Market Value of Land and Buildings
The Directors consider the total market value of the Group's land and buildings to be in excess of the £5,518,000 shown in the balance sheet This belief has been borne out by our property advisers, however, in the absence of a full professional valuation the excess cannot be readily quantified

Report of the Directors continued

Directors
The Directors of the Company are shown on page 9

In accordance with the Company's Articles of Association and as reported in the Corporate Governance Statement on page 15, in recognition of Provision A 7 1 of the Combined Code H W Bovill and R A Hope retire by rotation and, being eligible, offer themselves for re-election The Nomination Committee confirms that the individuals' performances continue to be effective and to demonstrate commitment to the role, including commitment of time for Board and Committee meetings and any other duties

Non-executive Directors
D D Appleby
David Appleby was appointed a Non-executive Director of the Company in October 1994 He was formerly Manufacturing Director of R C Treatt & Co Limited

E W Dawnay
Edward Dawnay was appointed a Non-executive Director of the Company in June 1994 He is Chairman of Dunedin Enterprise Investment Trust Plc and was appointed Chairman of the Company in February 2001

P.A Thorburn
Peter Thorburn was appointed to the Board in March 2002 Previously he was Vice President Global Sales & Marketing Flavor and Fragrance Ingredients at International Flavors and Fragrances Inc ("IFF") He was with IFF/BBA for over 20 years in a variety of management roles

Executive Directors
H W Bovill
Hugo Bovill joined R C Treatt & Co Limited in 1976, becoming Marketing Director in 1982 and later Managing Director in 1987 He was appointed to the Board of Directors of the Company in 1985 and is currently President and a Director of IFEAT (International Federation of Essential Oils and Aroma Trades)

A J Haines
Anita Haines joined R C Treatt & Co Limited in January 1988 as Company Secretary and was appointed Human Resources (HR) Manager in September 2000 She was appointed HR Director of the Company in October 2002

R.A Hope
Richard Hope was appointed Finance Director and Company Secretary of Treatt Plc in May 2003 He qualified as a Chartered Accountant in 1990 at PricewaterhouseCoopers, and was Head of Finance at Hampshire Cosmetics Limited from 1996 until 2003

Directors' Interests in Shares
The Directors who held office at 30 September 2006 had the following interests in the shares of the Company:

	10p ordinary shares fully paid			Options to acquire 10p ordinary shares		
	2006	2005			**2006**	2005
Hugo William Bovill	**1,517,030**	493,504	(a)	**20,000**		
			(b)	**3,862**	**23,862**	22,452
Anita Jane Haines	–	–	(b)		**3,862**	2,452
Richard Andrew Hope	–	–	(b)		**3,862**	2,452
Douglas David Appleby	**128,595**	128,595			–	–
Edward William Dawnay	**100**	100			–	–
Peter Alan Thorburn	**1,000**	1,000			–	–
Joint Bovill Holdings	–	1,224,533			–	–

Key to Shares under Option
(a) Options granted under the Treatt Executive Share Option Scheme No II
(b) Options granted under the Treatt Save As You Earn Schemes 2004, 2005 & 2006

The 'Joint Bovill Holdings' disclosed in 2005, related to Directors' interests previously held jointly by W G Bovill and H W Bovill The interest in these shares is now disclosed either as part of H W Bovill's interest shown above or as part of G R Bovill's interest disclosed under 'Substantial Shareholders' below

There have been no changes between 1 October 2006 and 24 November 2006, the latest date practicable to obtain the information prior to publication of this document

Substantial Shareholders
The Company has been notified of the following holdings of 3% or more of the issued share capital at 24 November 2006 (the latest practicable reporting date prior to publication of this document)

	Number	%
Fortress Finance Investment Inc	1,000,000	9 72
G R Bovill and A J Bovill as Trustees of the W G Bovill 1985 Settlement (G R Bovill's Childrens' Fund)	749,534	7 28
G R Bovill	697,642	6 78
Rights and Issues Investment Trust Plc	555,000	5 39
Discretionary Unit Trust Fund Managers	526,000	5 11

Bovill Family Shareholdings
Based on an analysis of the shareholders' register at 30 September 2006 H W Bovill and G R Bovill, along with their dependants and executors for W G Bovill and PW Bovill were interested in 2,964,205 (2005 2,964,205) ordinary shares representing 28 80% (2005 28 80%) of the issued share capital This holding is not under one beneficial holding, the interests of each individual being disclosed in either the Directors' shareholdings or substantial shareholders detailed herein

Contracts of Significance
No Director had an interest in any contract of significance during the year The Company has granted rolling indemnities to the Directors, limited in amount, in relation to certain losses and liabilities which they may incur in the course of acting as Directors of the Company or its subsidiaries

Directors' and Officers' Liability Insurance
The Company purchases liability insurance covering the Directors and Officers of the Company and its subsidiaries

Policy on the Payment of Creditors
The Group's policy is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment The Group trade creditors' balance at the year end represents 29 (2005 36) days credit based on the whole year's purchases The Parent Company had no trade creditors at the year end

Research and Development
The Group continues to invest in research and development as, in the opinion of the Directors, this is essential for the maintenance of the Group's market share and future growth

Going Concern
Given the comments in the Chairman's Statement, and based on the plans for 2007, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future For this reason the going concern basis has been adopted in preparing the financial statements

Charitable Contributions
During the year the Group made charitable donations of £3,728 (2005 £6,002) to local causes

Health and Safety
The Group's policy of investment in health and safety was continued during the financial year

Environment
The Group is committed to finding new ways of reducing the impact of its operations upon the environment and continues to look for improvements in the following areas

- Reduction of waste and improvements in waste management
- Conservation of energy and improvements in energy management

This approach was considered during the construction of our site in Lakeland, Florida, where handling and movement of materials has been minimised by improving storage and locating materials in close proximity to their areas of operation Increased bulk storage will also lead to a reduction in waste packaging materials

It is believed that in many instances the Group's operational needs will align closely to our environmental initiatives, so that improvements in our environmental impact will benefit the Group in cash terms In addition, these financial statements are printed on recycled paper

Employment Policies
The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination Applications for employment by disabled persons are given full and fair consideration for suitable vacancies, having regard to their particular aptitudes and abilities Where a person becomes disabled while in the Group's employment a suitable position will be sought for that person within the Group

Employee Involvement
Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Company through share option schemes (see note 19) Bonus schemes, based on the performance of the business, are in place

Statement as to Disclosure of Information to Auditors
The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

Annual General Meeting
Notice of the Annual General Meeting of the Company to be held at The British Racing School, Snailwell Road, Newmarket, Suffolk on 26 February 2007 accompanies this document

Report of the Directors continued

Resolutions dealing with the following Special Business will be proposed at the Annual General Meeting

a) As in previous years, shareholder approval will be sought to renew the authorities granted to the Directors to issue new shares Resolution 9 will give the Directors authority ("the Section 80 authority") to allot ordinary shares up to an aggregate nominal value of £220,700 (representing approximately 21 4 percent of the existing issued ordinary share capital) Subject to the terms of the Section 80 authority, the Directors will be further authorised ("the Section 89 authority") by Resolution 10, to allot any new ordinary shares for cash pursuant to a rights issue proportionate to existing shareholdings and, in order to give the Directors a limited degree of flexibility, to allot new ordinary shares up to a maximum nominal amount of £51,400 (representing 5 percent of the existing issued ordinary share capital) otherwise than pro rata to existing shareholdings

   If approved, the Section 80 authority and the Section 89 authority will expire at the conclusion of the next Annual General Meeting of the Company or 25 May 2008, whichever is the earlier

b) The Directors believe that it would be advantageous for the Company to be in a position to purchase its own ordinary shares (as permitted by Article 5 2 of the Articles of Association), under the terms of Section 162 of the Companies Act 1985 The Directors therefore request shareholders to give the Company authority to make market purchases of a proportion of its own ordinary shares, subject to the limits referred to below Purchases will only be made on the London Stock Exchange and only in circumstances where they are, in the opinion of the Directors, in the interests of the Company and of the Group and would result in an increase in earnings per share Such purchases will be financed out of distributable profits of the Company It is not the Directors' current intention to stand in the market for any particular period or until any specified number of ordinary shares has been acquired

   The Directors are seeking authority (Resolution 11) to purchase up to 1,029,000 issued ordinary shares, representing approximately 10 per cent of the present issued ordinary share capital of the Company, at a maximum price per share, exclusive of expenses, of 5 per cent above the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase The minimum price per ordinary share exclusive of expenses for any purchase will be 10p which is the nominal value of the ordinary shares

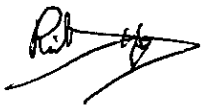
   The authority, if granted, will be subject to renewal on the earlier of the date of the next Annual General Meeting of the Company and 25 May 2008

Auditors

On the recommendation of the Audit Committee, resolutions are to be proposed at the Annual General meeting for the reappointment of Baker Tilly as auditors of the Company and to authorise the Board to fix their remuneration The remuneration of the auditors for the year ended 30 September 2006 is fully disclosed in note 3 to the financial statements

This report was approved by the Board on 8 December 2006

R A Hope
Secretary



Corporate Governance Statement

There is a commitment to high standards of Corporate Governance throughout the Group The Board confirms that throughout the year ended 30 September 2006 the Group has complied with the provisions set out in Section 1 of the Combined Code, except for clause B1 6 in that two Executive Directors have service contracts which provide for two years notice The Board believes this is appropriate to attract and retain key Executive Directors who possess specialist industry knowledge and is therefore in the best interests of shareholders

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Combined Code (appended to the Stock Exchange Listing Rules) are applied by the Company

Directors
Details of the Directors who served during the year, the positions they hold and the committees of which they are members are shown on page 9 During the year the Board consisted of a Chairman, E W Dawnay, two additional Non-executive Directors and three Executive Directors, of which H W Bovill is the Managing Director Of the Non-executive Directors the Board considers E W Dawnay and PA Thorburn to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement Neither have any significant interest in the shares of the Company and both received a fixed fee for their services The Board is satisfied that the Chairman's other commitments do not detract from the extent or the quality of the time which he is able to devote to the Company

The Nomination Committee is responsible for the annual evaluation of the Board, its committees and its Directors The Board is satisfied with the evidence it provided about the balance and the effectiveness of the Board and its committees and the effectiveness and commitment of each Director

Biographies of the Board members appear on page 12

The Board meets at least five times each year and more frequently where business needs require The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group These include matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals and appointments to subsidiary company boards

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense This is in addition to the access which every Director has to the Company Secretary The Secretary is charged by the Board with ensuring that Board procedures are followed

When new members are appointed to the Board they are provided with access to an appropriate external training course and to advice from the Company's solicitors in respect of their role and duties as a public company director Where a new Board member has significant relevant experience, training may be felt to be unnecessary

The differing roles of Chairman and Managing Director are acknowledged and defined in separate statements approved by the Board The key functions of the Chairman are to conduct board meetings, meetings of shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions The Managing Director is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its shareholders

The Senior Independent Director is E W Dawnay and concerns relating to the executive management of the Company or the performance of the other Non-executive Directors may be raised with him

To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information In the case of board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters

Appointments to the Board of both Executive and Non-executive Directors are considered by the Nomination Committee Members of the Nomination Committee throughout the year are shown on page 9 The Nomination Committee consults with Executive Directors when considering appointments and ensures that a wide range of candidates are considered The recommendations of the Nomination Committee are ultimately made to the full Board which considers them before any appointment is made The Remuneration Committee considers any remuneration package before it is offered to a potential appointee

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting The Articles so require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those in office longest since their previous re-election and this usually means that each Director retires at least every three years, although there is no absolute requirement to this effect In order to comply with the Combined Code, but to avoid the expense of amending the Company's Articles to deal with this single point, the Board has resolved that each Director will retire at least every three years, even if this is not strictly required by the Articles

Full details of the Directors' remuneration and a statement of the Company's remuneration policy is set out in the Directors' Remuneration Report appearing on pages 18 to 20 Members of the Remuneration Committee throughout the year are shown on page 9 and the principal terms of reference of the Committee appear on page 16 The Managing Director attends meetings of the Remuneration Committee to discuss the performance of the other Executive Directors and make proposals as necessary, but is not present when his own position is being discussed

Each Executive Director abstains from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package The details of each Executive Director's individual package are fixed by the Committee in line with the policy adopted by the full Board

Board Committees
The Board has established a number of standing committees to which various matters are delegated according to defined terms of

Corporate Governance Statement continued

reference The principal committees are the Nomination Committee, the Remuneration Committee and the Audit Committee The principal terms of reference for each Committee are shown below

Nomination Committee
To consider the appointment or retirement of Directors, to review proposed nominations and make recommendations thereon to the Board

Remuneration Committee
To determine the remuneration of the Executive Directors and the Senior Executives of the Group

Audit Committee
The terms of reference of the Audit Committee are as follows

The Audit Committee on behalf of the Board reviews the effectiveness of the system of internal control from information provided by management and the Group's auditors Any system of internal control can only provide reasonable but not absolute assurance of meeting the internal control objectives

The Audit Committee keeps the scope and cost effectiveness of the external auditors under review The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees The split between audit and non-audit fees for the year under review appears on page 32 The non-audit fees were paid mainly in respect of tax advice and tax compliance work and are considered by the Committee not to affect independence or objectivity

In accordance with C3 4 of the Combined Code, the Audit Committee is responsible for ensuring that procedures are in place whereby staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters The Audit Committee has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action

Communication
The Company places a great deal of importance on communication with its shareholders The Company mails to all shareholders half yearly results, as well as its full annual report and financial statements This information is also available on its website and, upon request, to other parties who have an interest in the Group's performance Shareholders also have direct access to the Company and the Company responds to letters from shareholders and customers on a wide range of issues

There is regular dialogue with individual institutional shareholders as well as presentations after the interim and preliminary results All shareholders have the opportunity to put questions at the Company's Annual General Meeting and the Company makes a presentation at the meeting to highlight the key business developments during the financial year

The members of the Board and its committees, together with their attendance are shown below

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in year	6	1	1	10
Hugo William Bovill Managing Director	6	N/A	1	N/A
Anita Jane Haines Human Resources Director	6	N/A	N/A	N/A
Richard Andrew Hope Finance Director	6	N/A	N/A	N/A
Douglas David Appleby Non-executive Director	6	N/A	1	10
Edward William Dawnay Chairman	6 Chairman	1 Chairman	1 Chairman	10
Peter Alan Thorburn Non executive Director	6	1	1	5* Chairman

* Although not physically present for five meetings due to his US location, Peter Thorburn participated in the minuted decisions via telephone communication as permitted by the Company's Memorandum and Articles of Association The Board is satisfied that he demonstrates total commitment to his duties both within and beyond the formal framework of Board and committee meetings

Financial and Internal Control
The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 17 and 21 and the statement of the Directors on going concern appears on page 13

The Board confirms that a process for the ongoing identification, evaluation and management of significant risks faced by the Company has been in place throughout the year and to the date of approval of this report, which complies with the guidance Internal Control Guidance for Directors on the Combined Code The process is subject to regular review by the Board

The Directors are responsible for the Company's system of internal control, the effectiveness of which is reviewed by them annually In addition to monitoring reports received via the Executive Directors they consider the risks faced by the Company, whether the control systems are appropriate and consult with internal and external experts on environmental, insurance, legal and health and safety compliance However, such a system can only provide reasonable but not absolute assurance against material misstatement or loss The key procedures that the Directors have established to provide effective internal controls are as follows

Financial Reporting
A detailed formal budgeting process for all Group businesses culminates in an annual Group budget which is approved by the Board Results for the Company and its main constituent businesses are reported monthly against the budget to the Board and revised forecasts for the year are prepared through the year

Financial and Accounting Principles
Financial controls and accounting policies are set by the Board so as to meet appropriate levels of effective financial control Compliance with these policies and controls is reviewed where necessary by external auditors

Capital Investment
The Company has clearly defined guidelines for capital expenditure These include annual budgets, appraisal and review procedures, and levels of authority Post investment appraisals are performed for major investments

Risk Assessment and Information
Operational management in conjunction with the Executive Directors, who report regularly to the Board, are responsible for identification and evaluation of significant risks applicable to their area of business and design and operate suitable internal controls Details of the principle risks associated with the Group's activities are given in the Business Review section of the Directors' Report on page 11

Internal Audit
The Directors continue to monitor the need for an internal audit function by considering the cost of maintaining an effective internal audit function and the risks associated with not maintaining one

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual report and the Group and Parent Company financial statements, in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year Under that law the Directors are required to prepare the Group and Parent Company financial statements in accordance with IFRSs as adopted by the EU, the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of Financial Statements" In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards

In preparing each of the Group and Parent Company financial statements, the directors are required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' Remuneration Report

Introduction
This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 ('the Act') This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company on 26 February 2007 at which the financial statements will be laid before members The Act requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act This report has therefore been divided into separate sections for unaudited and audited information

UNAUDITED INFORMATION
The Remuneration Committee
Members of the Remuneration Committee throughout the year are shown on page 9

As well as complying with the provisions of the Combined Code as disclosed in the Corporate Governance Statement, the Company has applied the principles relating to Directors' remuneration as described below

Policy on Remuneration of Executive Directors and Senior Executives
General Principles
The Remuneration Committee endeavours to offer competitive remuneration packages that are designed to attract, retain and motivate Executive Directors and Senior Executives of the highest calibre Packages are reviewed each year to ensure that they are in line with the Group's business objectives

The main components in determining pay are

- Basic Salary

Salary ranges are established by reference to those in a selected group of comparable companies for executives of similar status, responsibility and skill Basic salary for each Director takes into account performance measured by an appraisal process

- Bonus Schemes

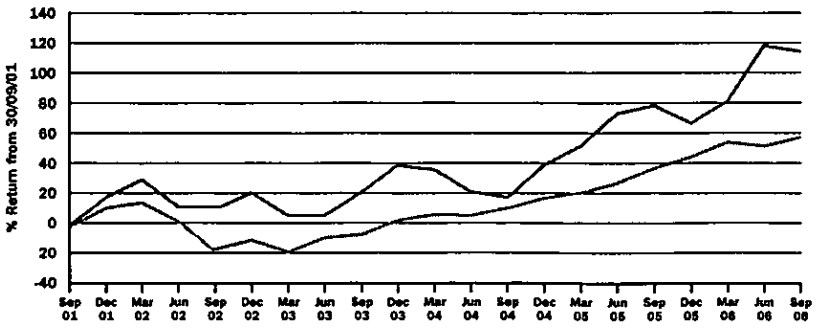
The Group has introduced performance-related reward policies for senior employees to provide a growing element of "at-risk" pay, which is only available when good results are achieved In this way, shareholders and employees share in success

Executive Directors participate in an annual bonus scheme which is linked to the level (if any) by which profit before tax exceeds a minimum level of profit before tax The Remuneration Committee retains the right to make discretionary adjustments to these bonuses

- Benefits

Taxable benefits provided to Executive Directors include a Company car, or payment in lieu, and private medical insurance

Performance Graph
The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return which has been selected by the Board as being the most appropriate measure against which to benchmark its performance



Directors' Permanent Health Insurance Policy
All Executive Directors are members of the R C Treatt & Co Limited Permanent Health Insurance Scheme and participate in the scheme on the same basis as all other members The scheme is underwritten by an insurance company and benefits commence after an initial period of twenty six weeks of absence and evidence of disability The main provisions of the scheme are

- 66 2/3 percent of pre-disability salary payable up to normal retirement date
- supplementary benefit payable in respect of contributions to the R C Treatt & Co Limited Pension and Assurance Scheme or individual money purchase personal pension plan
- benefits in payment increased at the rate of 3 percent per annum

Companies Used In Comparisons
In assessing all aspects of pay and benefits, the Group compares the packages offered by similar companies that are selected on the grounds of

- size in terms of turnover, profits and number of people employed
- the diversity and complexity of its business
- the geographical spread of its business
- its growth, expansion and change profile

Service Contracts
Each Executive Director has a service contract that may continue in force until their normal retirement date or agreed retirement date if earlier These contracts do not contain provisions for a pre determined compensation that exceeds salary and benefits in kind for the notice period

	Date of contract	Notice period
H W Bovill	10 October 1997	2 years
A J Haines	24 December 2002	2 years
R A Hope	12 May 2003	6 months

Non-executive Directors
The remuneration for Non-executive Directors consists of fees for their services in connection with Board and Board Committee meetings In their Non-executive capacities they do not qualify for participation in any of the Company's bonus, share option or other incentive schemes With the exception of D D Appleby, who is in receipt of a pension from the R C Treatt & Co Limited Pension & Assurance Scheme, Non-executive Directors are not eligible for pension scheme membership The terms and conditions of appointment of Non-executive Directors are available for inspection at the Company's registered office during normal business hours

AUDITED INFORMATION
Directors' Emoluments

	Salary and Fees £'000	Bonus Payments £'000	Taxable Benefits £'000	**2006 Total £'000**	2005 Total £'000
Executive Directors					
H W Bovill	150	56	21	**227**	217
A J Haines	85	39	14	**138**	111
R A Hope	98	39	13	**150**	120
R Mears (Retired 31 January 2005)	–	–	–	**–**	40
Non-executive Directors					
E W Dawnay (Chairman)	26	–	–	**26**	25
D D Appleby	16	–	3	**19**	18
W G Bovill (Retired 30 September 2005)	–	–	–	**–**	20
PA Thorburn	23	–	–	**23**	22
	398	134	51	**583**	573

Share Option Schemes
The Company believes that share ownership by Executive Directors and Senior Executives continues to strengthen the link between their personal interests and those of the shareholders The exercise of options is not dependent upon performance criteria The value of options issued to Executive Directors under the Executive Share Option Schemes are restricted to three times salary

The share options of the Directors are as set out below

	Exercise Dates	Exercise Price	At 1 October 2005	Granted During the Year	Exercised During the Year	**At 30 September 2006**
H W Bovill	Between September 2007 and March 2008	160p	1,413	–	–	**1,413**
	Between September 2008 and March 2009	218 8p	1,039	–	–	**1,039**
	Between September 2009 and March 2010	238 6p	–	1,410	–	**1,410**
	Between June 2004 and June 2008	209p	20,000	–	–	**20,000**
			22,452	1,410	–	**23,862**

Directors' Remuneration Report continued

Share Option Schemes (continued)

		Exercise Dates	Exercise Price	At 1 October 2005	Granted During the Year	Exercised During the Year	**At 30 September 2006**
A J Haines	Between September 2007 and March 2008		160p	1,413	–	–	**1,413**
	Between September 2008 and March 2009		218 8p	1,039	–	–	**1,039**
	Between September 2009 and March 2010		238 6p	–	1,410	–	**1,410**
				2,452	1,410	–	**3,862**
R A Hope	Between September 2007 and March 2008		160p	1,413	–	–	**1,413**
	Between September 2008 and March 2009		218 8p	1,039	–	–	**1,039**
	Between September 2009 and March 2010		238 6p	–	1,410	–	**1,410**
				2,452	1,410	–	**3,862**

The aggregate amount of gains made by the Directors on the exercise of share options in the year were £Nil (2005 £11,100)

There have been no further changes in the interests of the Directors to subscribe for or acquire shares since the year end

The market price of the shares at 30 September 2006 was £3 23 and the range during the financial year was £2 285 to £3 50

Directors' Pension Policy

H W Bovill and A J Haines are members of the R C Treatt & Co Limited Pension & Assurance Scheme Both participate in this pension scheme on the same basis as all other members The plan is a non-contributory, Inland Revenue approved, defined benefit occupational pension scheme Its main features are

- a normal pension age of 65 but early retirement may be permitted from age 50
- a pension at normal pension age of two thirds of final pensionable salary, subject to completion of 20 years' service
- life assurance cover of four times basic annual salary
- spouse's pension on death

Pensionable salary is the member's basic salary, excluding all bonuses From 1 October 2004, pensionable salary increases each year are restricted to the lower of the actual increase or the increase in the rate of inflation as measured by the RPI

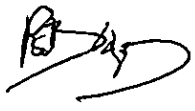
The pension entitlement of these Directors is as follows

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Excluding Inflation)		Accumulated Total Pension at	
	2006	2005	**2006**	2005	**2006**	2005
	£	£	**£**	£	**£**	£
H W Bovill	**1,676**	2,415	**15,574**	13,545	**65,358**	61,454
A J Haines	**1,146**	1,422	**13,595**	10,858	**26,753**	24,711

The transfer value has been calculated on the basis of actuarial advice in accordance with the Institute of Actuaries Guidance Note GN11 'Retirement Benefit Schemes – Transfer Values' Further details of the scheme are included in note 22

R A Hope received a contribution of £8,100 (2005 £7,875) towards a money purchase personal pension plan administered by Norwich Union Plc

This report was approved by the Board and signed on its behalf on 8 December 2006



R A Hope
Secretary

Independent Auditors' Report to the Members of Treatt plc

We have audited the Group and Parent Company financial statements on pages 22 to 52 We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating Review and Financial Review, the Corporate Governance Statement, the Financial Summary and the Five Year Trading Record We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited

Opinion
In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2006 and of its profit for the year then ended,
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 September 2006,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Operating Review, and Financial Review that is cross referred from the Business Review section of the Directors' Report

BAKER TILLY
Registered Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St. Edmunds
Suffolk IP32 7FA

8 December 2006

Group Income Statement

For the year ended 30 September 2006

	Notes	2006 £'000	2005 £'000 (Restated)
Revenue	2	**35,411**	32,521
Cost of sales		**(25,292)**	(21,952)
Gross profit		**10,119**	10,569
Administrative expenses		**(6,621)**	(7,020)
Operating profit	3	**3,498**	3,549
Finance revenue	5	**243**	176
Finance costs	5	**(453)**	(319)
Profit before taxation		**3,288**	3,406
Taxation	6	**(956)**	(1,070)
Profit for the period attributable to equity shareholders		**2,332**	2,336
Earnings per share			
Basic	8	**23 3p**	23 3p
Diluted	8	**23 2p**	23 2p

All amounts relate to continuing operations
Notes 1 - 26 form part of these financial statements

Group Statement of Recognised Income and Expense

For the year ended 30 September 2006

	Notes	2006 £'000	2005 £'000 (Restated)
Profit for the period		**2,332**	2,336
Currency translation differences on foreign currency net investment	11	**(293)**	123
Actuarial loss on defined benefit pension scheme	22	**(389)**	(257)
Deferred taxation on actuarial loss	12	**117**	77
Total recognised net income for the period		**1,767**	2,279

Group and Company Statements of Changes in Shareholders' Equity

For the year ended 30 September 2006

		Group		Company	
	Notes	2006 £'000	2005 £'000 (Restated)	2006 £'000	2005 £'000 (Restated)
Total recognised net income for the period		**1,767**	2,279	**-**	-
Dividends	7	**(949)**	(881)	**-**	-
Share-based payments	19	**23**	12	**-**	-
Movement in own shares in share trust	20	**79**	(347)	**79**	(347)
Gain on release of shares in share trust	20	**1**	-	**1**	-
Increase in shareholders' equity		**921**	1,063	**80**	(347)
Opening shareholders' equity		**17,220**	16,157	**4,186**	4,533
Closing shareholders' equity		**18,141**	17,220	**4,266**	4,186

Notes 1 - 26 form part of these financial statements

Group and Company Balance Sheet

As at 30 September 2006

	Notes	Group 2006 £'000	Group 2005 £'000 (Restated)	Company 2006 £'000	Company 2005 £'000 (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	9	**8,484**	8,650	**–**	–
Intangible assets	10	**581**	724	**–**	–
Investment in subsidiary undertakings	11	**–**	–	**4,141**	4,141
Deferred taxation	12	**457**	521	**–**	–
		9,522	9,895	**4,141**	4,141
Current assets					
Inventories	13	**13,958**	11,395	**–**	–
Trade and other receivables	14	**6,389**	5,718	**125**	45
Cash and cash equivalents	15	**–**	297	**–**	–
		20,347	17,410	**125**	45
Total assets		**29,869**	27,305	**4,266**	4,186
LIABILITIES					
Current liabilities					
Bank loans and overdrafts	16	**(2,710)**	(144)	**–**	–
Trade and other payables	17	**(3,790)**	(3,934)	**–**	–
Corporation tax payable		**(211)**	(589)	**–**	–
		(6,711)	(4,667)	**–**	–
Net current assets		**13,636**	12,743	**125**	45
Non-current liabilities					
Bank loans	16	**(1,927)**	(2,179)	**–**	–
Post-employment benefits	22	**(3,090)**	(3,239)	**–**	–
		(5,017)	(5,418)	**–**	–
Total liabilities		**(11,728)**	(10,085)	**–**	–
Net assets		**18,141**	17,220	**4,266**	4,186
SHAREHOLDERS' EQUITY					
Called up share capital	18	**1,029**	1,029	**1,029**	1,029
Share premium account	20	**2,143**	2,143	**2,143**	2,143
Own shares in share trust		**(546)**	(625)	**(546)**	(625)
Employee share option reserve	20	**34**	14	**–**	–
Foreign exchange reserve	20	**(992)**	(699)	**–**	–
Profit & loss account	20	**16,473**	15,358	**1,640**	1,639
Shareholders' Equity		**18,141**	17,220	**4,266**	4,186

Notes 1 - 26 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 8 December 2006 and were signed on its behalf by:

EW Dawnay
HW Bovill
RA Hope
} Directors

Group Cash Flow Statement

For the year ended 30 September 2006

	Notes	2006 £'000	2005 £'000 (Restated)
Cash flow from operating activities			
Profit before taxation		**3,288**	3,406
Adjusted for			
Foreign exchange (gain)/loss		**(210)**	104
Depreciation of property, plant and equipment	9	**685**	738
Amortisation of intangible assets	10	**182**	225
Loss on disposal of property, plant and equipment	9	**52**	135
Loss on disposal of intangible assets	10	**2**	–
Net interest payable	5	**235**	90
Share-based payments	19	**23**	12
(Decrease)/increase in post-employment benefit obligation excluding special pension contribution	22	**(73)**	38
Operating cash flow before movements in working capital and special post-employment benefit contribution		**4,184**	4,748
Special post-employment benefit contribution	22	**(465)**	–
Changes in working capital			
Increase in inventories	13	**(2,563)**	(3,040)
(Increase)/Decrease in trade and other receivables	14	**(671)**	288
(Decrease)/increase in trade and other payables	17	**(144)**	642
Cash generated from operations		**341**	2,638
Taxation paid	6	**(1,153)**	(812)
Net cash from operating activities		**(812)**	1,826
Cash flow from investing activities			
Purchase of property, plant and equipment	9	**(775)**	(804)
Purchase of intangible assets	10	**(41)**	(58)
Interest receivable	5	**218**	176
		(598)	(686)
Cash flow from financing activities			
Repayment of bank loans	16	**(137)**	(144)
Interest payable	5	**(453)**	(266)
Dividends paid	7	**(949)**	(895)
Net sales/(purchase) of own shares by share trust	19	**79**	(347)
		(1,460)	(1,652)
Net decrease in cash and cash equivalents	16	**(2,870)**	(512)
Cash and cash equivalents at beginning of period	15	**297**	809
Cash and cash equivalents at end of period	16	**(2,573)**	297
Cash and cash equivalents comprise			
Cash and cash equivalents	15	**–**	297
Bank overdrafts	16	**(2,573)**	–
		(2,573)	297

Notes 1 - 26 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 30 September 2006

	Notes	**2006 £000's**	2005 £000's (Restated)
Decrease in cash and cash equivalents	16	**(2,870)**	(512)
Repayment of borrowings	16	**137**	144
Cash outflow from change in net debt in the period		**(2,733)**	(368)
Effect of foreign exchange rates	21	**122**	(55)
Movement in net debt in the period	21	**(2,611)**	(423)
Net debt at start of the period		**(2,026)**	(1,603)
Net debt at end of the period	21	**(4,637)**	(2,026)

Notes 1 - 26 form part of these financial statements

Notes to the Financial Statements

For the year ended 30 September 2006

1. ACCOUNTING POLICIES

General information
Treatt plc is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is included within the Company Information section on page 9 The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 11

Accounting convention
Prior to 2006 the Group prepared its audited financial statements under UK Generally Accepted Accounting Practice (UK GAAP) For the year ended 30 September 2006 the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union These financial statements have also been prepared under the historical cost convention and are in accordance with the Companies Act 1985

These financial statements have been prepared in accordance with the accounting policies set out below, taking into account the requirements and options in IFRS 1 'First-time adoption of International Financial Reporting Standards' The Group was required to establish its IFRS accounting policies as at 30 September 2005 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 October 2004 IFRS 1 provides a number of optional exceptions to this general principle The most significant of these are set out below, together with a description in each case of the exception adopted by the Group

(1) IFRS 2 - *"Share-based payments"* – IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005 and not to any grants prior to this date

(2) *"Business Combinations"* – in accordance with IFRS 1, the Group has chosen not to restate business combinations that took place before the date of transition (1 October 2004)

(3) *Translation of foreign subsidiaries* – the Group has chosen *not* to reduce all translation reserves arising prior to transition into IFRS to a nil balance Consequently, the newly created 'Foreign Exchange Reserve' includes all foreign exchange differences which arose prior to the introduction of IFRS

(4) *Employee benefits* - the Group has opted to recognise in equity all cumulative actuarial gains and losses at the date of transition The Group has also opted to account for pension benefits under the amendment to International Accounting Standard (IAS) 19 issued in December 2004 in which all actuarial gains and losses are recognised in the Statement of Recognised Income and Expense This is consistent with the previous UK GAAP treatment under Financial Reporting Standard (FRS) 17 'Retirement benefits', the effect of which has been disclosed previously in the annual report

As stated above, the transition date for the Group's application of IFRS is 1 October 2004 and the comparative figures for 30 September 2005 have been restated accordingly Reconciliations of the income statement (previously profit and loss account), balance sheet and cash flow statement from previously reported UK GAAP to IFRS are shown in note 26

The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 and has not presented its own income statement in these financial statements

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective

IFRS 6 Exploration for and evaluation of mineral resources,
IFRS 7 Financial instruments Disclosures,
IFRIC* 4 Determining whether an arrangement contains a lease,
IFRIC 5 Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds,
IFRIC 7 Applying the restatement approach under IAS 29, "Financial reporting in hyperinflationary economies",
IFRIC 8 Scope of IFRS 2, "Share-based payments",
IFRIC 9 Reassessment of embedded derivatives,
IFRIC 10 Interim, financial reporting and impairment,
IFRIC 11 IFRS 2, group and treasury share transactions
* International Financial Reporting Interpretations Committee

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect

The principle accounting policies which have been adopted are as follows

Basis of consolidation
The Group accounts consolidate the accounts of Treatt plc and all of its subsidiary undertakings made up to 30 September each year All intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated on consolidation Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

Presentation of financial statements
The primary statements within the financial information contained in this document have been presented in accordance with IAS 1, "Presentation of Financial Statements"

For the year ended 30 September 2006

1. ACCOUNTING POLICIES (Continued)

Revenue recognition
Revenue represents amounts receivable net of trade discounts, VAT and other sales related taxes Revenue is recognised in these financial statements when goods are physically despatched from the Company's premises or other storage depots, irrespective of the terms of trade

Post balance sheet events and dividends
IAS 10, "Events after the Balance Sheet Date" requires that final dividends proposed after the balance sheet date should not be recognised as a liability at that balance sheet date, as the liability does not represent a present obligation as defined by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" Consequently, final dividends are only recognised as a liability once formally approved at the Annual General Meeting. Furthermore, interim dividends, in accordance with ICAEW Technical Release 57/05, are not recognised as a liability until paid

Cash flow
The cash flow statement explains the movement in short term cash and cash equivalents

Investments in subsidiary undertakings
Investments in subsidiary undertakings in the Company balance sheet are stated at cost, less provision for diminution in value

Property, plant and equipment
Property, plant and equipment is stated at cost less depreciation

Depreciation is provided on all property, plant and equipment, except freehold and long leasehold land and buildings in the UK, using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows -

• Computer hardware	4 years
• Laboratory equipment	5 years
• Motor vehicles	5 years
• Fixtures and fittings	10 years
• Plant and machinery	10 years
• Buildings (in the USA)	50 years

Intangible assets
In accordance with IAS 38 "Intangible Assets" computer software is required to be disclosed as a class of intangible assets

Amortisation is provided on all intangible assets using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows -

• Computer software	4 years
• Manufacturing system	7 years

Impairment of property, plant and equipment and intangible assets
It is the Group's practice to maintain freehold and long leasehold buildings in a continual state of sound repair Accordingly, the Directors consider that the lives of these assets and their residual values, based on prices prevailing at the time of their acquisition, are such that depreciation would not be material on the UK buildings Provision will be made should any impairment in the value of these properties occur

The need for any non-current asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use

Leased assets
Rentals receivable under operating leases are credited to income on a straight-line basis over the term of the lease and are recognised in the income statement as and when they fall due

Rentals payable under operating leases, where substantially all of the benefit and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the term of the lease

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Trade payables
Trade payables are not interest bearing and are stated at their nominal value

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

1. ACCOUNTING POLICIES (Continued)

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

Bank borrowings and borrowing costs
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs All borrowing costs are recognised in the income statement in the period in which they are incurred

Inventories
Inventories are stated at the lower of cost and net realisable value Cost is based on raw material costs plus attributable overheads

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal Provision is made for obsolete, slow-moving and defective items

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Pension costs
The Group's UK subsidiary undertaking, R C Treatt & Co Limited, operates a defined benefit scheme through an independently administered pension scheme

In accordance with IAS 19, "Employee Benefits", the deficit in the defined benefit pension scheme is recognised as a liability of the Group under non-current liabilities under the heading "Post-employment benefits" The deferred tax in respect of "Post employment benefits" is netted against other deferred tax assets and liabilities (see below) and included in the deferred taxation asset shown under "non-current assets"

The service cost and expected return on assets net of interest on scheme liabilities is reflected in the income statement for the period, in place of the actual cash contribution made All experience gains or losses on the assets and liabilities of the scheme, together with the effect of changes in assumptions is reflected as a gain or loss in the Statement of Recognised Income and Expense

R C Treatt & Co Limited and Treatt USA Inc also operate defined contribution pension schemes The contributions for these schemes are charged to the income statement in the year in which they become payable

Research and development costs
Research and development expenditure is charged to the income statement as incurred

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax attributable to current profits The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity

Effect of changes in foreign exchange rates
Transactions in currencies other than pounds sterling are recorded at the rate of exchange at the date of transaction or, if hedged forward, at the rate of exchange under related forward currency contracts Assets and liabilities in foreign currencies are translated into Sterling in the balance sheet at the year-end or contract exchange rate, as appropriate The exchange rate of the US Dollar, the principal foreign currency, was $1 87 (2005 $1 77) at the year end

For the year ended 30 September 2006

1. ACCOUNTING POLICIES (Continued)

Income and expense items of the Group's overseas subsidiary, Treatt USA Inc, are translated into Pounds Sterling at the average rate for the year Its balance sheet is translated at the rate ruling at the balance sheet date

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiary undertakings and from translating the income statement at an average rate are taken to reserves Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", these cumulative translation differences which are recognised in the Statement of Recognised Income and Expense are separately accounted for within reserves and are transferred from equity to the income statement in the event of the disposal of a foreign operation All other exchange differences are taken to the income statement

Share options and the employee benefit trust
Shares held by the "Treatt Employee Benefit Trust" for the purpose of fulfilling obligations in respect of various employee share plans are deducted from equity in the Group balance sheet

Share-based payments
IFRS 2, "Share-based Payments", requires that an expense for equity instruments granted be recognised in the financial statements based on their fair value at the date of grant This expense, which is in relation to employee share option schemes for staff in the UK and USA, is recognised over the vesting period of the scheme IFRS 2 has been applied to all options granted after 7 November 2002 and not fully vested by 1 January 2005 The Group has adopted the Black-Scholes model for the purposes of computing fair value of options under IFRS Details of share-based payments are disclosed in note 19

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances The Group makes estimates and assumptions concerning the future The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements It has concluded that there is no significant risk of these estimates and assumptions causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

2 SEGMENTAL INFORMATION

(1) Business segments
For management purposes the Group's primary operating segments are as follows

Segment	Major product category
Manufacturing	Distilled, extracted, and other manufactured essential oils, natural distillates
Aromatic chemicals & other products	Aroma and speciality chemicals, standardised essential oils, concretes, absolutes, oleoresins & isolates

A significant proportion of the Group's resources, assets and liabilities are shared by both business segments and therefore, necessarily, the segment net income, assets and liabilities shown below include apportionments in relation to each segment's contribution to Group profits This is considered the most reasonable basis upon which to present business segmental information

	Year ended 30 September 2006			
	Manufacturing	Aromatic chemicals & other	Un-allocated	Total
Revenue	16,103	19,308	–	35,411
Operating profit	1,866	1,632	–	3,498
Net finance costs	–	–	(210)	(210)
Taxation	–	–	(956)	(956)
Net segment income	**1,866**	**1,632**	**(1,166)**	**2,332**
Segment assets	15,755	14,114	–	29,869
Segment liabilities	(7,882)	(756)	(3,090)	(11,728)
Net segment assets	**7,873**	**13,358**	**(3,090)**	**18,141**
Segment capital expenditure	**446**	**370**	**–**	**816**
Segment depreciation and amortisation	**503**	**364**	**–**	**867**

2. SEGMENTAL INFORMATION (Continued)

(1) Business segments (continued)

	Year ended 30 September 2005			
	Manufacturing	Aromatic chemicals & other	Un-allocated	Total
Revenue	15,121	17,400	–	32,521
Operating profit	2,321	1,228	–	3,549
Net finance costs	–	–	(143)	(143)
Taxation	–	–	(1,070)	(1,070)
Net segment income	**2,321**	**1,228**	**(1,213)**	**2,336**
Segment assets	15,035	12,270	-	27,305
Segment liabilities	(4,920)	(1,926)	(3,239)	(10,085)
Net segment assets	**10,115**	**10,344**	**(3,239)**	**17,220**
Segment capital expenditure	**625**	**237**	**–**	**862**
Segment depreciation and amortisation	**528**	**435**	**–**	**963**

(2) 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

	2006	2005
	£'000	£'000
Revenue by destination		
United Kingdom	**6,460**	6,314
Rest of Europe	**10,542**	9,331
The Americas	**10,142**	8,816
Rest of the World	**8,267**	8,060
	35,411	32,521

Capital expenditure on property, plant, machinery and intangible assets, and overall segment assets (excluding tax-related items) were as follows

	2006		2005	
	£'000 Capital Ex.	**£'000 Assets**	£'000 Capital Ex	£'000 Assets
United Kingdom	**599**	**20,654**	384	18,614
United States	**217**	**8,757**	478	8,543
	816	**29,411**	862	27,157

For the year ended 30 September 2006

3 OPERATING PROFIT is stated after charging/(crediting)

	2006 £'000	2005 £'000
Depreciation of property, plant & equipment	**685**	738
Amortisation of intangible assets (included in administrative expenses)	**182**	225
Loss on disposal of property, plant & equipment	**52**	135
Loss on disposal of intangible assets	**2**	–
Research and development costs	**202**	186
Operating leases		
- plant & machinery	**23**	23
- land & buildings	**30**	33
Auditors remuneration		
- statutory audit fees	**44**	41
- interim audit fees	**9**	–
- tax compliance services	**5**	5
- tax advisory services	**6**	8
- business advisory services	**–**	3
Net exchange (gain)/loss on trading activities	**(129)**	42
Rent receivable	**(43)**	(43)

4 EMPLOYEES

(1) Number of employees
During the year the average number of staff employed by the Group, including Directors, was as follows

	2006 Number	2005 Number
Technical and production	**85**	81
Administration and sales	**95**	92
	180	173

(2) Employment costs
The followings costs were incurred in respect of the above

	2006 £'000	2005 £'000 (Restated)
Wages and salaries	**5,369**	4,950
Social security costs	**523**	490
Other pension costs	**632**	551
	6,524	5,991

(3) Directors

The information on Directors' emoluments and share options set out on pages 19 to 20 forms part of these financial statements

5 NET FINANCE COSTS

		2006 £'000	2005 £'000
(1) Finance revenue	- bank interest receivable	**218**	176
	- pension finance income	**25**	–
		243	176
(2) Finance costs	- bank overdraft interest payable	**(345)**	(158)
	- loan interest payable	**(108)**	(108)
	- pension finance charge	**–**	(53)
		(453)	(319)

6 TAXATION

(a) Analysis of tax charge for the year	2006 £'000	2005 £'000 (Restated)
UK Current year taxation		
UK Corporation tax	**655**	784
Overseas tax	**133**	375
	788	1,159
Deferred tax – origination and reversal of timing differences	**194**	(64)
	982	1,095
Prior years		
UK Corporation tax	**10**	(8)
Overseas tax	**(36)**	(1)
Deferred tax	**–**	(16)
Tax on profit on ordinary activities	**956**	1,070

Deferred tax of £117,000 (2005 £77,000) was charged to equity in respect of post-employment benefit obligations

For the year ended 30 September 2006

6 TAXATION (Continued)

(b) Factors affecting tax charge for the year
The tax assessed for the year is different from that calculated at the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £'000	2005 £'000 (Restated)
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 30% (2005 30%)	**986**	1,022
Effects of		
Expenses not deductible for tax purposes	**23**	(1)
Differences between capital allowances and depreciation for year	**(38)**	49
Allowable expenses charged to reserves	**(31)**	-
Statutory share option deduction	**(10)**	-
Adjustment in respect of post-employment benefit scheme	**(158)**	-
Sundry timing differences	**(3)**	14
Difference in tax rates on overseas earnings	**19**	75
Current tax charge for the year	**788**	1,159

The adjustments in respect of prior years relate to the finalisation of previous year's tax computations

7 DIVIDENDS

	2006 £'000	2005 £'000 (Restated)
Equity dividends on ordinary shares.		
Interim dividend for year ended 30 September 2005 - 3 1p per share	**310**	
Final dividend for year ended 30 September 2005 - 6 4p per share	**639**	
Interim dividend for year ended 30 September 2004 - 2 7p per share		278
Final dividend for year ended 30 September 2004 - 6 1p per share		615
Over accrual from previous year		(12)
	949	881

The declared interim dividend for the year ended 30 September 2006 of 3 4 pence was approved by the Board on 19 May 2006 and was paid on 2 October 2006 Accordingly it has not been included as a deduction from equity at 30 September 2006 The proposed final dividend for the year ended 30 September 2006 of 7 1 pence will be voted on at the Annual General Meeting on 26 February 2007 Both dividends will therefore be accounted for in the results for the year ended 30 September 2007

8 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 9,998,572 (2005 10,024,533) and earnings of £2,332,000 (2005 restated £2,336,000), 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 10,049,544 (2005 10,050,258), and the same earnings as above

9 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2004 (restated)	*5,501*	*7,285*	*12,786*
Exchange adjustment	*60*	*45*	*105*
Additions	*327*	*477*	*804*
Disposals	*(22)*	*(363)*	*(385)*
1 October 2005 (restated)	5,866	7,444	13,310
Exchange adjustment	(160)	(119)	(279)
Additions	40	735	775
Disposals	–	(2,062)	(2,062)
30 September 2006	**5,746**	**5,998**	**11,744**
Depreciation			
1 October 2004 (restated)	*120*	*4,058*	*4,178*
Exchange adjustment	*5*	*26*	*31*
Charge for period	*57*	*681*	*738*
Disposals	*(8)*	*(279)*	*(287)*
1 October 2005 (restated)	174	4,486	4,660
Exchange adjustment	(11)	(64)	(75)
Charge for period	65	620	685
Disposals	–	(2,010)	(2,010)
30 September 2006	**228**	**3,032**	**3,260**
Net book value			
30 September 2006	**5,518**	**2,966**	**8,484**
30 September 2005 (restated)	5,692	2,958	8,650
30 September 2004 (restated)	*5,381*	*3,227*	*8,608*

Analysis of land & buildings

Net book value	**2006 £'000**	2005 £'000
Freehold	**4,783**	4,957
Long Leasehold	**735**	735
	5,518	5,692

Included in plant and machinery are assets in the course of construction totalling £40,000 (2005 £68,000)

Approximately 20% of the long leasehold net book value has been leased to a third party for which rents receivable in 2006 totalled £43,000 (2005 £43,000)

Capital commitments

	2006 £'000	2005 £'000
Contracted but not provided for	**99**	2

For the year ended 30 September 2006

10 INTANGIBLE ASSETS

	Software licences £'000
Cost	
1 October 2004 (restated)	*1,191*
Exchange adjustment	*–*
Additions	*58*
Disposals	*(81)*
1 October 2005 (restated)	1,168
Exchange adjustment	(1)
Additions	41
Disposals	(11)
30 September 2006	**1,197**
Amortisation	
1 October 2004 (restated)	*263*
Exchange adjustment	*–*
Charge for period	*225*
Disposals	*(44)*
1 October 2005 (restated)	444
Exchange adjustment	–
Charge for period	182
Disposals	(10)
30 September 2006	**616**
Net book value	
30 September 2006	**581**
30 September 2005 (restated)	724
30 September 2004 (restated)	928

11 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	**2006 £'000**	2005 £'000
Subsidiary undertakings		
R C Treatt & Co Limited - at cost 50,000 ordinary shares of £1 each, fully paid	**2,299**	2,299
Treatt USA Inc - at cost 2,975,000 common stock of US$1 each fully paid	**1,842**	1,842
	4,141	4,141

Subsidiary	Country	Holding	Principal activity
R C Treatt & Co Limited	England	100%	Supply of flavour and fragrance ingredients
Treatt USA Inc	USA	100%	Supply of flavour and fragrance ingredients

12 DEFERRED TAXATION

Group	2006 £'000	2005 £'000 (Restated)
At 1 October 2005	**521**	364
Foreign exchange adjustment	**13**	–
(Charged)/credited to income statement	**(194)**	80
Credited to equity	**117**	77
At 30 September 2006	**457**	521
Accelerated capital allowances	**(514)**	(518)
Other timing differences	**44**	67
Post-employment benefits	**927**	972
	457	521

13 INVENTORIES

Group	2006 £'000	2005 £'000
Raw materials	**8,184**	6,681
Work in progress	**3,864**	3,512
Finished goods	**1,910**	1,202
	13,958	11,395

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000 (Restated)
Trade receivables	**5,807**	5,284	**–**	–
Amounts owed by subsidiary undertaking	**–**	–	**125**	45
Other receivables	**244**	99	**–**	–
Prepayments	**338**	335	**–**	–
	6,389	5,718	**125**	45

The Group's principal financial assets are trade and other receivables

The Group's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful trade receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment The Group's top five customers represent 24% of the Group's turnover These customers have favourable credit ratings and consequently reduce the credit risk of the Group's overall trade receivables

The average credit period taken for trade receivables is 57 days (2005 60 days)

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

For the year ended 30 September 2006

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of £Nil (2005 £297,000) comprise cash held by the Group and short term deposits with an original maturity of one month or less

The carrying amount of these assets approximates to their fair value

16 BANK LOANS AND OVERDRAFTS

Current	Group	
	2006	2005
	£'000	£'000
Industrial development loan	**137**	144
Bank overdraft	**2,573**	–
	2,710	144

Non-current	Group	
	2006	2005
	£'000	£'000
Industrial development loan	**1,927**	2,179

Loan
The Industrial Development Loan is repayable by fixed quarterly instalments over 20 years ending on 1 July 2021 The rate of interest payable has been fixed at 4 05% for ten years ending on 1 January 2012 This loan, together with a US Dollar overdraft facility ('line of credit') of US$2 million, both held by Treatt USA Inc, are secured by a fixed and floating charge over Treatt USA's current and non-current assets

The loan is repayable as follows

	2006	2005
	£'000	£'000
- in one year or less	**137**	144
- in more than one year but not more than two years	**137**	144
- in more than two years but not more than five years	**411**	432
- in more than five years	**1,379**	1,603
	2,064	2,323

17 TRADE AND OTHER PAYABLES

	Group	
	2006	2005
	£'000	£'000
Trade payables	**1,963**	2,172
Other taxes and social security costs	**337**	105
Accruals	**1,490**	1,657
	3,790	3,934

Trade payables principally comprise amounts for trade purchases and ongoing costs The average credit period taken for trade payables is 29 days (2005 36 days)

The Directors consider that the carrying amount of trade and other payables approximates to their fair values

18 SHARE CAPITAL

Company and Group	**2006**	2005
	Number	Number
Authorised		
Ordinary shares of 10p each	**12,500,000**	12,500,000
	£'000	£'000
Called up, allotted and fully paid		
10,292,089 (2005 10,292,089) ordinary shares of 10p each	**1,029**	1,029

19 SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS2 'Share-based payments' In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

Under the schemes listed below, options have been granted to subscribe for the following number of existing ordinary shares of 10p each in the capital of the Company All share options are expected to be settled via the transfer of shares out of the "Treatt Employee Benefit Trust"

(a) The options for which no share-based payment charge has been made are as follows

	Number of Shares	Exercise price per share	Date option exercisable
Treatt Executive Share Option Scheme No I	24,329	209p	Between June 2004 and June 2011
Treatt Executive Share Option Scheme No II	24,671	209p	Between June 2004 and June 2008

(b) The options for which a share-based payment charge of £23,000 (2005 £12,000) has been made are as follows

	Number of Shares	Exercise price per share	Date option exercisable
R C Treatt Employee Save As You Earn Share Scheme 2004 "SAYE 2004"	53,220	160p	Between September 2007 and March 2008
R C Treatt Employee Save As You Earn Share Scheme 2005 "SAYE 2005"	34,279	218 8p	Between September 2008 and March 2009
R C Treatt Employee Save As You Earn Share Scheme 2006 "SAYE 2006"	45,047	238 6p	Between September 2009 and March 2010
Treatt USA Employee Stock Purchase Plan 2006 "TUSA 2006"	5,247	273 3p	July 2007

The fair value per option granted using the "Black-Scholes" model, and the assumptions used in the share-based payments calculations, are as follows

	SAYE 2004	SAYE 2005	SAYE 2006	TUSA 2006
Share price at date of grant	200 0p	273 5p	298 3p	321 5p
Contractual life	3 5 years	3 5 years	3 5 years	1 year
Expected life	3 years	3 years	3 years	1 year
Expected volatility	40 22%	40 22%	40 22%	40 22%
Risk free interest rate	4 76%	4 76%	5 30%	5 39%
Dividend yield	4 20%	3 36%	3 29%	3 05%
Expected forfeitures	16 00%	16 00%	16 00%	10 00%
Fair value per option at date of grant	64 1p	92 3p	103 0p	76 6p

Expected volatility was determined by calculating the historical volatility of the Group's share price over a three year period

For the year ended 30 September 2006

19 SHARE-BASED PAYMENTS (Continued)

(c) Details of movements in share options during the year was as follows

	2006		2005	
	No of options	**Weighted average exercise price**	No of options	Weighted average exercise price
Outstanding at start of period	**178,881**	**£1 94**	185,678	£1 92
Granted during the period	**51,077**	**£2 32**	42,070	£2 11
Forfeited during the period	**(5,347)**	**£1 85**	(1,225)	£1 62
Exercised during the period	**(37,818)**	**£2 03**	(47,642)	£2 03
Outstanding at end of period	**186,793**	**£2 03**	178,881	£1 94
Exercisable at end of period	**49,000**	**£2 09**	81,000	£2 09

Forfeiture arises when the employee leaves within the vesting period The options outstanding had a weighted average remaining contractual period of 2 5 years (2005 3 5 years)

The weighted average actual market share prices on date of exercise for share options exercised during the year was 316 6 pence (2005 250 9 pence)

20 RESERVES

	No	Own shares in share trust £'000	Share premium £'000	Profit and loss account £'000	Foreign exchange reserve £'000	Employee share option reserve £'000	Total £'000
Group							
1 October 2004	*148*	*(278)*	*2,143*	*14,083*	*(822)*	*2*	*15,128*
Net profit for the period	–	–	–	*2,336*	–	–	*2,336*
Dividends	–	–	–	*(881)*	–	–	*(881)*
Shares acquired in the period	*200*	*(444)*	–	–	–	–	*(444)*
Shares disposed of in the period	*(48)*	*97*	–	–	–	–	*97*
Share-based payments	–	–	–	–	–	*12*	*12*
Exchange differences	–	–	–	–	*123*	–	*123*
Actuarial loss on defined benefit pension scheme net of deferred tax	–	–	–	*(180)*	–	–	*(180)*
1 October 2005	300	(625)	2,143	15,358	(699)	14	16,191
Net profit for the period	–	–	–	2,332	–	–	2,332
Dividends	–	–	–	(949)	–	–	(949)
Shares disposed of in the period	(38)	79	–	–	–	–	79
Gain on release of shares in share trust	–	–	–	1	–	–	1
Share-based payments	–	–	–	–	–	23	23
Exercise of options previously charged	–	–	–	3	–	(3)	–
Exchange differences	–	–	–	–	(293)	–	(293)
Actuarial loss on defined benefit pension scheme net of deferred tax	–	–	–	(272)	–	–	(272)
30 September 2006	**262**	**(546)**	**2,143**	**16,473**	**(992)**	**34**	**17,112**
Company							
1 October 2004	*148*	*(278)*	*2,143*	*1,639*	–	–	*3,504*
Shares acquired in the period	*200*	*(444)*	–	–	–	–	*(444)*
Shares disposed of in the period	*(48)*	*97*	–	–	–	–	*97*
1 October 2005	300	(625)	2,143	1,639	–	–	3,157
Shares disposed of in the period	(38)	79	–	–	–	–	79
Gain on release of shares in share trust	–	–	–	1	–	–	1
30 September 2006	**262**	**(546)**	**2,143**	**1,640**	**–**	**–**	**3,237**

Employee Benefit Trust

The shares held in the Treatt Employee Benefit Trust ('the Trust') are all held to meet options to be exercised by employees The number of shares held by the Trust, together with the net acquisition costs, are shown above Dividends on these shares have been waived except for 0 001p per share

The market value of the shares held by the Trust at 30 September 2006 was £847,000 (2005 £829,000)

For the year ended 30 September 2006

21. ANALYSIS OF NET DEBT

	2005 £'000	Cash flow £'000	Exchange difference £'000	**2006 £'000**
Cash and cash equivalents	297	(317)	20	–
Bank overdrafts	–	(2,573)	–	**(2,573)**
Bank loans due in 1 year	(144)	–	7	**(137)**
Bank loans due after more than one year	(2,179)	137	115	**(1,927)**
	(2,026)	(2,753)	142	**(4,637)**

22 PENSION SCHEMES

The Group has continued to operate a defined benefit pension scheme for certain UK employees The scheme's assets are held separately from the assets of the Group and are administered by trustees and managed professionally From 1 October 2001 this scheme was closed to new entrants, who are eligible to join a stakeholder defined contribution scheme Similarly, a defined contribution scheme (known as a 401k scheme) is operated for employees of Treatt USA Inc

The defined contribution schemes are operated on behalf of these employees and assets are held separately from those of the Company in independently administered funds

The pension charge for the year represents contributions payable to the defined contribution schemes, together with the current service cost for the year in relation to the defined benefit pension scheme, amounting to

	2006 £'000	2005 £'000 (Restated)
Defined benefit scheme – current service cost	**495**	443
UK Stakeholder defined contribution scheme	**74**	69
USA 401k defined contribution scheme	**44**	37
Other pension costs	**19**	2
	632	551

The Group now accounts for pensions in accordance with IAS 19, "Employee Benefits", details of which are as follows

The valuation used for IAS 19 disclosures in respect of the defined benefit pension scheme "the scheme" has been based on the most recent actuarial valuation at 1 January 2006 and updated by Mr NP Hacking, a Fellow of the Institute of Actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2006 Scheme assets are stated at their market value as at that date

The financial assumptions used to calculate scheme liabilities under IAS 19 are

	2006	2005
Discount rate	5 25%	5 20%
Inflation rate	3 00%	2 65%
Increase to deferred benefits during deferment	3 00%	2 65%
Increases to pensions in payment	3 00%	2 65%
Salary increases	3 00%	2 65%
Expected return on scheme assets	7 31%	7 37%

The Group expects to make on-going contributions of approximately £630,000 to its defined benefit pension scheme in 2007 (2006 £543,000) The fact that the scheme is closed to new members and therefore has an ageing membership resulted in an increase in the current service cost over the year of £10,000

22 PENSION SCHEMES (Continued)

	Long term rate of return expected at 30/9/2006	Value at 30/9/2006 £'000	Long term rate of return expected at 30/9/2005	Value at 30/9/2005 £'000
The assets in the scheme and the expected rate of return were				
Equities	**8 00%**	**7,109**	8 0%	6,178
Bonds	**5 25%**	**1,875**	5 2%	1,346
Other	**5 25%**	**537**	5 2%	457
Fair value of scheme assets		**9,521**		7,981
Present value of funded obligations (scheme liabilities)		**(12,611)**		(11,220)
Deficit in the scheme recognised in the balance sheet		**(3,090)**		(3,239)
Related deferred tax		**927**		972
Net pension liability		**(2,163)**		(2,267)

Changes in scheme liabilities

Balance at start of period	**(11,220)**	(9,469)
Current service cost	**(495)**	(443)
Interest cost	**(587)**	(539)
Benefits paid	**346**	452
Actuarial loss	**(655)**	(1,221)
Balance at end of period	**(12,611)**	(11,220)

Changes in scheme assets

Balance at start of period	**7,981**	6,525
Expected return on scheme assets	**612**	486
Employer contributions	**1,008**	458
Benefits paid	**(346)**	(452)
Actuarial gain	**266**	964
Balance at end of period	**9,521**	7,981
Actual return on scheme assets	**878**	1,450

For the year ended 30 September 2006

22 PENSION SCHEMES (Continued)

	2006 £'000	2005 £'000
Amount charged to operating profit		
Current service cost (excluding employee contributions)	**(495)**	(443)
Total operating charge	**(495)**	(443)
Amount credited/(charged) to finance revenue/(costs)		
Expected return on assets	**612**	486
Interest on scheme liabilities	**(587)**	(539)
Net income/(charge)	**25**	(53)
Net expense recognised in income statement	**(470)**	(496)
Amount recognised in statement of recognised income and expense		
Actual less expected return on assets	**266**	964
Experience gains/(losses) on liabilities	**932**	(138)
Effect of change in assumptions on liabilities	**(1,587)**	(1,083)
Total loss recognised in statement of recognised income and expense	**(389)**	(257)
Movement in balance sheet net liability during the period		
Net liability at start of period	**(3,239)**	(2,944)
Current service cost (excluding employee contributions)	**(495)**	(443)
Cash contribution (excluding employee contributions)	**1,008**	458
Other finance income/(charge)	**25**	(53)
Actuarial loss	**(389)**	(257)
Net liability at end of period	**(3,090)**	(3,239)
Statement of recognised income and expense		
Actuarial gain from assets	**266**	964
Actuarial loss from liabilities	**(655)**	(1,221)
Actuarial loss recognised in statement of recognised income and expense	**(389)**	(257)
Cumulative actuarial loss recognised in statement of recognised income and expense	**(646)**	(257)

22 PENSION SCHEMES (Continued)

History of experience gains and losses	2006	2005	2004	2003	2002
Difference between expected and actual returns on scheme assets					
Amount	**266**	964	202	236	(1,212)
% of assets at end of year	**3%**	12%	3%	4%	-25%
Experience gains/(losses) on scheme liabilities					
Amount	**932**	(138)	(18)	(318)	152
% of liabilities at end of year	**7%**	-1%	-0%	-4%	2%
Total actuarial (loss)/gain					
Amount	**(389)**	(257)	107	(82)	(2,675)
% of liabilities at end of year	**-3%**	-2%	1%	-1%	-29%

23 COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2006, the Group had annual commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	2006 £'000	2005 £'000
Within on year	**40**	19
In two to five years	**47**	20
	87	39

The Group as lessor

As at 30 September 2006, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows

	2006 £'000	2005 £'000
Within on year	**43**	43
In two to five years	**21**	64
	64	107

24 CONTINGENT LIABILITY

Company

The Company has guaranteed the Industrial Development Loan of Treatt USA Inc At the balance sheet date the liability covered by this guarantee amounted to US$3,855,000 (£2,064,000) (2005 US$4,110,000 (£2,323,215))

The Company has also guaranteed certain bank borrowings of its UK subsidiary undertaking, R C Treatt & Co Limited At the year end the liabilities covered by this guarantee amounted to £5,753,849 (2005 £4,211,940)

For the year ended 30 September 2006

25 FINANCIAL INSTRUMENTS

(1) Maturity profile of financial liabilities

Details of the maturity profile of the US Dollar Industrial Development Loan are disclosed in note 16

(2) Interest rate profile

Financial assets	**2006 £'000**	2005 £'000
Sterling	**2,756**	4,602
Other currencies	**10**	272
	2,766	4,874

Interest on floating rate bank deposits is based on the inter bank rate

	Floating rate financial liabilities		**Fixed rate financial liabilities**		**Total**	
Financial liabilities	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
US Dollars	**5,339**	4,583	**2,064**	2,323	**7,403**	6,906

Fixed rate financial liabilities comprise the Industrial Development Loan of US$3,855,000 (see note 16) (2005 $4,110,000)

Interest on bank overdrafts is charged at between 1% and 1 5% above bank base rates

(3) Fair values of financial assets and liabilities

The estimated fair values of financial assets and liabilities is not considered to be significantly different from their book values

(4) Hedges

As explained in the operating and financial reviews on pages 5 to 8 the Group's policy is to hedge currency risk in times of significant currency fluctuations using forward foreign currency contracts for debtors and liabilities At the year end there were no unrecognised or deferred gains or losses on forward foreign currency trading contracts

(5) Currency exposure

The Group's currency exposure, i e those exposures arising from transactions where the net currency gains and losses will be recognised in the income statement, is as follows

Net foreign currency monetary assets

	US Dollar £'000	**Other £'000**	**Total £'000**
At 30 September 2006	**(3,596)**	**673**	**(2,923)**
At 30 September 2005	(3,780)	615	(3,165)

(6) Borrowing Facilities

At 30 September 2006, the Group had undrawn, committed borrowing facilities of £9 566m (2005 £4 070m) expiring in 2007 Total facilities of £12 177m (2005 £8 327m) expire in one year or less

26 EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS The following disclosures are required in the year of transition The last financial statements under UK GAAP were for the year ended 30 September 2005 and the date of transition to IFRS was therefore 1 October 2004

The effects of implementing IFRS can be summarised as follows

(a) Defined benefit pension scheme
In accordance with IAS 19, "Employee Benefits", the deficit in the defined benefit pension scheme for certain UK employees is recognised as a liability of the Group under non-current liabilities entitled 'Post-employment benefits' This was previously disclosed as a note to the financial statements under the transitional arrangements under FRS17 in accordance with UK GAAP The resultant deferred tax asset is netted against existing deferred tax liabilities, to create an overall deferred tax asset.

In addition, the service cost and expected return on assets net of interest on scheme liabilities is reflected in the income statement for the period in place of the actual cash contribution made All experience gains or losses on the assets and liabilities of the scheme, together with the effect of changes in assumptions is reflected as a gain or loss in the Statement of Recognised Income and Expense

(b) Share-based payments
IFRS 2, "Share-based Payments" requires that an expense for equity instruments granted be recognised in the financial statements based on their fair value at the date of grant. This expense, which is in relation to employee share option schemes for staff in the UK and US, is recognised over the vesting period of the scheme

IFRS 2 has been applied to all options granted after 7 November 2002 and not fully vested by 1 January 2005 The Group has adopted the Black-Scholes model for the purposes of computing the fair value of options under IFRS

(c) Post balance sheet events and dividends
IAS 10, "Events after the Balance Sheet Date" requires that final dividends declared after the balance sheet date should not be recognised as a liability at that balance sheet date as the liability does not represent a present obligation as defined by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" Instead, final dividends for the Company and the Group should only be recognised as a liability once formally approved at the Annual General Meeting Furthermore, interim dividends, in accordance with ICAEW Technical Release 57/05, are no longer recognised as a liability until paid

The interim and final dividends in relation to the financial year ended 30 September 2005 totalling £949,000 have therefore been reversed in the respective balance sheet

(d) Effect of changes in foreign exchange rates
Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", cumulative translation differences which are recognised in the Statement of Recognised Income and Expense are separately accounted for within reserves and are transferred from equity to the income statement in the event of the disposal of a foreign operation All such foreign exchange differences arising in relation to the Group's US subsidiary, Treatt USA Inc, since its formation in 1990, have been transferred from the 'Profit and Loss Reserve' to this newly created 'Foreign Exchange Reserve'

(e) Computer software
In accordance with IAS 38 "Intangible Assets", computer software is now required to be disclosed as a class of intangible assets rather than be included as part of tangible fixed assets as was the case under UK GAAP

For the year ended 30 September 2006

26 EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of the Group Income Statement for the year ended 30 September 2005

	UK GAAP 30/09/2005 £'000	(a) IAS 19 Employee benefits £'000	(b) IFRS 2 Share-based payments £'000	IFRS 30/09/2005 £'000
Revenue	32,521			32,521
Cost of sales	(21,952)			(21,952)
Gross profit	10,569	–	–	10,569
Administrative expenses	(7,023)	15	(12)	(7,020)
Operating profit	3,546	15	(12)	3,549
Finance revenue	176			176
Finance costs	(266)	(53)	–	(319)
Profit before tax	3,456	(38)	(12)	3,406
Taxation	(1,082)	12		(1,070)
Profit for the period attributable to equity shareholders	2,374	(26)	(12)	2,336
Earnings per share – basic	23 7p			23 3p
Earnings per share – diluted	23 6p			23 2p

Reconciliation of the Group Statement of Recognised Income and Expense for the year ended 30 September 2005

Profit for the period	2,374	(26)	(12)	2,336
Currency translation on foreign currency net investment	123			123
Actuarial loss on defined benefit pension scheme	–	(257)		(257)
Deferred tax on actuarial loss	–	77		77
Total recognised net income for the period	2,497	(206)	(12)	2,279

26 EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of the Group Balance Sheet for the year ended 30 September 2005

	UK GAAP 30/09/2005 £'000	(a) IAS 19 Employee benefits £'000	(b) IFRS 2 Share-based payments £'000	(c) IAS 10 Events after balance sheet date £'000	(d) IAS 21 Effect of changes in FX rates	(e) IAS 38 Intangible assets	IFRS 30/09/2005 £'000
ASSETS							
Non-current assets							
Property, plant and equipment	9,374					(724)	8,650
Intangible assets	–					724	724
Deferred tax	–	521					521
	9,374	521	–	–	–	–	9,895
Current assets							
Inventories	11,395						11,395
Trade and other receivables	5,718						5,718
Cash and cash equivalents	297						297
	17,410	–	–	–	–	–	17,410
LIABILITIES							
Current liabilities							
Bank loans and overdrafts	(144)						(144)
Trade and other payables	(4,883)			949			(3,934)
Corporation tax payable	(589)						(589)
	(5,616)	–	–	949	–	–	(4,667)
Net current assets	11,794	–	–	949	–	–	12,743
Non-current liabilities							
Bank loans	(2,179)						(2,179)
Post-employment benefits	–	(3,239)					(3,239)
Deferred tax liabilities	(451)	451					–
	(2,630)	(2,788)	–	–	–	–	(5,418)
Net assets	18,538	(2,267)	–	949	–	–	17,220
SHAREHOLDERS' EQUITY							
Called up share capital	1,029						1,029
Share premium account	2,143						2,143
Own shares in share trust	(625)						(625)
Employee share option reserve	–		14				14
Foreign exchange reserve	–				(699)		(699)
Profit and loss account	15,991	(2,267)	(14)	949	699		15,358
Shareholders' Equity	18,538	(2,267)	–	949	–	–	17,220

For the year ended 30 September 2006

26 EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of the Company Balance Sheet for the year ended 30 September 2005

	UK GAAP 30/09/2005 £'000	(c) IAS 10 Events after balance sheet date £'000	IFRS 30/09/2005 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	4,141	–	4,141
Current assets			
Trade and other receivables	994	(949)	45
LIABILITIES			
Current liabilities			
Trade and other payables	(949)	949	–
Net current assets	45	–	45
Net assets	4,186	–	4,186
SHAREHOLDERS' EQUITY			
Called up share capital	1,029		1,029
Share premium account	2,143		2,143
Own shares in share trust	(625)		(625)
Profit and loss account	1,639		1,639
Shareholders' Equity	4,186	–	4,186

26 EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of the Group Cash Flow Statement for the year ended 30 September 2005

	UK GAAP 30/09/2005 £'000	Loan £'000	FX on loans £'000	(a) IAS 19 Employee benefits £'000	(b) IFRS 2 Share-based payments £'000	(e) IAS 38 Intangible assets £'000	IFRS 30/09/2005 £'000
Cash flow from operating activities							
Profit before taxation	3,456			(38)	(12)		3,406
Adjusted for:							
Foreign exchange loss	49		55				104
Depreciation of property, plant and equipment	963					(181)	782
Amortisation of intangible assets	–					181	181
Loss on disposal of property, plant and equipment	135						135
Net interest payable	90						90
Share option charge	–				12		12
Pension funding	–			38			38
	4,693	–	55	–	–	–	4,748
Changes in working capital							
Increase in inventories	(3,040)						(3,040)
Decrease in trade and other receivables	288						288
Increase in trade and other payables	642						642
Cash generated from operations	2,583	–	55	–	–	–	2,638
Tax paid	(812)						(812)
Net cash from operating activities	1,771	–	55	–	–	–	1,826
Cash flow from investing activities							
Purchase of property, plant and equipment	(862)					58	(804)
Purchase of intangible assets	–					(58)	(58)
Interest receivable	176						176
	(686)	–	–	–	–	–	(686)
Cash flow from financing activities							
Repayment of bank loans	–	(144)					(144)
Interest payable	(266)						(266)
Dividends paid	(895)						(895)
Net acquisition of own shares by share trust	(347)						(347)
	(1,508)	(144)	–	–	–	–	(1,652)
Net decrease in cash and cash equivalents	(423)	(144)	55	–	–	–	(512)
Cash and cash equivalents at beginning of period	(1,603)	2,412					809
Cash and cash equivalents at end of period	(2,026)	2,268	55	–	–	–	297

For the year ended 30 September 2006

26 EXPLANATION OF TRANSITION TO IFRS (Continued)

The effect of transition on the cash flow noted above relates to changes in the composition of cash and cash equivalents as detailed below:

	30/09/2005 £'000
Reconciliation of cash flow for period to 30 September 2005	
Net debt under UK GAAP	(2,026)
Long term loans excluded from cash and cash equivalents	2,323
Cash and cash equivalents under IFRS	297
Cash and cash equivalents consist of:	
Cash at bank	297

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Treatt plc will be held at The British Racing School, Snailwell Road, Newmarket, Suffolk, CB8 7NU on 26 February 2007, at 11 30 am for the transaction of the following business

Ordinary Business

1 To receive and adopt the accounts for the year ended 30 September 2006, together with the Report of the Directors, and the Independent Auditor's Report on those accounts and the auditable part of the Directors' Remuneration Report

2 To approve the Directors' Remuneration Report

3 To approve a final dividend of 7 1p per share on the ordinary shares of the Company for the year ended 30 September 2006

4 To re-elect H W Bovill as a Director of the Company

5 To re-elect R A Hope as a Director of the Company

6 To re-appoint Baker Tilly as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.

7 To authorise the Directors to determine the remuneration of the Auditors of the Company

8 Any other business

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolution 9 will be proposed as an Ordinary Resolution and Resolutions 10 and 11 will be proposed as Special Resolutions

9 THAT

(a) In accordance with Section 80 of the Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely

(i) this authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 25 May 2008, and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £220,700 (representing approximately 21 4 per cent of the existing issued share capital of the Company)

(b) For the purpose of sub-paragraph (a) above

(i) the said power shall allow and enable the Directors to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired, and

(ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meaning herein

10 THAT

(a) Conditionally upon the passing of Resolution 9 above and in accordance with Section 95 of the Companies Act 1985, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 9 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that

(i) the power hereby granted shall be limited

(aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory, and

Notice of Annual General Meeting continued

(bb) to the allotment (otherwise than pursuant to sub-paragraph (i)(aa) of this proviso) of equity securities up to an aggregate nominal amount of £51,400 (representing approximately 5 per cent of the existing issued share capital of the Company),

(ii) the power hereby granted shall expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 25 May 2008,

(b) (i) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of the said power which would or might require securities to be allotted pursuant to the agreement as if the power conferred herein had not expired, and

(ii) words and expressions defined in or for the purpose of Part IV of the Companies Act 1985 shall bear the same meaning herein

11 THAT

The Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that

(a) the maximum number of ordinary shares authorised to be purchased is 1,029,000 (representing approximately 10 per cent of the present issued share capital of the Company),

(b) the minimum price (excluding stamp duty, dealing or other costs) which may be paid for an ordinary share so purchased is 10p,

(c) the maximum price which may be paid for an ordinary share so purchased is an amount equal to 5 per cent above the average of the middle market quotations shown for an ordinary share in The London Stock Exchange Daily Official List on the five business days immediately preceding the day on which that ordinary share is purchased,

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008, unless such authority is renewed, varied or revoked prior to such time, and

(e) the Company may prior to the expiry of such authority make a contract to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract

By order of the Board

R A Hope
Secretary

20 December 2006

Registered Office

Northern Way
Bury St Edmunds
Suffolk
IP32 6NL

NOTE:

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him or her The proxy need not be a member of the Company Instruments appointing proxies must be lodged with the Company's registrars not less than forty eight hours before the time fixed for the meeting

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those members registered in the Register of Members of the Company as at 11 30 am on 24 February 2007 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at 11 30 am on 24 February 2007 Changes to entries in the Register of Members after 11 30 am on 24 February 2006 shall be disregarded in determining the rights of any person to attend or vote at this meeting.

A statement of Directors' share transactions and copies of their service contracts are available for inspection during usual business hours at the registered office of the Company from the date of this notice until the date of the Annual General Meeting (Saturdays and Sundays excluded) and will be available at the place of the meeting for fifteen minutes prior to and during the meeting