TREATT PLC

Annual Report & Financial Statements **2010**

A world of **flavour, fragrance** and **cosmetic** ingredients

About the Group

Treatt is a manufacturer and supplier of ingredients to the flavour, fragrance and cosmetics industries which are sold either as part of an end consumer product or as part of a flavour or fragrance which is then, in turn, a constituent of an end product. This flavour or fragrance may comprise many different ingredients.

The Group is headquartered in the United Kingdom, with facilities in the United States of America, Kenya and India. Additionally, the Group maintains sales offices in France and China. The Group utilises a global network of agents and sells to over 90 countries worldwide.

The ingredients that R.C. Treatt and Treatt USA manufacture are mainly based on essential oils, which are distilled or blended, and the Treattarome® range of natural distillates which are made 'from the named food'. Treatt also distributes a range of aroma chemicals to the flavour and fragrance industries. 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 natural 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.

Earthoil, a wholly owned subsidiary of Treatt plc, specialises in the sourcing, production and manufacture of ingredients for the cosmetics sector. Their products include: organic, fair trade and conventional essential oils and specialty cold pressed vegetable and seed oils. These are used principally in cosmetic formulations.

The Earthoil range of products include such items as organic almond oil, cocoa butter, macadamia oil, passion fruit seed oil, pomegranate seed oil and tea tree oil for direct use in the cosmetics industry.

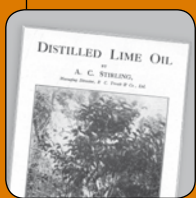
1886 – R.C. Treatt founded by Richard Court Treatt in Bond Street, London

1924 – E.W. Bovill joins the company

1934 – Treatt becomes sole agent for cinnamon leaf oil from the Seychelles

1935 – Treatt appointed agent for Zanzibar clove industry

1943 – Mr Lauchlan Rose of Rose's Lime Juice joins the board of R.C. Treatt



1971 – R.C. Treatt moves to Bury St Edmunds, Suffolk, UK

1978 – R.C. Treatt starts manufacturing by distillation

1988 – Citreatt™ range of products are first launched

1989 – Treatt plc formed and listed on the London Stock Exchange

1990 – Florida Treatt Inc established in Haines City, Florida, USA

Front cover image: star anise

Financial Summary

	2010	2009
Revenue	**£63.3m**	£56.3m
Profit Before Tax[1]	**£4.5m**	£3.5m
Basic Earnings Per Share		
Before goodwill impairment	**30.3p**	24.5p
After goodwill impairment	**6.4p**	24.5p
Dividends Per Share[2]	**13.0p**	12.0p
Net Assets Per Share	**£2.15**	£2.17

1 Excludes goodwill impairment in 2010 of £2.4m.
2 The interim dividend declared, together with the final dividend proposed, which are shown above for the accounting periods to which they relate, are accounted for in the subsequent accounting periods in accordance with International Financial Reporting Standards. See note 9.

1996 Treattarome® product range launched

1999 R.C. Treatt undertakes further expansion in Bury St Edmunds

2002 Treatt USA (Formerly Florida Treatt) moves to new facility in Lakeland, Florida

2004 Enterprise Resource Planning (ERP) computer system installed across Treatt

2005 Geoffrey Bovill, non-executive director retires after 57 years with the company

2006 Treatt China formed

2007 In February 2007, Treatt plc and Earthoil announced a strategic investment by Treatt in the Earthoil group of companies.

www.earthoil.com

2008 Treatt plc acquires 100% of the Earthoil Group of Companies

2010 The Group turnover exceeds US$100m

Parent Company Information and Advisers

Calendar

2009/10

Financial year ended	30 September 2010
Results for year announced	6 December 2010
Annual Report and Financial Statements published	17 December 2010
Final dividend for 2010 goes 'ex-dividend'	26 January 2011
Record date for 2010 final dividend	28 January 2011
Last day for Dividend Reinvestment Plan Election	7 February 2011
Annual General Meeting	25 February 2011
Final dividend for 2010 paid	4 March 2011

2010/11

Interim results to 31 March 2011 announced	23 May 2011*
Financial year ended	30 September 2011
Interim dividend for 2011 paid	21 October 2011*
Results for year announced	5 December 2011*
Final dividend for 2011 paid	2 March 2012*

* These dates are provisional and may be subject to change

Current Directors and committee members are shown in bold

Directors	**James Richard Grace (Non-executive Director – Chairman from 19 February 2010)** **Hugo William Bovill (Managing Director)** **Anita Jane Haines (Human Resources Director)** **Richard Andrew Hope (Finance Director)** **Ian Anthony Neil (Non-executive Director – appointed 4 December 2009)** **Peter Alan Thorburn (Non-executive Director)** Edward William Dawnay (Chairman and Non-executive Director – resigned on 19 February 2010) Douglas David Appleby (Non-executive Director – resigned on 31 December 2009)
Secretary	Richard Andrew Hope
Registered Office	Northern Way, Bury St. Edmunds, Suffolk IP32 6NL Tel: + 44 (0) 1284 702500 Email: co.sec@treatt.com Fax: + 44 (0) 1284 714880 Website: http://www.treatt.com
Registered Number	1568937
Audit Committee	**Ian Anthony Neil (From 4 December 2009 and Chairman from 18 November 2010)** **James Richard Grace (Chairman from 19 February 2010 until 18 November 2010)** **Peter Alan Thorburn** Edward William Dawnay (Chairman until 19 February 2010), Douglas David Appleby (Until 31 December 2009)
Remuneration Committee	**Peter Alan Thorburn (Chairman), James Richard Grace, Ian Anthony Neil (From 4 December 2009)**, Edward William Dawnay (Until 19 February 2010), Douglas David Appleby (Until 31 December 2009)
Nomination Committee	**James Richard Grace (Chairman from 19 February 2010), Hugo William Bovill,** **Ian Anthony Neil (From 4 December 2009), Peter Alan Thorburn** Edward William Dawnay (Chairman until 19 February 2010), Douglas David Appleby (Until 31 December 2009)
Stockbrokers	Investec Investment Banking 2 Gresham Street, London EC2V 7QP
Auditors	Baker Tilly UK Audit LLP Abbotsgate House, Hollow Road, Bury St. Edmunds, Suffolk IP32 7FA
Solicitors	Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW
Bankers	HSBC Bank plc 140 Leadenhall Street, London EC3V 4PS Lloyds Banking Group 35 Princes Street Ipswich IP1 1BR
Registrar and Transfer Office	CAPITA REGISTRARS The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Share Price	The Parent Company's share price is available on http://www.ft.com. Annual and interim reports are available on the Group's Website (http://www.treatt.com).

Group Five Year Trading Record

	2006 £'000	2007 £'000	2008 £'000	2009 £'000	2010 £'000
	Years ended 30 September				
INCOME STATEMENT					
Revenue	35,411	38,066	49,641	56,313	63,298
Profit before taxation and goodwill impairment	3,288	2,828	3,064	3,501	4,503
Goodwill impairment	—	—	—	—	(2,432)
Profit before taxation	3,288	2,828	3,064	3,501	2,071
Taxation	(956)	(801)	(1,090)	(1,013)	(1,417)
Non-controlling Interest	—	—	5	(3)	(1)
Profit for the year attributable to owners of the Parent Company	2,332	2,027	1,979	2,485	653
BALANCE SHEET					
Goodwill	—	—	3,763	4,272	1,051
Intangible assets	581	455	336	290	250
Property, plant and equipment	8,484	8,456	9,461	9,847	10,250
Interests in joint ventures	—	2,613	—	—	—
Deferred tax asset/(liability)	457	(474)	(94)	245	(19)
Non-current trade and other receivables	—	—	361	586	586
Current assets	20,465	23,075	32,358	28,687	34,311
Current liabilities	(6,829)	(12,831)	(21,185)	(15,954)	(14,292)
Non-current trade and other payables	—	—	(178)	(789)	—
Non-current bank loans	(1,927)	(1,642)	(2,016)	(1,773)	(7,348)
Post-employment benefits	(3,090)	70	(538)	(2,000)	(1,596)
Redeemable loan notes (net)	—	675	(675)	(675)	(675)
Total equity	18,141	20,397	21,593	22,736	22,518
CASH FLOW					
Cash generated from operating activities	341	657	(1,078)	10,675	2,361
Corporation tax paid	(1,153)	(628)	(730)	(755)	(1,312)
Net interest paid	(235)	(512)	(722)	(541)	(387)
Dividends paid	(949)	(1,053)	(1,100)	(1,138)	(1,222)
Additions to non-current assets	(816)	(1,067)	(1,127)	(1,005)	(1,571)
Acquisition/disposal of interests in joint ventures or subsidiaries	—	(1,375)	(735)	—	(38)
Purchase of redeemable loan notes	—	(1,350)	—	—	—
Net sale/(purchase) of own shares by Share Trust	79	(231)	(22)	65	87
Other cash flows	122	172	(250)	(407)	(5)
(Decrease)/increase in net cash	(2,611)	(5,387)	(5,764)	6,894	(2,087)
Net borrowings	(4,637)	(10,024)	(15,788)	(8,894)	(10,981)
RATIOS					
Basic earnings per share before goodwill impairment	23.3p	20.0p	19.4p	24.5p	30.3p
Dividend per share*	10.5p	10.8p	11.2p	12.0p	13.0p
Dividend cover (times)*	2.21	1.85	1.74	2.03	2.32
Net assets per share	176.3p	194.6p	206.1p	217.0p	214.9p

* 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.

Chairman's Statement

A strong year with operating profit increasing by 26% to £4.9m

Results

The Group has enjoyed a good year in 2010 with strong growth in both sales and profits, with operating profit up by 26% to £4.9m. Group revenue continued to grow for the twelfth year in succession with an increase for the year of 12.4% to £63.3m (2009: £56.3m). Over the last three years Group revenue has risen by 66%. Group adjusted* earnings before interest, tax, depreciation and amortisation increased by 20% to £6.0m (2009: £5.0m) with adjusted* profit before tax for the year being up by 29% to a new all-time high of £4.5m (2009: £3.5m). Basic adjusted* earnings per share has increased by 24% to 30.3 pence (2009: 24.5 pence) per share.

The Board is proposing a final dividend of 8.9 pence (2009: 8.3 pence), increasing the total dividend for the year by 8.3% to 13.0 pence (2009: 12.0 pence) per share. The final dividend will be payable on 4 March 2011 to all shareholders on the register at close of business on 28 January 2011.

Towards the end of the 2009 financial year there was a weakening of demand and this trend continued into the first quarter of the 2010 financial year. However, in January 2010 demand began to recover and sales of the Group's products rose sharply across the broad range of new and existing customers, reaching record levels in terms of both volumes and value in the third quarter. The final quarter of the year was significantly stronger than the corresponding period last year. The value of sales of orange oil products, which represent 17% of Group revenue (2009: 17%), increased by 12% during the year although volumes were unchanged. Contribution from orange oil co-products increased even more sharply as prices rose steadily throughout the period. By the end of the financial year orange oil prices had begun to reach all-time highs although this did not impact on the results for the year ended 30 September 2010. Over the course of the year, the US Dollar to Pound Sterling exchange rate had a broadly neutral effect on the business as it ended the year little different to where it had opened twelve months earlier, although there were some periods of significant fluctuation in between.

Following strong positive cash inflow of almost £7m in 2009, the Group's inventory holdings increased in 2010 as expected, both in terms of volumes, as inventory levels were replenished, and values, as prices rose, resulting in an overall cash outflow (movement in net debt) for the year of £2m. As confirmed in the Half Year Results Announcement, the Group's bank facilities were renewed without difficulty, with £6 million of US Dollar denominated debt being converted from a one year to a three year committed facility.

Group operating profit after foreign exchange translation differences increased by 26% to £4.9m (2009: £3.9m). The Group's main UK operating business, R.C. Treatt, had another strong performance and the year also saw a significantly improved performance by Treatt USA. The Group's organic and fair trade business, Earthoil, continued to make progress although this was hampered by its loss-making South African subsidiary, which was disposed of during the year.

The Board has reviewed the £4.3m carrying value of goodwill relating to the Group's organic and fair trade cosmetic ingredient business, Earthoil (as required by International Financial Reporting Standards). The Group acquired 50% of Earthoil in 2007 and obtained full ownership in 2008. The Board is confident of the potential of Earthoil, however it is now apparent that the development of Earthoil has taken longer than originally anticipated. Accordingly, a goodwill impairment charge of £2.4m has been made in the year, reducing profit before tax from £4.5m to £2.1m. The impairment charge is a non-cash item. Further details are provided in the Operating & Financial Review on page 6.

R.C. Treatt has performed consistently strongly over the last few years and 2010 was no exception with total revenues increasing by 12% to £43.6m (2009: £38.9m). Although the financial year began slowly, in part due to the timing of major customer deliveries, as prices began to firm the levels of activity both in terms of value and the number of transactions increased rapidly and reached record levels in the third quarter. With its widely spread global customer base, the Company continued to enjoy strong sales growth particularly in the Far East (where sales increased by 25%) and in aroma chemicals (where sales grew by 16%).

Treatt USA had a very good year seeing a significant recovery in demand from existing customers as well as winning an encouraging level of new business. Year on year US Dollar sales grew by 16%, with an improved product mix also providing a boost to margins. Having reduced inventory levels by £3m in 2009, levels in 2010 grew by less than £1m, notwithstanding the 16% increase in sales. The growth in specialty sales continued with another year of double digit growth, increasing in US Dollars by 15% (2009: 14%) across a wide range of products.

Earthoil results showed some progress in 2010, with sales growth of 9%. Underlying Earthoil's performance, there have been definite signs of improvement in regular order intake and deliveries, coupled with strong growth in sales to its major customers. However, Earthoil's South African subsidiary continued to underperform and was therefore the subject of a management buy-out during the year. The Company continues to win new business, enabling the Group to make inroads into the cosmetics sector, which remains a long term strategic goal.

Prospects

To fully set out the prospects for the current year is not easy. The most significant raw material purchased by the Group is orange oil, which is then processed by the Group with the resultant products being sold at prices which reflect raw material costs. Over the last 30 years the price of orange oil has fallen to as low as US$0.40/kg (in 1983) and peaked at US$5/kg (in 1995).

In recent times, with higher petroleum prices underpinning the price, orange oil has been relatively stable at around $2/kg. In 2009, there was an oversupply of orange oil and the price fell for a short period to under $1/kg. During 2010, as a result of unprecedented climatic conditions, including a drought in Brazil and a freeze in Florida, coupled with high demand for orange oil co-products, orange oil prices have reached historic highs of well over $6/kg. This volatility can lead to significant stock profits but also to high levels of risk in terms of managing the Group's supply pipeline when prices fall back.

The new financial year has started very well with both sales and margins significantly up on the same period last year for all three group businesses, R.C. Treatt, Treatt USA and Earthoil. Indeed Treatt USA achieved a record level of profit in October. The next twelve months could be somewhat tumultuous for the Group as raw material and product prices reach their peak with a significant risk that prices, in particular orange oil, could then fall sharply resulting in potentially large stock losses. The Group has many years experience of dealing with such situations and steps are in place to mitigate these losses where possible.

The Group also expects to continue to see significant sales growth in the Far East and many other parts of the world where it sees opportunities to increase market share. Following strong sales growth in 2010, as businesses were re-stocking following a period of heavy de-stocking in 2009, demand for other products is expected to subside and we have seen some signs of a decline in orders.

Summary

In summary, the Group has performed well over its entire product range over the last three years through difficult times, as the world continues to eat, drink and buy cosmetics, regardless of economic conditions. Flavour, fragrance and cosmetics companies look to Treatt to provide quality products in an efficient manner. As a truly independent and global business, Treatt remains well placed to take advantage of competitive opportunities, and through its commitment to continuous improvement, Treatt has become a supplier of choice.

People

Importantly, the Board would again like to place on record its thanks to all Group employees for their tremendous dedication and effort which has resulted in another good year of excellent progress. This could not have been achieved without a stable and committed workforce.

As reported last year, Ned Dawnay and David Appleby retired from the Board during the year and we were very pleased to welcome Ian Neil to the Board with extensive flavour and fragrance experience, having worked within the industry for over 25 years.

James Grace
Chairman
3 December 2010

* Excluding goodwill impairment

The Group's customer services, technical and operations functions processed a record number of customer orders with little additional resource

Operating Overview

The Group experienced exceptional levels of demand during the year and delivered a record number of shipments and volume to customers, whilst continuing to invest in its operating capabilities. The investments which the Group has made over the last few years in its IT infrastructure and manufacturing facilities proved their worth in 2010, as the Group was able to cope with these unprecedented levels of customer demand. In addition, as part of the Group's commitment to continuous improvement, the management of Treatt USA and of operations at R.C. Treatt in the UK were both strengthened, bringing new skills and experience into the Group.

During the year, approximately £1.5 million was invested in expanding and enhancing the Group's facilities and operational capabilities. This included taking the opportunity to acquire a neighbouring site in the UK which became available, in order to provide the space for future growth. Earthoil's organic and fair trade vegetable oil operation also became a major priority in 2010, with steps being taken to provide greater in-house technical expertise and improve operational capabilities in this area.

Global legislative developments continue to be a major area of investment for the Group as it is vital that Treatt is at the forefront of regulatory compliance. Part of Treatt's role is, where possible, to alleviate the burden of regulations from both customers and suppliers. The regulatory landscape for the chemical industry across the world continues to become more and more complex with Europe leading the way with REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) and CLP (Classification, Labelling and Packaging of Substances and Mixtures) Regulations. Treatt continues to play an active role in its sector of the chemical industry in assessing the implications that the changes will have for SMEs. Treatt continues to work with its suppliers, within SIEF (Substance Information Exchange Forums) and consortia to ensure that key products to the business are in compliance with the REACH regulation. The Group is well positioned for the registration phases of the regulation. In relation to CLP, which is Europe's interpretation of the UN GHS (Globally Harmonized System of Classification and Labelling of Chemicals), the Group is working closely with our supply chain in order to ensure CLP compliance. Indeed, Treatt remains committed to playing an active role in debating, lobbying and implementing legislative change and we continue to demonstrate our commitment to trade organisations throughout the industry.

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

The Group also continues to place significant importance on developing its business continuity plans and has put in place a highly detailed plan for R.C. Treatt in order to ensure that it is able to respond effectively should a major unforeseen event occur. Extensive stress testing of this plan is now being undertaken and we are utilising the expertise developed during the preparation of this plan in order to incorporate Treatt USA as well. The Group benefits from the fact that the main site in the UK is divided into several distinct buildings, and in addition the Group has operational synergies between the UK and US. This would enable the Group to put into practice one of many contingency plans in the event of a major incident by moving activities to alternative locations.

Performance & Business Overview

The financial year began very slowly, continuing the weakness which had been evident in the final quarter of 2008/9. However, having significantly enhanced the Group's cash position in the previous year, it was well-placed to weather what turned out to be a temporary lull. Part of the weakness in Q1 was simply due to the timing of major customer deliveries and once these began to come on stream in Q2, combined with a rapid strengthening of customer demand, results began to show significant improvement.

Over the year orange oil, an orange juice by-product which represents about 17% (2009:17%) of Group revenue, continued to gently firm until right towards the end of the financial year, when it began to rise sharply. So between mid 2009 and late 2010, the price of orange oil has dipped to below $1/kg and risen above $5/kg which clearly demonstrates the importance of the Group's extensive experience with dealing with raw material price volatility. Over the last few years, similar volatility has also been experienced with garlic oil, ginger oil and geranium oil amongst others.

R.C. Treatt

R.C. Treatt has performed very well over the last few years despite the difficult economic environment, benefitting particularly from its wide product portfolio and diversified global reach. Revenue increased by 12% with sales to the top ten customers representing just 38% of turnover, with some of the Company's largest customers maintaining strong demand during the year, partly as companies began to replenish inventory levels following a period of de-stocking in 2009. In fact the year was characterised by significant raw material shortages as the effect of the downturn in 2009 had resulted in suppliers reducing capacity, or switching activities due to a fall in demand at that time. This was exacerbated by the fact that, predominantly within the supply chain, inventory levels had been reduced to the absolute minimum, as suppliers sought to react to the global recession. This had both a positive and a negative effect on R.C. Treatt. On the positive side, the Company tried to maintain inventory levels where it was strategically appropriate to do so, and it therefore benefitted when other competitors and sources at origin were unable to meet demand, but it also suffered as lead times to customers had to be considerably lengthened due to shortages in certain materials which resulted in lower levels of sales growth than might otherwise have been the case. Furthermore, in some cases it was also necessary to decline orders as it was impossible to secure the necessary raw materials.

Treatt USA

Following on the back of a disappointingly weak year in 2009, 2010 was a record year for Treatt USA in terms of both sales and profits with US Dollar revenue for the year increasing by 16%. As with R.C. Treatt, it was very much a financial year of 'two halves', with the Company experiencing very strong growth in the second half of the year as customers began to fill their pipelines again. Treatt USA also began to win new business once more. Overall, specialty product sales were up in US Dollars by 15% (2009: 14%) year on year, and over the last five years sales of these have grown three-fold. During the year, some significant management changes were made at Treatt USA with the appointment of a new CEO with fifteen years experience of working for the Group in the UK, and the arrival of a new Vice President of sales who has extensive experience in both domestic and international flavour and fragrance raw materials. The Board believe that these appointments will be important in building on the success of the last year.

Treatt China

China continues to be a major growth area for the Group where the Board's strategy has been to take a relatively low-risk and gradualistic approach. Having initially opened the Shanghai office some four years ago, last year saw a further restructure of the Group's sales operation in China through the setting up of a new strategic alliance with one of the Group's principal partners in the region. With this new arrangement now in place sales to China increased by almost 25% in the year. The Board therefore continue to be of the view that its activities in China remain very important to the future of the Group, both in terms of purchasing and sales.

Earthoil

The last year has been a mixed one for Earthoil with disappointing sales growth of just 9%. Following a strategic review during the year, the Board made the decision to divest itself of Earthoil South Africa as they felt that the risk/reward ratio did not justify the continued investment which would have been required in that part of the business. Having taken this decision, the Board believe that Earthoil is now much better placed to make a much more significant contribution to overall Group results. As mentioned above, in the last six months particular emphasis has been placed on developing

Earthoil's vegetable oil business and therefore a small amount of further investment has been made in order to further improve its capability in this area. Through Earthoil Kenya, Earthoil benefits from having its own organic and fair trade vegetable oil pressing facilities which provide the business with an important competitive advantage. Earthoil's innovative fair trade and organic farming projects in Kenya and India are both 'Fair for Life' certified (see http://www.fairforlife.net/) and continued to expand during the year. For further information on Earthoil's range of products visit www.earthoil.com.

Capital Investment

In 2010 R.C. Treatt invested £1.2m (2009: £0.8m) in capital expenditure as the Board believe in taking a long term view and not reacting to short term economic fluctuations. This included £0.4m on an adjacent property in the UK which came onto the market during the year. With the continued growth of the business, the Company is now carrying out a review of the UK site layout and facilities and will bring this additional building into use at the appropriate time. Other significant investment included a new Laboratory Information Management System which has been integrated into the Group's JD Edwards Enterprise Resource Planning system, and a significant investment in order to upgrade the manufacturing facilities. Treatt USA also continued its programme of continual investment with a series of small but important projects to improve overall productivity, performance and efficiency, whilst the capital requirements for Earthoil remain insignificant.

Personnel

Treatt remains proud of its experienced, talented and committed workforce, many of whom are longer serving employees, but mindful of the need for continuous improvement we have this year further enhanced the Group's programme of training and development.

As part of our succession planning we have been fortunate this year, as a result of our reputation in the industry and the quality of the Treatt 'Brand', in attracting new high calibre staff, thus introducing fresh ideas and techniques, which has led to the enhancement of a number of key areas within the business.

Financial Overview

Income Statement

Group revenue increased by £7m (12%) during the year to £63.3m (2009: £56.3m). This resulted in an increase in operating profit after foreign exchange translation differences of £1m (26%) to £4.9m (2009: £3.9m).

Adjusted earnings before interest, tax, depreciation and amortisation for the year, which excludes goodwill impairment, rose by 20.4% to £6.03m (2009: £5.01m). Adjusted Group profit before tax increased by 29% to a new high of £4.5m (2009: £3.5m). Once the goodwill impairment of £2.4m is taken into account, then profit before tax for the year totals £2.1m.

The Board is required to carry out an impairment review of goodwill at each reporting date in accordance with IAS36, 'Impairment of Assets', by carrying out a five year discounted cash flow projection as explained in note 11. At the start of the 2009/10 financial year, the carrying value of goodwill in relation to the 2007 and 2008 acquisition of Earthoil was £4.2m of which £0.8m related to a projected earn-out in relation to the second 50% which was acquired in 2008. Having carried out this impairment review, the Board believe it both necessary and appropriate to impair the goodwill by £2.4m. This, combined with the fact that an earn-out payment is now considered unlikely, has reduced the total carrying value of the goodwill to £1m. This impairment does not alter the Board's view that in the long run Earthoil will provide significant added-value to the Group, but is more a reflection of the fact that in the short term its performance has been disappointing. As a non-cash item, this impairment will have no impact on the cash position of the Group.

The total dividend for the year has been increased by 8.3% to 13.0p per share, resulting in an adjusted dividend cover of 2.3 times earnings (excluding the goodwill impairment) for the year. Adjusted basic earnings per share for the year increased by 24% to 30.3 pence (2009: 24.5 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, and is based on profit after tax but excluding the goodwill impairment.

In spite of fluctuating raw material prices, gross margins remained unchanged as margins of 24.5% were again achieved this year (2009: 24.5%). Over the last five years, margins have remained remarkably steady despite strong competition as customers look to Treatt for a total service package of quality, service and price. In other words, lowest price does not necessarily mean lowest cost from a customer perspective.

The US Dollar (being Treatt's most significant foreign currency) remained relatively stable, ending the year approximately at the same level where it had started, being about $1.60 to the Pound Sterling. As explained further on in this report under 'Treasury Policies', the Group hedges its foreign exchange risk at R.C. Treatt by holding and managing US Dollar borrowings. In the short term this can result in timing differences. As a result of the fluctuations in the US Dollar during the year the Group suffered a relatively small adverse foreign exchange translation difference of £0.2m, as compared to £0.5m in the preceding year. Similarly, there was a relatively small currency gain of £0.1m in 'The Statement of Comprehensive Income' in relation to the Group's investment in overseas subsidiaries.

For the second year running the Group's net finance costs have fallen, this time by 20% from £0.4m to £0.3m. This movement was caused by both lower levels of borrowing and reduced financing costs since, in common with most other businesses, the margins and fees included within finance costs, which relate to the Group's banking facilities, have significantly increased over the last two years, although these eased back a little in 2010. Adjusted interest cover for the year, excluding goodwill impairment, improved by 58% to 15.7 times (2009: 9.9 times).

During the year the Group continued its annual programme of offering share option saving schemes to staff in the UK and USA. Under US tax legislation, staff at Treatt USA are able to exercise options annually, whilst the UK schemes provide for three-year savings plans. As part of these programmes, options were granted over a further 42,000 shares during the year, whilst 36,000 were exercised by UK and US employees under the 2007 Save As You Earn scheme and 2009 Employee Stock Purchase Plan. Following its establishment in 2004, the Employee Benefit Trust (EBT) currently holds 252,000 shares (2009: 288,000) acquired in the market in order to satisfy future option schemes without causing shareholder dilution. Furthermore, by holding shares in the EBT for some time before they are required to satisfy the exercise of options, it is expected that the current programme of employee share option schemes will be self-financing.

Balance Sheet

As a consequence of the £2.4m goodwill impairment, Group shareholders' funds have fallen slightly to £22.5m (2009: £22.7m), with net assets per share decreasing by 1% to £2.15 (2009: £2.17). Over the last five years, net assets per share have grown by 28%. During the year, the balance sheet was strengthened by converting approximately £6m of overdraft borrowings into a three year revolving credit facility. As a consequence, net current assets now represent 89% (2009: 56%) of shareholders' funds. The Board has chosen not to avail itself of the option under IFRS to revalue land and buildings annually and therefore all the Group's land and buildings are held at historical cost in the balance sheet. It should be noted that net assets have been reduced by £0.6m (2009: £0.7m) as a result of shares held by the EBT, due to the accounting requirements for employee trusts. This impact will be reversed when these shares are used to satisfy employee share option schemes.

Cash Flow

In 2009 the Group generated significant cash inflows which totalled £6.9m for the year. In 2010, as expected, inventory levels increased although not to pre recession levels and therefore there was an overall cash outflow for the year of £2m, increasing total net debt to £11m (2009: £9m). The Group has a mix of secured and unsecured borrowing facilities totalling £17.6m, of which £11.9m expire in one year or less. Within the cash flows of the Group, the largest elements related to inventories and accounts receivable which together generated a £6.8m cash outflow. The cash outflow in relation to inventories totalled £4.2m, a significant amount of which was caused by higher prices, as well as some volume increases due to the increased level of sales. As an ingredients specialist, Treatt takes many long term contracts with customers as well as servicing the immediate spot needs of its diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore it is part of the Group's business model to hold significant levels of inventory.

Final Salary Pension Scheme

Following the last three-year actuarial review in January 2009, contributions to the scheme were increased by a relatively small amount in order to eliminate the actuarial deficit by 2016, in line with the original ten year plan agreed in 2006.

During the year the IAS 19, "Employee Benefits" pension liability, net of deferred tax, somewhat surprisingly fell a little from £1.4m to £1.2m. This was due to a slightly better than expected return on investments and a small actuarial gain resulting from changes in assumptions regarding discount rates, inflation etc.

Following the changes made to the pension scheme in recent years (see note 26), one third of Group employees remain as members of the final salary scheme and this proportion will continue to decline over time.

Treasury Policies

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

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

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

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

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

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

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

Group Tax Charge

The Group's current year tax charge of £1.2m (2009: £0.9m) represents an effective tax rate (based on profit before tax and goodwill impairment) of 27% (2009: 25%). This is marginally lower than the standard rate of UK corporation tax of 28% (2009: 28%) as a result of pension contributions which are paid each year over and above the actual pension charge in the income statement. The overall tax charge of £1.4m (2009: £1.0m) has increased by more than profits as Treatt USA became significantly more profitable in the year, and as a result of the rate of deferred tax used in these financial statements reducing from 28% to 24% in the year. There were no significant adjustments required to the previous year's tax estimates.

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 2010.

Principal Activity
The Group's principal activity is the supply of conventional, organic and fair trade flavour, fragrance and cosmetic ingredients. This involves blending and distilling essential oils, the marketing of aroma chemicals and the production of vegetable oils and natural distillates for the flavour, fragrance and cosmetic industries.

Comments on the Group's activities, position at year end, and its outlook for the future are given in the Chairman's Statement and Operating & Financial Review (OFR) on pages 4 to 7.

Results and Dividends
The results of the Group for the year are set out on page 20. Excluding impairment of goodwill, profit before tax for the year on a like-for-like basis was £4,503,000 (2009: £3,501,000).

The Directors recommend a final dividend of 8.9p (2009: 8.3p) per ordinary share.

This, when taken with the interim dividend of 4.1p (2009: 3.7p) per share paid on 15 October 2010, gives a total dividend of 13.0p (2009: 12.0p) per share for the year ended 30 September 2010.

Business Review
The Group is required to produce a business review complying with the requirements of section 417 of the Companies Act 2006. The Group has complied with this requirement in the Chairman's Statement on page 4 and the OFR on pages 5 to 7. This incorporates a review of the Group's activities, its business performance and developments during the year and an indication of likely future developments.

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:

	2010	2009
Group revenue	£63.3m	£56.3m
Group profit before tax[1]	£4.5m	£3.5m
Group earnings per share (basic)[1]	30.3p	24.5p
Group return on capital employed[1,2]	20.0%	15.4%

1 Excluding goodwill impairment
2 Capital employed is defined as total equity

Risks and Uncertainties
The Group has provided in the Chairman's Statement, OFR 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, Authorisation and restriction 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 and the 2008 movement in lemon oil prices.

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

- the implementation of a foreign exchange risk management 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 and 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.

Corporate Governance
The Corporate Governance Statement on pages 12 to 14 forms part of this Directors' Report.

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 £6,119,000 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.

Directors
The Directors of the Parent Company are shown on page 2.

Appointment and replacement of directors

Rules about the appointment and replacement of Directors are set out in the Parent Company's Articles of Association. Further details are provided in the Corporate Governance Statement on page 12.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 16. The Executive Directors' contracts are terminable by the Group giving the required notice periods which vary between six months and two years.

In accordance with the Company's Articles of Association and as reported in the Corporate Governance Statement on page 12, in recognition of Provision A.7.1 of the Combined Code on Corporate Governance (2008) A.J. Haines and J.R. Grace 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

J.R. Grace

James Grace was appointed a Non-executive Director of the Group in October 2008 and became Chairman in February 2010. He is a director of Corporate Finance at Investec Investment Banking and was a director of UK Land plc from 1993 to 2002 and Novera Energy plc from 2007 to 2009.

I.A. Neil

Ian Neil was appointed to the Board in December 2009. Ian was Vice President Europe, Africa and Middle East ("EAME") Flavors at International Flavors and Fragrances Inc. ("IFF") and was with IFF for 25 years in a variety of management roles internationally. His last role was as global Sales and Marketing Director for Linpac Packaging Ltd.

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 Group in 1985.

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 Group in October 2002.

R.A. Hope

Richard Hope was appointed Group Finance Director and Company Secretary 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 2010 had the following interests in the shares of the Parent Company:

	10p ordinary shares fully paid		Options to acquire 10p ordinary shares	
	2010	2009	2010	2009
Hugo William Bovill	1,520,654	1,519,482	4,760	4,635
Anita Jane Haines	5,329	4,008	4,760	4,635
Richard Andrew Hope	5,329	4,008	4,760	4,635
James Richard Grace	9,410	9,410	—	—
Peter Alan Thorburn	1,000	1,000	—	—

There have been no changes between 1 October 2010 and 15 November 2010, the latest date practicable to obtain the information prior to publication of this document, other than an additional 47 shares each received by A.J. Haines and R.A. Hope under the dividend reinvestment plan.

Substantial Shareholders

In accordance with Rule 5 of the Disclosure and Transparency Rules of the Financial Services Authority, the Parent Company has been notified of the following holdings of 3% or more of the voting rights at 15 November 2010 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	1,247,505	12.19
G.R. Bovill and A.J. Bovill as Trustees of the W.G. Bovill 1985 Settlement (G.R. Bovill's Childrens' Fund)	749,534	7.33
G.R. Bovill	699,640	6.84
Rights and Issues Investment Trust Plc	555,000	5.42
Discretionary Unit Trust Fund Managers	419,226	4.10
Bjornstad and Jendal A/S	328,453	3.21

Bovill Family Shareholdings
Based on an analysis of the shareholders' register at 30 September 2010 H.W. Bovill and G.R. Bovill, along with their dependants, were interested in 2,969,828 (2009: 2,968,070) ordinary shares representing 28.3% (2009: 28.3%) 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. As at 15 November 2010 (the latest practicable reporting date prior to publication of this document) the Bovill Family Shareholdings represented 29.02% (2009: 29.12%) of the voting rights.

Contracts of Significance
No Director had an interest in any contract of significance during the year. The Group 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 Parent Company or its subsidiaries.

Directors' and Officers' Liability Insurance
The Group purchases liability insurance covering the Directors and Officers of the Parent 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 39 (2009: 30) days credit based on the whole year's purchases. The Parent Company had no trade creditors at the year end.

Research and Development
The main research and development activities undertaken by the Group are new product development and enhancing the technical capabilities in areas such as the detection and reduction of agricultural residues and industrial contaminants. In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Financial Instruments
Information on the Group's financial risk management objectives and policies, and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 29 of the financial statements.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 4 and the OFR on pages 5 to 7.

In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review also included the financial position of the Group, its cash flows, and borrowing facilities. The key factors considered by the Directors were:

- the implications of the challenging economic environment and future uncertainties on the Group revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group has access to overdraft facilities and committed bank facilities to meet day-to-day working capital requirements. During the period all the Group's banking facilities have been renewed on either existing or improved terms, with $9 million of committed facilities having been converted from a short term one year facility, to a longer term three year facility.

As at the date of this report, the Directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Charitable Contributions
During the year the Group made charitable donations of £15,876 (2009: £12,450) to local causes.

Social and community issues
The Group endeavours to impact positively on the communities in which it operates. Earthoil is an example of this where the company focuses on Fair for Life, ensuring farmers are traded with on equitable terms. Earthoil India was instrumental in the formation of the Earthoil Organic Foundation, a trust fund which provides funding to local community projects.

Similarly, Earthoil's KOOFA (Kenyan Organic Oil Farmers Association) is situated high up in the Mount Kenya area and initially began with just 90 farmers growing borage - a pressed seed oil crop. The project has now moved on to tea tree oil and has since expanded to over 250 growers. Through these projects Earthoil has passed on valuable farming skills that help these farmers ensure successful crops and therefore, valuable income. The farmers can call on Earthoil-employed agronomists and field officers for help and guidance as they learn the required skills.

Health and Safety
The health and safety of employees is the Group's absolute number one priority. In addition, the Group similarly ensures the safety of all visitors, customers, suppliers, contractors etc. As part of its extensive and comprehensive health and safety policies, managed by health and safety professionals employed by the Group, a range of key indicators are maintained and reported at every Board meeting. Particular emphasis is placed upon the recording and assessment of 'near misses' and the resultant implementation of preventative measures. The Group's policy of investment in health and safety was continued during the financial year including a significant expansion of the health and safety function within the UK.

Environment
The Group is committed to good environmental practice and places great importance on the impact of its operations on the environment, ensuring that it operates and adopts responsible practices. Recent investment in the environmental function allows the Group to monitor legislation and act upon it where necessary ensuring regular review of the Group's environmental policies.

The Group continuously evaluates ways of reducing its impact on the environment by means of:

- Reduction of waste and improvements in waste management
- Increased recycling and the use of recycled products where possible
- Conservation of energy and improvements in energy management & efficiency
- The use of video conferencing facilities, thereby reducing carbon footprint through reduced travel

R.C. Treatt is currently trialling an initiative to produce electricity by burning waste oil, thereby further reducing the Company's carbon footprint and eliminating disposal costs. Investigations are also underway to enable disposal of waste glass in the same manner.

Group performance and risk reviews are undertaken and monitored on a regular basis and reported to the Board.

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 where practical.

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 Group through share option schemes (see note 23). In particular, Executive Directors make half yearly results presentations to all employees and encourage questions and dialogue on any matters pertaining to the performance or activities within the Group. In addition, the Information Exchange Committee (IEC) was created by R.C. Treatt in 2007 in order to encourage a further exchange of ideas and information between the Company and its employees. The IEC is chaired by the Human Resources Director and the members of the committee are all employees below management level who represent all departments and areas of the business in the UK. Board members make a point of visiting all Group affiliates and regularly carry out site visits and tours, and thereby engage in meaningful discussions with employees at all levels within the organisation. Treatt USA has recently carried out an employee consultation workshop from which over 500 employee suggestions for improvement, in areas such as improving business efficiency, reducing costs or improving energy usage, were made and many of which have been actioned. Bonus schemes, based on the performance of the business, remain in place.

Structure of share capital

As at 30 September 2010, the Parent Company's share capital comprises ordinary shares with a nominal value of 10 pence. All of the Parent Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Articles, a copy of which can be obtained on request from the Company Secretary.

Details of the issued ordinary share capital of the Parent Company and movements during the year are set out in note 22 of the financial statements. During both the current and prior period, the Parent Company did not issue any new shares.

Restrictions on transfer of securities

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Parent Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Parent Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers.

Rights and obligations of ordinary shares

On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Subject to the relevant statutory provisions and the Articles, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes.

Articles of Association

The powers of the Directors are conferred on them by UK legislation and the Articles. Changes to the Articles must be approved by shareholders passing a special resolution at a general meeting.

Powers of the directors and purchase of own shares

The Directors' authority to effect purchases of the Parent Company's shares on its behalf is conferred by resolution of shareholders and is renewed annually at the Parent Company's Annual General Meeting. At the date of this report, no shares have been purchased under the authority granted at the Annual General Meeting in 2010, to make market purchases up to a further 10% of the Parent Company's shares. At the forthcoming Annual General Meeting in 2011, the Parent Company will be seeking authority again to purchase up to 10% of its ordinary shares, although at present the Directors have no plans to buy back any further shares. It is, however, considered prudent to have the authority in place in order that the Parent Company is able to act at short notice if circumstances warrant. At the Annual General Meeting held in February 2010, the Directors were given the power to issue new shares up to an amount of 33% of the existing issued share capital, of which 5% of the existing issued share capital can be issued by disapplying pre-emption rights. This power will expire at the conclusion of the Annual General Meeting 2011. Accordingly, a resolution will be proposed to renew the Parent Company's authority to issue further new shares. In accordance with the latest institutional guidelines issued by the Association of British Insurers (ABI), the proposed new authority will again allow the Directors to allot ordinary shares equal to an amount of up to one third of the Parent Company's existing issued ordinary share capital.

Treatt Employee Benefit Trust (the 'EBT')

The EBT holds ordinary shares in the Parent Company (acquired in the market) in order to meet obligations under the Group's employee share option schemes. No shares were purchased during the year ended 30 September 2010. The trustees have waived their voting rights and their right to receive dividends (other than 0.001 pence per share) in respect of the ordinary shares held by the trust.

Annual General Meeting and restrictions on voting deadlines

The Annual General Meeting of the Parent Company will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 25 February 2011. The Notice of Meeting and explanatory notes are given on pages 54 to 59. The notice of any general meeting will specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at a general meeting. The number of proxy votes for, against or withheld in respect of each resolution are announced and published on the Treatt website after the meeting.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. On the recommendation of the Audit Committee, resolutions are to be proposed at the Annual General Meeting for the re-appointment of Baker Tilly UK Audit LLP as auditors of the Parent Company and its subsidiaries, and to authorise the Board to fix their remuneration. The remuneration of the auditors for the year ended 30 September 2010 is fully disclosed in note 5 to the financial statements.

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 auditors.

This report was approved by the Board on 3 December 2010.

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 2010 the Group has complied with the provisions set out in Section 1 of the 2008 Combined Code on Corporate Governance, 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. In addition, and as explained in the Directors' Remuneration Report, the Board does not fully comply with B2.2, in that the remuneration of UK senior managers is determined by the Executive Directors as the Remuneration Committee believe that they are best placed to make this decision. The bonuses of all senior managers in the Group are approved by the Remuneration Committee.

The Board is accountable to the Parent Company's shareholders for good governance and the statement set out below describes how the principles identified in the Combined Code are applied by the Group.

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 2. As announced last year, E.W. Dawnay resigned from the Board on 19 February 2010, and was succeeded as Chairman by J.R. Grace. D.D. Appleby resigned as a Non-executive Director on 31 December 2009 with I.A. Neil having joined the Board on 4 December 2009. The Board consists of one further Non-executive Director and three Executive Directors, of which H.W. Bovill is the Managing Director. The Board considers that all the Non-executive Directors are independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. None of them have any significant interest in the shares of the Parent Company and all receive 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 Group.

Biographies of the current Board members appear on page 9.

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.

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.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Group'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 Group'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.

Board Committees

The Board has established a number of standing committees to which various matters are delegated according to defined terms of reference. The principal committees are the Nomination Committee, the Remuneration Committee and the Audit Committee. The principal terms of reference for each Committee are as follows:

Nomination Committee

The Nomination Committee's principal remit is to consider the appointment or retirement of Directors, to review proposed nominations and make recommendations thereon to the Board.

The Nomination Committee is also responsible for the annual evaluation of the Board, its committees and its Directors. During the year an evaluation of the Board, its committees and each individual Director was carried out. This evaluation was conducted internally as the Board believe they have the appropriate resources and experience to undertake the reviews. The internal Board and committee reviews were conducted under the supervision of the appropriate Chairmen. The performance of individual Directors, both Executive and Non-executive, was evaluated by the Chairmen, in conjunction with the Managing Director in the case of other Executive Directors. The Board is satisfied with the evidence the Nomination Committee provided about the balance and the effectiveness of the Board and its committees and the effectiveness and commitment of each Director. As a result of this review, the Board confirms that each of the Directors who is proposed for re-election at the AGM, continues to demonstrate the necessary commitment and to be a fully effective member of the Board. The Chairman also meets with the Non-executive Directors at least annually without the Executive Directors present. All of the Non-executive Directors attended the meeting during the year. The Senior Independent Director is P.A. Thorburn and concerns relating to the executive management of the Group or the performance of the other Non-executive Directors may be raised with him.

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 2. 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 Parent Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles also 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 Parent 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. Furthermore, in line with the Combined Code on Corporate Governance (Provision A.7.2), it is the Parent Company's practice that any Non-executive Director having been in post for nine years or more is subject to annual re-election.

Remuneration Committee

The Remuneration Committee's primary responsibility is to determine the remuneration of the Executive Directors of the Group.

Full details of the Directors' remuneration and a statement of the Group's remuneration policy are set out in the Directors' Remuneration Report appearing on pages 15 to 18. Members of the Remuneration Committee throughout the year are shown on page 2. 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.

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 in note 5. The non-audit fees were paid mainly in respect of tax compliance services. The current level of non-audit fees is considered by the Committee not to affect independence or objectivity.

In accordance with C.3.4 of the Combined Code, the Audit Committee is responsible for ensuring that procedures are in place whereby staff of the Group 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.

The members of the Board during the year and its committees, together with their attendance, are shown below (with current Board members shown in bold):

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in year	6	1	1	3
Hugo William Bovill* Managing Director	3	N/A	1	N/A
Anita Jane Haines Human Resources Director	5	N/A	N/A	N/A
Richard Andrew Hope Finance Director	6	N/A	N/A	N/A
Douglas David Appleby Non-executive Director – resigned 31/12/09	1	1	1	1
Edward William Dawnay Chairman – resigned 19/2/10	1 Chairman	1 Chairman	1 Chairman	1
James Richard Grace Non-executive Director (and Chairman from 19/2/10)	6 5 meetings as Chairman	1	1	3
Ian Anthony Neil Non-executive Director – appointed 4/12/09	6	—	—	2
Peter Alan Thorburn Non-executive Director	6	1	1	3 Chairman

* H.W. Bovill was absent on a six month sabbatical during the year, following 33 years service for the Group.

As permitted by the Parent Company's Articles of Association, Directors may participate in the minuted decisions via telephone communication where it is impractical for them to attend in person.

Communication

The Group places a great deal of importance on communication with its shareholders. The Parent Company mails to all shareholders its full annual report and financial statements. This information, together with the quarterly interim management statements, half yearly statements and other financial announcements, is also available on the Group's website and, upon request, to other parties who have an interest in the Group's performance.

There is regular dialogue with individual institutional shareholders as well as presentations after the half year and preliminary results. The views of major shareholders are communicated and discussed at Board meetings and Non-executive Directors may request meetings with major shareholders should they wish to do so and vice versa. All shareholders have the opportunity to put questions at the Parent Company's Annual General Meeting.

Financial and Internal Control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 14 and 19 and the statement of the Directors on going concern appears on page 10.

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

The Directors are responsible for the Group's system of internal control, the effectiveness of which is reviewed by them annually. This covers all controls including those in relation to financial reporting processes (including the preparation of consolidated accounts). In addition to monitoring reports received via the Executive Directors they consider the risks faced by the Group, 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 Group 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. The Group uses a standardised consolidation system for the preparation of the Group's monthly management accounts, Half Year and Annual Consolidated Financial Statements, which is subject to review by senior management throughout the consolidation process.

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 Group 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 8.

Internal Audit

The Audit Committee considers annually the possible need for an internal audit function by taking into account a number of considerations including the cost of maintaining an effective internal audit function and the risks associated with not maintaining one. The Audit Committee do not currently believe that an internal audit function can be justified.

This report was approved by the Board on 3 December 2010.

R.A. Hope
Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the 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. The Directors are required under the listing rules of the Financial Services Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Parent Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law, and IFRS adopted by the EU, to present fairly the financial position of the Group and the Parent Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit of the Group for that period.

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business;

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' Report, confirms that, to the best of their knowledge:

a. the financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group and Parent Company and the undertakings included in the consolidation taken as a whole; and

b. the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

This statement was approved by the Board on 3 December 2010.

R.A. Hope
Secretary

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Paragraph 421 of the Companies Act 2006 ('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 25 February 2011 at which the financial statements will be laid before members. The Act requires the auditors to report to the Parent 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 2.

As well as complying with the provisions of the Combined Code as disclosed in the Corporate Governance Statement, the Group 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 Group Human Resources Director, A.J. Haines, provided the remuneration committee with details of pay and employment conditions of employees of the Group which were taken into consideration by the remuneration committee when determining Director' remuneration.

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 an 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. The Remuneration Committee retains the right to make discretionary adjustments to these bonuses.

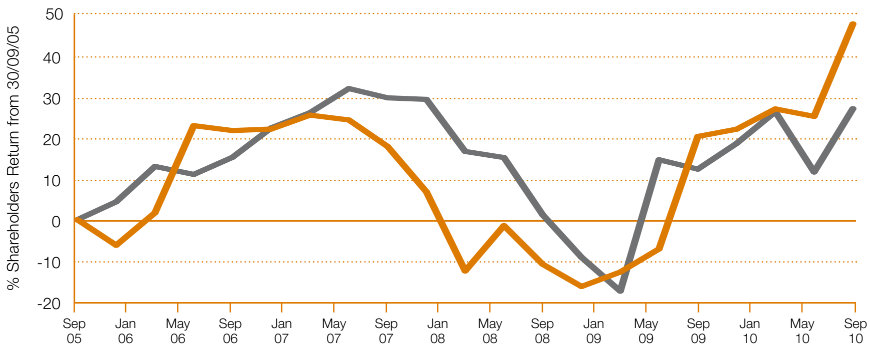
- Benefits

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

The remuneration of UK senior management is determined by the Executive Directors. Whilst this is not in accordance with clause B2.2 of the 2008 Combined Code on Corporate Governance the Board believe that the Executive Directors are best placed to make this decision. The bonuses of all senior managers in the Group are approved by the Remuneration Committee.

Performance Graph

This performance graph shows the Parent 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.



Treatt Plc   FTSE All Share

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:

- $66\frac{2}{3}$ 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 Group’s bonus, share option or other incentive schemes, and they are not eligible for pension scheme membership. The terms and conditions of appointment of Non-executive Directors are available for inspection at the Parent Company’s registered office during normal business hours.

AUDITED INFORMATION

(a) Directors’ Emoluments

The following table shows an analysis of the salary, benefits and bonus elements of remuneration for the individual directors who held office during the year ended 30 September 2010 along with comparatives for the previous year (all of which relate to short-term employee benefits). Taxable benefits provided to Executive Directors include a Company car, or payment in lieu, and private medical insurance. Interests under the Parent Company’s share option schemes and pension entitlements are shown in paragraphs (b) and (c) which follow this one.

	Salary and Fees £’000	Bonus Payments £’000	Taxable Benefits £’000	2010 Total £’000	2009 Total £’000
Executive Directors					
H.W. Bovill	150	71	15	236	257
A.J. Haines	107	70	17	194	159
R.A. Hope	128	70	20	218	180
Non-executive Directors					
E.W. Dawnay (Chairman until 19/2/10)	12	—	—	12	29
D.D. Appleby (Resigned – 31/12/09)	5	—	5	10	23
J.R. Grace (Chairman from 19/2/10)	26	—	—	26	26
I.A. Neil (Appointed – 4/12/09)	22	—	—	22	—
P.A. Thorburn*	29	—	—	29	29
	479	211	57	747	703

* Included in the salary and fees paid to P.A. Thorburn was £2,850 in relation to fees for additional time spent supporting local management in the US.

The proportion of fixed and variable pay, exclusive of pension and benefits, is shown below for the three Executive Directors:

	Basic Salary		Annual Bonus	
	2010	2009	2010	2009
H.W. Bovill	68%	77%	32%	23%
A.J. Haines	60%	74%	40%	26%
R.A. Hope	65%	77%	35%	23%

(b) Share Option Schemes

The Group 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 SAYE share options is not dependent upon performance criteria as these are available to all employees in the UK on the same terms. No options to Executive Directors under the Executive Share Option Schemes have been granted since 2001.

The share options of the Directors are as set out below:

	Exercise Dates	Exercise Price	At 1 October 2009	Granted During the Year	Exercised During the Year	Expired During the Year	**At 30 September 2010**
H.W. Bovill	Between Sept 2010 and March 2011	258p	1,172	—	(1,172)	—	**—**
	Between Sept 2011 and March 2012	195p	1,542	—	—	—	**1,542**
	Between Sept 2012 and March 2013	170p	1,921		—	—	**1,921**
	Between Sept 2013 and March 2014	222p	—	1,297	—	—	**1,297**
			4,635	1,297	(1,172)	—	**4,760**
A. J. Haines	Between Sept 2010 and March 2011	258p	1,172	—	(1,172)	—	**—**
	Between Sept 2011 and March 2012	195p	1,542	—	—	—	**1,542**
	Between Sept 2012 and March 2013	170p	1,921	—	—	—	**1,921**
	Between Sept 2013 and March 2014	222p	—	1,297	—	—	**1,297**
			4,635	1,297	(1,172)	—	**4,760**
R. A. Hope	Between Sept 2010 and March 2011	258p	1,172	—	(1,172)	—	**—**
	Between Sept 2011 and March 2012	195p	1,542	—	—	—	**1,542**
	Between Sept 2012 and March 2013	170p	1,921	—	—	—	**1,921**
	Between Sept 2013 and March 2014	222p	—	1,297	—	—	**1,297**
			4,635	1,297	(1,172)	—	**4,760**

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £2,000 (2009: £2,000).

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 2010 was £3.225 and the range during the financial year was £2.555 to £3.225.

(c) Directors' Pension Policy
H.W. Bovill and A.J. Haines are members of the R.C. Treatt & Co. Limited Pension & Assurance Scheme. The plan is a non-contributory, H.M. Revenue & Customs approved, defined benefit occupational pension scheme. Its main features are:

- a normal pension age of 65 but early retirement may be permitted from age 55
- 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 has been restricted to the lower of actual salary and salary as at 1 January 2004 as adjusted for the cumulative increase in inflation until retirement.

The pension entitlement of these Directors is as follows:

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Including and Excluding Inflation)		Accumulated Total Pension at	
	2010	2009	**2010**	2009	**2010**	2009
	£	£	**£**	£	**£**	£
H.W. Bovill	**2,196**	2,466	**23,625**	27,355	**82,708**	80,512
A.J. Haines	**1,268**	1,509	**17,189**	21,290	**35,866**	34,598

The following table sets out the transfer value of these Directors' accrued benefits under the scheme:

	Transfer value 30 September 2009 £	Increase in transfer value in the year £	**Transfer value 30 September 2010 £**
H.W. Bovill	794,702	121,330	**916,032**
A.J. Haines	494,931	81,294	**576,225**

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'. The transfer values at the start of the year have been re-stated using the new transfer value basis introduced during the year. Further details of the scheme are included in note 25.

R.A. Hope received a contribution of £11,000 (2009: £11,000) towards a money purchase personal pension plan administered by Aviva Plc.

This report was approved by the Board and signed on its behalf on 3 December 2010.

R.A. Hope
Secretary

Independent Auditors' Report to the Members of Treatt Plc

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 20 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent 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

As more fully explained in the Directors' Responsibilities Statement set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 10, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Parent Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Claire Sutherland (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants
Abbotsgate House
Hollow Road
Bury St. Edmunds
Suffolk IP32 7FA

3 December 2010

Group Income Statement

for the year ended 30 September 2010

	Notes	2010 £'000	2009 £'000
Revenue	4	**63,298**	56,313
Cost of sales		**(47,759)**	(42,502)
Gross profit		**15,539**	13,811
Administrative expenses		**(10,427)**	(9,465)
Operating profit before foreign exchange loss	5	**5,112**	4,346
Foreign exchange loss	5	**(208)**	(453)
Operating profit after foreign exchange loss	5	**4,904**	3,893
Loss on disposal of subsidiary	14	**(88)**	—
Finance revenue	7	**77**	186
Finance costs	7	**(390)**	(578)
Profit before taxation and goodwill impairment		**4,503**	3,501
Goodwill impairment	11	**(2,432)**	—
Profit before taxation		**2,071**	3,501
Taxation	8	**(1,417)**	(1,013)
Profit for the period		**654**	2,488
Attributable to:			
Owners of the Parent Company		**653**	2,485
Non-controlling interests		**1**	3
		654	2,488
Earnings per share			
Basic before goodwill impairment	10	**30.3p**	24.5p
Basic after goodwill impairment	10	**6.4p**	24.5p
Diluted	10	**6.4p**	24.4p

All amounts relate to continuing operations
Notes 1 - 30 form part of these financial statements

Group Statement of Comprehensive Income

for the year ended 30 September 2010

	Notes	2010 £'000	2009 £'000
Profit for the period		654	2,488
Other comprehensive income/(expense):			
Currency translation differences on foreign currency net investment	24	139	1,194
Current taxation on foreign currency translation differences	8	(28)	(175)
Actuarial gain/(loss) on defined benefit pension scheme	26	172	(1,821)
Deferred taxation on actuarial gain or loss	15	(41)	510
Other comprehensive income/(expense) for the period		242	(292)
Total comprehensive income for the period		896	2,196
Attributable to:			
Owners of the Parent Company		895	2,193
Non-controlling interests		1	3
		896	2,196

Notes 1 - 30 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

for the year ended 30 September 2010

Group	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Employee share option reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
1 October 2008	1,048	2,757	(761)	31	(453)	18,975	**21,597**	(4)	**21,593**
Net profit for the period	—	—	—	—	—	2,485	**2,485**	3	**2,488**
Other comprehensive income/(expense):									
Exchange differences net of tax	—	—	—	—	1,194	(175)	**1,019**	—	**1,019**
Actuarial loss on defined benefit pension scheme net of tax	—	—	—	—	—	(1,311)	**(1,311)**	—	**(1,311)**
Total comprehensive income	—	—	—	—	1,194	999	**2,193**	3	**2,196**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,138)	**(1,138)**	—	**(1,138)**
Share-based payments	—	—	—	20	—	—	**20**	—	**20**
Movement in own shares in share trust	—	—	69	—	—	—	**69**	—	**69**
Loss on release of shares in share trust	—	—	—	—	—	(4)	**(4)**	—	**(4)**
Exercise of options previously charged	—	—	—	(28)	—	28	**—**	—	**—**
1 October 2009	1,048	2,757	(692)	23	741	18,860	**22,737**	(1)	**22,736**
Net profit for the period	—	—	—	—	—	653	**653**	1	**654**
Other comprehensive income/(expense):									
Exchange differences net of tax	—	—	—	—	139	(28)	**111**	—	**111**
Actuarial gain on defined benefit pension scheme net of tax	—	—	—	—	—	131	**131**	—	**131**
Total comprehensive income	—	—	—	—	139	756	**895**	1	**896**
Transactions with owners:									
Dividends	—	—	—	—	—	(1,222)	**(1,222)**	—	**(1,222)**
Share-based payments	—	—	—	21	—	—	**21**	—	**21**
Movement in own shares in share trust	—	—	90	—	—	—	**90**	—	**90**
Loss on release of shares in share trust	—	—	—	—	—	(3)	**(3)**	—	**(3)**
Exercise of options previously charged	—	—	—	(24)	—	24	**—**	—	**—**
30 September 2010	**1,048**	**2,757**	**(602)**	**20**	**880**	**18,415**	**22,518**	**—**	**22,518**

for the year ended 30 September 2010 continued

Parent Company	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Employee share option reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
1 October 2008	1,048	2,757	(761)	—	—	1,432	4,476	—	4,476
Net profit for the period	—	—	—	—	—	1,079	1,079	—	1,079
Total comprehensive income	—	—	—	—	—	1,079	1,079	—	1,079
Transactions with owners:									
Dividends	—	—	—	—	—	(1,138)	(1,138)	—	(1,138)
Movement in own shares in share trust	—	—	69	—	—	—	69	—	69
Loss on release of shares in share trust	—	—	—	—	—	(4)	(4)	—	(4)
1 October 2009	1,048	2,757	(692)	—	—	1,369	4,482	—	4,482
Net profit for the period	—	—	—	—	—	1,249	1,249	—	1,249
Total comprehensive income	—	—	—	—	—	1,249	1,249	—	1,249
Transactions with owners:									
Dividends	—	—	—	—	—	(1,222)	(1,222)	—	(1,222)
Movement in own shares in share trust	—	—	90	—	—	—	90	—	90
Loss on release of shares in share trust	—	—	—	—	—	(3)	(3)	—	(3)
30 September 2010	**1,048**	**2,757**	**(602)**	**—**	**—**	**1,393**	**4,596**	**—**	**4,596**

Notes 1 - 30 form part of these financial statements

Group and Parent Company Balance Sheets

as at 30 September 2010

Registered Number 1568937

	Notes	Group 2010 £'000	Group 2009 £'000	Parent Company 2010 £'000	Parent Company 2009 £'000
ASSETS					
Non-current assets					
Goodwill	11	1,051	4,272	—	—
Other intangible assets	12	250	290	—	—
Property, plant and equipment	13	10,250	9,847	—	—
Investment in subsidiaries	14	—	—	5,192	7,365
Deferred tax assets	15	418	616	—	—
Trade and other receivables	17	586	586	586	624
Redeemable loan notes receivable	29	—	—	1,350	1,350
		12,555	15,611	7,128	9,339
Current assets					
Inventories	16	20,174	16,045	—	—
Trade and other receivables	17	12,502	9,901	213	62
Corporation tax receivable		51	63	—	—
Cash and cash equivalents	18	1,584	2,678	—	—
		34,311	28,687	213	62
Total assets		46,866	44,298	7,341	9,401
LIABILITIES					
Current liabilities					
Borrowings	19	(5,217)	(9,799)	(1,946)	(3,421)
Provisions	20	(415)	—	—	—
Trade and other payables	21	(8,213)	(5,606)	(124)	(34)
Corporation tax payable		(447)	(549)	—	—
		(14,292)	(15,954)	(2,070)	(3,455)
Net current assets/(liabilities)		20,019	12,733	(1,857)	(3,393)
Non-current liabilities					
Deferred tax liabilities	15	(437)	(371)	—	—
Borrowings	19	(7,348)	(1,773)	—	—
Trade and other payables	21	—	(789)	—	(789)
Post-employment benefits	26	(1,596)	(2,000)	—	—
Redeemable loan notes payable	29	(675)	(675)	(675)	(675)
		(10,056)	(5,608)	(675)	(1,464)
Total liabilities		(24,348)	(21,562)	(2,745)	(4,919)
Net assets		22,518	22,736	4,596	4,482
EQUITY					
Share capital	22	1,048	1,048	1,048	1,048
Share premium account	24	2,757	2,757	2,757	2,757
Own shares in share trust	24	(602)	(692)	(602)	(692)
Employee share option reserve	24	20	23	—	—
Foreign exchange reserve	24	880	741	—	—
Retained earnings	24	18,415	18,860	1,393	1,369
Equity attributable to owners of the Parent Company		22,518	22,737	4,596	4,482
Non-controlling interests	24	—	(1)	—	—
Total equity		22,518	22,736	4,596	4,482

Notes 1 - 30 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 3 December 2010 and were signed on its behalf by:

J.R. Grace
Chairman

R.A. Hope
Finance Director

Group and Parent Company Statement of Cash Flows

for the year ended 30 September 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Parent Company 2010 £'000	Parent Company 2009 £'000
Cash flow from operating activities					
Profit before taxation		2,071	3,501	1,215	1,056
Adjusted for:					
Foreign exchange gain		109	1,130	—	—
Depreciation of property, plant and equipment	13	1,042	952	—	—
Amortisation of intangible assets	12	174	167	—	—
Loss on disposal of property, plant and equipment	13	3	11	—	—
Loss on disposal of intangible assets	12	—	5	—	—
Loss on disposal of subsidiaries	14	88	—	—	—
Impairment of goodwill/cost of investment	11,14	2,432	—	3,384	—
Net interest payable	7	387	541	87	48
Share-based payments	23	21	20	—	—
Decrease in post-employment benefit obligation	26	(232)	(358)	—	—
Operating cash flow before movements in working capital		6,095	5,969	4,686	1,104
Changes in working capital:					
(Increase)/decrease in inventories	16	(4,169)	4,078	—	—
(Increase)/decrease in trade and other receivables	17	(2,614)	1,923	(61)	2,029
Increase/(decrease) in trade and other payables, and provisions	21	3,049	(1,295)	38	(400)
Cash generated from operations		2,361	10,675	4,663	2,733
Taxation (paid)/received	8	(1,312)	(755)	35	23
Net cash from operating activities		1,049	9,920	4,698	2,756
Cash flow from investing activities					
Disposal or acquisition of investments in subsidiaries	14	(38)	—	(2,000)	—
Purchase of property, plant and equipment	13	(1,437)	(879)	—	—
Purchase of intangible assets	12	(134)	(126)	—	—
Interest received	7	3	37	20	75
		(1,606)	(968)	(1,980)	75
Cash flow from financing activities					
Repayment of bank loans	19	(163)	(574)	—	—
Amounts converted to non-current borrowings	19	5,711	—	—	—
Interest paid	7	(390)	(578)	(108)	(123)
Dividends paid	9	(1,222)	(1,138)	(1,222)	(1,138)
Net sales of own shares by share trust	24	87	65	87	65
		4,023	(2,225)	(1,243)	(1,196)
Net increase in cash and cash equivalents		3,466	6,727	1,475	1,635
Cash and cash equivalents at beginning of period		(6,962)	(13,522)	(3,421)	(5,056)
Effect of foreign exchange rates		25	(167)	—	—
Cash and cash equivalents at end of period	18,19	(3,471)	(6,962)	(1,946)	(3,421)
Cash and cash equivalents comprise:					
Cash and cash equivalents	18	1,584	2,678	—	—
Bank borrowings	19	(5,055)	(9,640)	(1,946)	(3,421)
		(3,471)	(6,962)	(1,946)	(3,421)

Notes 1 - 30 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 30 September 2010

	Notes	2010 £'000	2009 £'000
Increase in cash and cash equivalents	18	3,491	6,560
Repayment of borrowings	19	163	574
Amounts converted from current borrowings	19	(5,711)	—
Cash (outflow)/inflow from change in net debt in the period		(2,057)	7,134
Effect of foreign exchange rates	25	(30)	(240)
Movement in net debt in the period	25	(2,087)	6,894
Net debt at start of the period	25	(8,894)	(15,788)
Net debt at end of the period	25	(10,981)	(8,894)

Notes 1 - 30 form part of these financial statements

1. GENERAL INFORMATION

Treatt plc ('the Parent Company') is a public limited company incorporated in the United Kingdom and domiciled in England and Wales. The Parent Company's shares are traded on the London Stock Exchange. The address of the registered office is included within the Parent Company Information section on page 2. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 8.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amended accounting standards

The following new standards and amendments to standards are mandatory and relevant to the Group for the first time for financial years beginning on or after 1 January 2009:

- IAS 1 (revised), "Presentation of financial statements". The most significant change within IAS 1 (revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group and Parent Company have elected to present comprehensive income in two statements. In addition, IAS 1 (revised) requires the statement of changes in equity to be presented as a primary statement.
- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting" and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision maker. The adoption of this standard has not resulted in a change in the Group's reportable segments and consequently a balance sheet at the start of the comparative period has not been presented as required by IAS 1 (revised). For further information see note 4, "Segmental information".
- IFRS 2 "Share based payments" has been adopted but has not had a material impact on the financial statements of the Group.

Accounting standards in issue but not yet effective

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

[1]IAS 24 Related party transactions (revised) – published 4 November 2009
[1]IAS 32 Financial instruments: Presentation – Classification of rights issues – published 8 October 2009
[1]IFRS 2 Share-based payments (amendment) – Group cash-settled share-based transactions – published 18 June 2009
IFRS 7 Financial instruments: Disclosures – Transfer of financial assets – published 7 October 2010
IFRS 9 Financial instruments – published 12 November 2009
IFRIC[2] 14 Prepayments of a minimum funding requirement – published 26 November 2009
IFRIC[2] 19 Extinguishing financial liabilities with equity instruments – published 26 November 2009
Improvements to IFRSs – published 6 May 2010
[1]Annual improvements 2008-2009 – published 16 April 2009

1 EU endorsed
2 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 or the Parent Company when the relevant standards and interpretations come into effect.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been used in the preparation of these financial statements are set out below.

Accounting convention

The Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union. The Parent Company has also prepared its own financial statements in accordance with IFRS as adopted by the European Union. The financial statements have also been prepared under the historical cost convention (unless a fair value basis is required by IFRS) and are in accordance with the Companies Act 2006 applicable for companies reporting under IFRS.

Of the profit for the financial year, £1.25m (2009: £1.08m) has been dealt with in the accounts of the Parent Company. The Parent Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

Basis of consolidation

The Group accounts consolidate the accounts of Treatt plc and all of its subsidiaries (entities controlled by the Parent Company) made up to 30 September each year. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. 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.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Parent Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 10.

3. SIGNIFICANT ACCOUNTING POLICIES continued

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".

Investments in subsidiaries
Investments in subsidiaries in the Parent Company balance sheet are stated at cost, less any provision for impairment.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

The accounting policy for goodwill is shown later in this note under intangible assets.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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 Group and/or Parent Company's premises or other storage depots, irrespective of the terms of trade.

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 Pounds 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 $1.58 (2009: $1.60) at the year end.

Income and expense items of the Group's overseas subsidiaries are translated into Pounds Sterling at the average rate for the year. Their balance sheets are 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 subsidiaries 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 Comprehensive Income 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.

Research and development expenditure
Expenditure on research activities is recognised as an expense and charged to the income statement in the period in which it is incurred.

Expenditure arising from any specific development is recognised as an asset only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Development expenditure meeting these conditions is amortised on a straight line basis over its useful life. Where these conditions for capitalising development expenditure have not been met, the related expenditure is recognised as an expense in the period in which it is incurred.

Leases
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.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax attributable to current profits.

Current tax
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 substantially enacted by the balance sheet date. Where the Group and/or Parent Company have a net current tax asset in one legal jurisdiction and a liability in another, and consequently have no legal right of set off, then these assets and liabilities will be shown separately on the balance sheet as required by IAS 12, "Income Taxes".

3. SIGNIFICANT ACCOUNTING POLICIES continued

Current tax continued
Current 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 current tax is also dealt with in equity.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. As the Group is in fact in a position to control the timing of the reversal of the temporary differences arising from its investments in subsidiaries it is not required to recognise a deferred tax liability. In view of the variety of ways in which these temporary differences may reverse, and the complexity of the tax laws, it is not possible to accurately compute the temporary differences arising from such investments. The Group provides for deferred tax liabilities on the undistributed earnings of its subsidiaries only when dividend distributions are planned.

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.

Where the Group and/or Parent Company have a net deferred tax asset in one legal jurisdiction and a liability in another, and consequently have no legal right of set off, then these assets and liabilities will be shown separately on the balance sheet as required by IAS 12, "Income Taxes".

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.

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 and interim dividends are not recognised until paid.

Cash flow
The Statement of Cash Flows explains the movement in cash and cash equivalents and short term borrowings.

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 very long (over 900 years) 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:
- Plant and machinery: 4-10 years
- Buildings: 50 years

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

Amortisation (which is included within administrative expenses) 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:
- Software licenses: 4-7 years

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 through to disposal. Provision is made for obsolete, slow-moving and defective items.

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

Financial instruments
Financial assets and financial liabilities are recognised on the Group and/or Parent Company's balance sheet when the Group and/or Parent Company have become a party to the contractual provisions of the instrument.

(a) Financial assets
Financial assets held by the Group are either classified as held for trading or are accounted for as trade receivables, loans, other receivables and cash and cash equivalents at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade and other receivables
Trade and other receivables are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

Loans receivable
All loans receivable are initially recognised at fair value. After initial recognition, interest-bearing loans are measured at cost less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

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 that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(b) Financial liabilities and equity instruments
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 or Parent Company after deducting all of its liabilities.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received, net of issue costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. All borrowing costs are recognised in the income statement in the period in which they are incurred.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

Pension costs

One of the Group's UK subsidiaries, R.C. Treatt & Co. Limited, operates a defined benefit scheme through an independently administered pension scheme.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out every three years and updated at each balance sheet date. The post-employment benefits obligation recognised in the balance sheet represents the present value of the defined benefit pension obligations adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the scheme.

In accordance with IAS 19, "Employee Benefits", the asset or liability in the defined benefit pension scheme is recognised as an asset or liability of the Group under non-current assets or 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 relating to the same jurisdiction (see Taxation accounting policy) and included in the deferred taxation asset or liability shown under non-current assets or liabilities.

The service cost and expected return on assets, net of interest on scheme liabilities, are 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 are reflected as a gain or loss in the Statement of Comprehensive Income.

The Group also operates a number of defined contribution pension schemes. The contributions for these schemes are charged to the income statement in the year in which they become payable.

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 and Parent Company balance sheets. The treatment in the Parent Company balance sheet reflects the substance of the entity's control of the trust.

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. The fair value excludes the effect of non market-based vesting conditions. This expense, which is in relation to employee share option schemes for staff in the UK and USA, is recognised on a straight-line basis over the vesting period of the scheme, based on the Group's estimate of the number of equity instruments that will eventually vest.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share option reserve.

Savings-related share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expense that would have arisen over the remainder of the original vesting period.

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 23.

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.

The key accounting judgements and sources of estimation uncertainty with a significant risk of causing a material adjustment to assets and liabilities in the next 12 months include the following:

Pensions – movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in the defined benefit pension scheme. The key assumptions used to value pension assets and liabilities are set out in note 26 'Pension schemes';

Useful economic life estimates – the Group reviews the useful economic lives attributed to assets on an ongoing basis to ensure they are appropriate. Changes in economic life could impact the carrying value and charges to the income statement in future periods;

Provisions – using information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required. Further information received after the balance sheet date may impact the level of provision required;

3. SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payments – in accordance with IFRS 2 'Share-based payments', share options and other share awards are measured at fair value at the date of grant. The fair value determined is then expensed in the income statement on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of the options are measured using the Black-Scholes option pricing model. The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised. Details of the assumptions made in respect of each of the share-based payment schemes are disclosed in note 23 'Share-based payments'. Changes in these assumptions could lead to changes in the income statement expense in future periods;

Goodwill – Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Goodwill also includes an estimate of deferred consideration payable using assumptions which are consistent with those used to determine the carrying value of goodwill. Revisions to the estimate of deferred consideration will impact the carrying value of goodwill, and therefore could impact on its impairment. Movements in deferred consideration do not directly impact upon the income statement. The carrying amount of goodwill at the balance sheet date was £1,051,000 after an impairment loss of £2,432,000 was recognised during the year. Future changes in performance or disposals could impact this value. Details of the impairment loss calculation and assumptions made in respect of goodwill and deferred consideration are disclosed in note 11. These estimates could change materially in future years in line with actual and expected future performance.

4. SEGMENTAL INFORMATION

Group

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 October 2009. IFRS 8 requires operating segments to be identified on the basis of internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM is deemed to be the Managing Director who is primarily responsible for the allocation of resources to the segments and for assessing their performance. The disclosure in the Group accounts of segmental information is consistent with the information used by the CODM in order to assess profit performance from the Group's operations.

Previously, segments were determined and presented in accordance with IAS 14, "Segment Reporting". The adoption of IFRS 8 has not resulted in a change to the Group's reportable segments.

(1) Business segments

The Group has identified two operating segments as follows:

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

These reportable segments were identified as they are managed separately as the products supplied, and the processes used in order to produce the products, differ.

A significant proportion of the Group's resources, assets and liabilities are shared by both business segments and therefore, necessarily, the segment profit before tax, 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 2010	Manufacturing	Aroma chemicals & other	Unallocated	Total
Revenue	29,919	33,379	—	63,298
Segment profit	3,414	1,402	—	4,816
Goodwill impairment (see note 11)	—	—	(2,432)	(2,432)
Net finance costs (see note 7)	—	—	(313)	(313)
Profit before taxation	3,414	1,402	(2,745)	2,071
Taxation	—	—	(1,417)	(1,417)
Profit after taxation	**3,414**	**1,402**	**(4,162)**	**654**
Segment assets	26,587	20,279	—	46,866
Segment liabilities	(9,997)	(12,755)	(1,596)	(24,348)
Net segment assets	**16,590**	**7,524**	**(1,596)**	**22,518**
Segment capital expenditure	**812**	**761**	**—**	**1,573**
Segment depreciation and amortisation	**699**	**517**	**—**	**1,216**

4. SEGMENTAL INFORMATION continued

Group continued

(1) Business segments continued

Earthoil belongs to both segments and therefore it is not possible to identify the split of the impairment between the segments. Consequently the impairment has been disclosed as unallocated.

Year ended 30 September 2009	Manufacturing	Aroma chemicals & other	Unallocated	Total
Revenue	27,555	28,758	—	56,313
Segment profit	1,958	1,935	—	3,893
Net finance costs	—	—	(392)	(392)
Profit before taxation	1,958	1,935	(392)	3,501
Taxation	—	—	(1,013)	(1,013)
Profit after taxation	**1,958**	**1,935**	**(1,405)**	**2,488**
Segment assets	25,416	18,882	—	44,298
Segment liabilities	(8,204)	(11,358)	(2,000)	(21,562)
Net segment assets	**17,212**	**7,524**	**(2,000)**	**22,736**
Segment capital expenditure	**518**	**487**	**—**	**1,005**
Segment depreciation and amortisation	**674**	**445**	**—**	**1,119**

(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:

	2010 £'000	2009 £'000
Revenue by destination		
United Kingdom	8,950	8,256
Rest of Europe	18,551	16,448
The Americas	19,238	17,875
Rest of the World	16,559	13,734
	63,298	56,313

All Group revenue is in respect of the sale of goods, other than property rental income of £28,000 (2009 - £47,000).

Non-current assets by country have not been disclosed as the costs of developing this information, particularly in respect of 'goodwill' and 'trade and other receivables', would be excessive.

5. OPERATING PROFIT is stated after charging/(crediting)

	2010 £'000	2009 £'000
Depreciation of property, plant & equipment	1,042	952
Amortisation of intangible assets (included in administrative expenses)	174	167
Loss on disposal of property, plant & equipment	3	10
Loss on disposal of intangible assets	—	5
Research and development costs	517	533
Operating leases		
- plant & machinery	14	35
- land & buildings	103	126
Net exchange loss on trading activities	208	453
Rent receivable	(28)	(47)
Cost of inventories recognised as expense	38,135	35,550
The analysis of auditor's remuneration is as follows:		
Fees payable to the Parent Company's auditors for the audit of the Parent Company and Group accounts	27	27
Fees payable to the Parent Company's auditors and their associates for other services to the Group		
- audit of the Parent Company's subsidiaries pursuant to legislation	55	54
Total audit fees	82	81
- tax services	10	8
Total non-audit fees	10	8

6. EMPLOYEES

Group

(1) Number of employees

During the year the average number of staff employed by the Group, including Directors, was as follows:

	2010 Number	2009 Number
Technical and production	126	129
Administration and sales	118	119
	244	248

(2) Employment costs

The followings costs were incurred in respect of the above:

	2010 £'000	2009 £'000
Wages and salaries	8,392	7,595
Social security costs	758	746
Pension costs (see note 26)	772	696
Share-based payments (see note 23)	21	20
	9,943	9,057

(3) Directors

The information on Directors' emoluments and share options set out on pages 15 to 18 form part of these financial statements.

7. NET FINANCE COSTS

Group		2010 £'000	2009 £'000
(1) Finance revenue	- bank interest received	3	16
	- other interest received	—	7
	- loan note interest received	—	14
	- pension finance income (see note 26)	74	149
		77	186
(2) Finance costs	- bank overdraft interest paid	(247)	(384)
	- other interest paid	(50)	(52)
	- loan interest paid	(83)	(128)
	- loan note interest paid	(10)	(14)
		(390)	(578)

8. TAXATION

Group	2010 £'000	2009 £'000
(a) Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	950	870
Adjustments to UK tax in respect of previous periods	(8)	(6)
Overseas tax for the period	253	—
Adjustments to overseas tax in respect of previous periods	4	8
Total current tax	1,199	872
Deferred tax:		
Origination and reversal of timing differences	179	142
Effect of reduced rate on opening asset or liability (see note 15)	8	—
Adjustments in respect of previous periods	31	(1)
Total deferred tax (see note 15)	218	141
Tax on profit on ordinary activities	1,417	1,013

Current tax of £28,000 (2009: £175,000) was debited to equity in respect of foreign currency translation differences and deferred tax of £41,000 (2009: £510,000) was debited (2009 – credited) to equity in respect of post-employment benefit obligations.

(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 (28%). The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 28% (2009: 28%)	580	980
Effects of:		
Expenses not deductible in determining taxable profit and other items	84	(19)
Difference in tax rates on overseas earnings	47	51
Adjustments to tax charge in respect of prior years	25	1
Goodwill impairment not allowable	681	—
Total tax charge for the year	1,417	1,013

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

9. DIVIDENDS

Parent Company and Group	2010 £'000	2009 £'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2009 – 3.7p per share	376	—
Final dividend for year ended 30 September 2009 – 8.3p per share	846	—
Interim dividend for year ended 30 September 2008 – 3.6p per share	—	365
Final dividend for year ended 30 September 2008 – 7.6p per share	—	773
	1,222	1,138

The declared interim dividend for the year ended 30 September 2010 of 4.1 pence was approved by the Board on 21 May 2010 and was paid on 15 October 2010. Accordingly it has not been included as a deduction from equity at 30 September 2010. The proposed final dividend for the year ended 30 September 2010 of 8.9 pence will be voted on at the Annual General Meeting on 25 February 2011. Both dividends will therefore be accounted for in the results for the year ended 30 September 2011.

10. EARNINGS PER SHARE

(1) Basic earnings per share
Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,199,504 (2009: 10,167,177).

Basic earnings per share has been shown both before and after goodwill impairment of £2.4m. The earnings used to calculate basic earnings per share before and after goodwill are earnings of £3,086,000 and £654,000 respectively (2009: £2,488,000).

(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 10,237,603 (2009: 10,177,825), and earnings (after goodwill impairment) of £654,000.

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

	2010 No ('000)	2009 No ('000)
Weighted average number of shares	10,481	10,481
Weighted average number of shares held in employee benefit trust	(281)	(314)
Weighted average number of shares used for calculating basic EPS	10,200	10,167
Executive share option schemes	4	4
Savings-related share options	34	7
Weighted average number of shares used for calculating diluted EPS	10,238	10,178

11. GOODWILL

Group	Goodwill £'000
Cost	
1 October 2008	*3,763*
Increase in estimated deferred consideration	*509*
1 October 2009	4,272
Decrease in estimated deferred consideration	(789)
Impairment	(2,432)
30 September 2010	**1,051**

11. GOODWILL continued

In March 2007 the Parent Company acquired 50% of Earthoil Plantations Limited and Earthoil Kenya EPZ Pty Limited (collectively known as 'Earthoil') and in the financial year ending 30 September 2008 the remaining 50% of Earthoil was acquired. The consideration for the second 50% is entirely based upon an earn-out formula in relation to the profits of Earthoil in the calendar years 2010 and 2011. This contingent consideration has been estimated at £Nil (2009: £789,000) based on the estimates used in carrying out the required impairment review of the goodwill in relation to the acquisition of Earthoil.

The goodwill arising on the acquisition of Earthoil is attributable to the anticipated profitability of Earthoil's products in new and rapidly growing existing markets and the anticipated future operating synergies from the combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill arising on the acquisition of Earthoil is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue and overhead growth rates, and perpetuity growth rate. Management estimates discount rates using pre-tax rates that reflect market assessments of the time value of money and the risks specific to Earthoil. In the light of the current economic environment the Group has impaired the goodwill by £2,432,000 (2009: £Nil). In carrying out this impairment, the Group has prepared cash flow forecasts derived from the actual results for the preceding twelve months, whereas previously the cash flow forecasts were based on the financial budgets for the next twelve months. In addition, the Group has revised down its estimates for revenue growth for the following four years to 6.25% (2009: 10%) per annum, with overheads assumed to increase at 5% (2009: 5%) per annum. Thereafter, a growth rate for pre-tax profit of 2% (2009: 2%) per annum is assumed into perpetuity. A rate of 12.5% (2009: 12.5%) has been used to discount the forecast cash flows. These exact same assumptions have been used to derive the estimated deferred consideration which becomes payable in 2012 based upon the average pre-tax profits for 2010 and 2011 and consequently no further consideration is expected to become payable. The key assumptions are based on past experience adjusted for expected changes in future conditions.

12. OTHER INTANGIBLE ASSETS

Group	Software licences £'000
Cost	
1 October 2008	*1,162*
Exchange adjustment	*1*
Additions	*126*
Disposals	*(172)*
1 October 2009	1,117
Additions	134
Disposals	(2)
30 September 2010	**1,249**
Amortisation	
1 October 2008	*826*
Exchange adjustment	*1*
Charge for period	*167*
Disposals	*(167)*
1 October 2009	827
Charge for period	174
Disposals	(2)
30 September 2010	**999**
Net book value	
30 September 2010	**250**
30 September 2009	290

Intangible assets with a net book value of £7,000 (2009: £9,000) have been pledged as security in relation to the Industrial Development Loan detailed in note 19.

13. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2008	*5,924*	*7,614*	*13,538*
Exchange adjustment	*350*	*347*	*697*
Additions	*6*	*873*	*879*
Disposals	*(9)*	*(222)*	*(231)*
1 October 2009	6,271	8,612	14,883
Exchange adjustment	50	34	84
Additions	356	1,083	1,439
Disposals	—	(244)	(244)
30 September 2010	**6,677**	**9,485**	**16,162**
Depreciation			
1 October 2008	*373*	*3,704*	*4,077*
Exchange adjustment	*41*	*187*	*228*
Charge for period	*64*	*888*	*952*
Disposals	*—*	*(221)*	*(221)*
1 October 2009	478	4,558	5,036
Exchange adjustment	6	25	31
Charge for period	74	968	1,042
Disposals	—	(197)	(197)
30 September 2010	**558**	**5,354**	**5,912**
Net book value			
30 September 2010	**6,119**	**4,131**	**10,250**
30 September 2009	5,793	4,054	9,847

Analysis of land & buildings

	2010 £'000	2009 £'000
Net book value		
Freehold	**4,973**	5,058
Long Leasehold	**1,146**	735
	6,119	5,793

Included in plant and machinery are assets in the course of construction totalling £357,000 (2009: £370,000).

Approximately 15% of the long leasehold net book value was leased to a fellow group undertaking and from August 2010 approximately a further 10% was leased to a third party. The resultant combined rents receivable in 2010 from both tenants totalled £28,000 (2009: £47,000).

Property, plant and equipment with a net book value of £3.7m (2009: £3.7m) has been pledged as security in relation to the Industrial Development Loan detailed in note 19.

13. PROPERTY, PLANT AND EQUIPMENT continued

Capital commitments

	2010 £'000	2009 £'000
Contracted but not provided for	137	126

14. INVESTMENTS IN SUBSIDIARIES

Parent Company	Total £'000
Cost	
1 October 2009	*6,979*
Increase in estimated deferred consideration	*386*
1 October 2010	7,365
Acquisition of new shares issued by subsidiary	2,000
Decrease in estimated deferred consideration	(789)
Impairment	(3,384)
30 September 2010	**5,192**

Parent Company	2010 £'000	2009 £'000
Subsidiary:		
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
Earthoil Plantations Limited 4,051,000 (2009: 51,000) ordinary shares of 50p each, fully paid	911	2,013
Earthoil Kenya Pty Limited 2,500 'A' ordinary shares of KES20 each, fully paid 2,500 'B' ordinary shares of KES20 each, fully paid	140	1,211
	5,192	7,365

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
Earthoil Plantations Limited	England	100%	Supply of organic & fair trade essential & vegetable oils
Earthoil Kenya EPZ Pty Limited	Kenya	100%	Supply of organic & fair trade vegetable oils
Earthoil Extracts Limited	Kenya	100%	Supply of organic & fair trade essential oils
Earthoil India Private Limited	India	80%	Supply of organic & fair trade essential oils

During the year the Group disposed of Earthoil South Africa (Pty) Limited, a wholly owned subsidiary, resulting in a loss on disposal of £88k which is not considered to be material.

15. DEFERRED TAXATION

	2010 £'000	2009 £'000
UK deferred tax asset	418	616
Overseas deferred tax liability	(437)	(371)
Net deferred tax (liability)/asset	(19)	245

A reconciliation of the net deferred asset/(liability) is shown below:

	UK Deferred Tax				Overseas Deferred Tax		
Group	Post-employment benefits £'000	Accelerated capital allowances £'000	Tax losses £'000	Other temporary timing differences £'000	Accelerated capital allowances £'000	Other temporary timing differences £'000	Total £'000
1 October 2008	*151*	*(189)*	*211*	*12*	*(390)*	*111*	*(94)*
Exchange differences	*—*	*—*	*—*	*—*	*(44)*	*14*	*(30)*
(Charge)/credit to income statement	*(101)*	*27*	*—*	*(5)*	*(19)*	*(43)*	*(141)*
Credited to equity	*510*	*—*	*—*	*—*	*—*	*—*	*510*
1 October 2009	560	(162)	211	7	(453)	82	245
Exchange differences	—	—	—	—	(6)	1	(5)
(Charge)/credit to income statement	(136)	17	(30)	(8)	(55)	(6)	(218)
Charge to equity	(41)	—	—	—	—	—	(41)
30 September 2010	**383**	**(145)**	**181**	**(1)**	**(514)**	**77**	**(19)**

At the balance sheet date, Earthoil Plantations Limited had unused tax losses of £751,000 (2009 - £751,000) available for offset against its future profits. The deferred tax asset for Earthoil Plantations has been recognised as the projections for the company demonstrate that it is expected to trade profitably in the future. At the balance sheet date, R.C. Treatt & Co Limited had a deferred tax asset in relation to its pension liability. R.C. Treatt & Co Limited have a specific plan in place to reverse the deficit and so this deferred tax asset has also been recognised.

The deferred tax rate applied to UK companies within the Group has been reduced from 28% to 24%. Legislation has been substantively enacted which reduces the main rate of UK corporation tax from 28% in 2010 to 27% in 2011, and it has been announced that this will be further reduced to 24% by 2014. It is considered to be materially correct to assume that the most suitable rate of deferred tax to apply to UK companies within the Group is therefore 24%.

16. INVENTORIES

Group	2010 £'000	2009 £'000
Raw materials	9,321	8,043
Work in progress	6,993	5,616
Finished goods	3,860	2,386
	20,174	16,045

Inventory with a carrying value of £4.8m (2009: £4.2m) has been pledged as security in relation to the Industrial Development Loan detailed in note 19.

17. TRADE AND OTHER RECEIVABLES

Current	Group 2010 £'000	Group 2009 £'000	Parent Company 2010 £'000	Parent Company 2009 £'000
Trade receivables	11,027	8,571	—	—
Amounts owed by subsidiaries	—	—	180	45
Other receivables	873	653	33	17
Prepayments	602	677	—	—
	12,502	9,901	213	62

Non-current	Group 2010 £'000	Group 2009 £'000	Parent Company 2010 £'000	Parent Company 2009 £'000
Amounts owed by subsidiaries	—	—	—	38
Other receivables	586	586	586	586
	586	586	586	624

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

The Group's credit risk is primarily attributable to its trade receivables. Before accepting any new customer, the Group uses a range of information, including credit reports, industry data and other publicly or privately available information in order to assess the potential customer's credit quality and defines credit limits by customer, and where appropriate will only accept orders on the basis of cash in advance, or if secured through a bank letter of credit. Processes are in place to manage trade receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of any specific changes in circumstances. The average credit period taken for trade receivables is 57 days (2009: 62 days). An impairment review has been undertaken at the balance sheet date to assess whether the carrying amount of financial assets is deemed recoverable. The primary credit risk relates to customers which have amounts due outside of their credit period. A provision for impairment is made when there is objective evidence of impairment which is usually indicated by a delay in the expected cash flows or non payment from customers. The amounts presented in the balance sheet are net of amounts that are individually determined to be impaired of £0.2m (2009: £0.2m), 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 25% (2009: 26%) 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 Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group holds no collateral against these receivables at the balance sheet date.

The ageing profile of trade receivables which are past their due date but not impaired is as follows:

Group	Number of days past the due date 1-30 £'000	31-60 £'000	Over 60 £'000
2010	1,661	245	154
2009	1,013	314	211

The ageing profile of impaired trade receivables is as follows:

Group	Current £'000	Number of days past the due date 1-30 £'000	31-60 £'000	Over 60 £'000
2010	58	41	24	87
2009	—	—	—	153

At 30 September 2010 £3.0m (2009: £2.2m) of trade receivables were denominated in Sterling, £6.6m (2009: £4.7m) in US Dollars and £1.4m (2009: £1.4m) in Euros. The currency risk in respect of trade receivables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 29 on pages 50 to 52 and the OFR on pages 5 to 7.

Trade receivables with a carrying value of £2.0m (2009: £1.7m) have been pledged as security in relation to the Industrial Development Loan detailed in note 19.

There is no credit risk associated with non-current other receivables of £0.6m (2009: £0.6m) as these amounts are contractually fully recoverable against loan notes payable of £0.7m (2009: £0.7m) when they fall due, and are recoverable at an earlier date if deferred consideration in respect of Earthoil becomes payable.

18. CASH AND CASH EQUIVALENTS

Group

Cash and cash equivalents of £1,584,000 (2009: £2,678,000) 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.

A detailed analysis of cash balances by currency is shown in note 29. All material cash balances are held with the Group's main banks, being Lloyds Banking Group, HSBC and Bank of America. The credit ratings of these banks are considered to be satisfactory.

19. BORROWINGS

	Group		Parent Company	
Current	2010 £'000	2009 £'000	2010 £'000	2009 £'000
US industrial development loan	162	159	—	—
Bank borrowings	5,055	9,640	1,946	3,421
	5,217	9,799	1,946	3,421

	Group	
Non-current	2010 £'000	2009 £'000
US industrial development loan	1,637	1,773
UK revolving credit facility	5,711	—
	7,348	1,773

US loans and borrowings

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 and at 3.66% for ten years ending on 1 July 2021 both by way of interest rate swaps which cover the full term of the loan. The fair value of these interest rate swaps at the year end was £238,000 (2009 - £198,000) based on year end exchange rates. The fair values of interest rate swaps are not included on the balance sheet or through the income statement as the amounts involved are not material. The Directors do not apply hedge accounting due to the lack of materiality of the items involved. This loan, together with a US Dollar overdraft facility ('line of credit') of US$4 million, both held by Treatt USA Inc, are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

Other borrowings

The Group's main UK overdraft facilities are unsecured and committed. During the year, US$9m of UK borrowings were transferred from a one year to a three year revolving credit facility which expires in 2013. All other borrowings have expiry dates in 2011 other than overdrafts totalling less than £1.4m (2009: £0.1m) which were repayable on demand.

The US loan and UK revolving credit facility are repayable as follows:

	2010 £'000	2009 £'000
- in one year or less	162	159
- in more than one year but not more than two years	162	159
- in more than two years but not more than five years	6,197	477
- in more than five years	989	1,137
	7,510	1,932

Further information on Group borrowing facilities is given in notes 28 and 29, including a detailed analysis of cash balances by currency.

Borrowing facilities

At 30 September 2010, the Group had total borrowing facilities of £17.6m (2009: £17.6m) of which £11.9m (2009: £17.6m) expire in one year or less and £6.8m (2009: £9.1m) were undrawn.

20. PROVISIONS

Group	2010 £'000	2009 £'000
Onerous contract provision:		
At start of year	—	436
Utilised in year	—	(436)
Additional provision in year	415	—
Balance at end of year	415	—

Onerous contract provisions relate to losses which are or were expected to materialise in the following twelve months on fixed price contracts as a result of significant increases in certain raw material prices.

21. TRADE AND OTHER PAYABLES

	Group		Parent Company	
Current	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	5,013	3,509	—	—
Amounts owed to subsidiaries	—	—	123	34
Other taxes and social security costs	423	350	1	—
Accruals	2,777	1,747	—	—
	8,213	5,606	124	34

	Group		Parent Company	
Non-current	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Other creditors and accruals	—	789	—	789

Trade payables principally comprise amounts for trade purchases and ongoing costs. The average credit period taken for trade payables is 39 days (2009: 30 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

At 30 September 2010 £1.2m (2009: £1.1m) of trade payables were denominated in Sterling, £3.3m (2009: £1.2m) in US Dollars and £0.6m (2009: £0.6m) in Euros. The currency risk in respect of trade payables is managed in conjunction with the other currency risks faced by the Group as part of its overall hedging strategy. For further details see note 29 on pages 50 to 52 and the OFR on pages 5 to 7.

Non-current other creditors and accruals in the prior year related to the deferred consideration payable to the vendors in relation to the acquisition of Earthoil. The undiscounted amount payable will be determined at maturity based upon the contractual earn-out formula.

22. SHARE CAPITAL

Parent Company and Group Called up, allotted and fully paid	2010 £'000	2010 Number	2009 £'000	2009 Number
At start and end of period	1,048	10,481,034	1,048	10,481,034

The Parent Company has one class of ordinary shares, with a nominal value of 10p each, which carry no right to fixed income.

23. SHARE-BASED PAYMENTS

Group

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.

The Group operates executive share option schemes for Directors and senior management within the Group in addition to issuing UK and US approved savings-related share options for employees of certain subsidiaries. Options are granted with a fixed exercise price and will lapse when an employee leaves the Group subject to certain 'good leaver' provisions.

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 Parent Company. All share options are expected to be settled via the transfer of shares out of the "Treatt Employee Benefit Trust".

(a) The options outstanding at 30 September 2010 for which no share-based payment charge has been made are as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
Treatt Executive Share Option Scheme No I	6,550	6,779	209p	Between June 2004 and June 2011

(b) The options outstanding at 30 September 2010 for which a share-based payment charge of £21,000 (2009: £20,000) has been made are as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
R.C. Treatt Employee Save As You Earn Share Scheme 2007 ***"SAYE 2007"***	3,442	23,026	258.0p	Between September 2010 and March 2011
R.C. Treatt Employee Save As You Earn Share Scheme 2008 ***"SAYE 2008"***	36,711	2,416	195.0p	Between September 2011 and March 2012
R.C. Treatt Employee Save As You Earn Share Scheme 2009 ***"SAYE 2009"***	52,400	599	170.0p	Between September 2012 and March 2013
R.C. Treatt Employee Save As You Earn Share Scheme 2009 ***"SAYE 2010"***	39,062	—	222.0p	Between September 2013 and March 2014
Treatt USA Employee Stock Purchase Plan 2009 ***"TUSA 2010"***	2,777	—	236.0p	July 2011

23. SHARE-BASED PAYMENTS continued

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 2007	SAYE 2008	SAYE 2009	SAYE 2010	TUSA 2010
Share price at date of grant	316.5p	216.5p	233.5p	299.5p	299.5p
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	1 year
Expected life	3 years	3 years	3 years	3 years	1 year
Expected volatility	17.8%	18.0%	19.2%	21.7%	19.8%
Risk free interest rate	5.63%	4.93%	3.10%	2.08%	2.08%
Dividend yield	3.3%	5.0%	4.8%	4.1%	4.1%
Expected cancellations	15.0%	15.0%	15.0%	15.0%	10.0%
Expected forfeitures	21.7%	12.5%	15.0%	15.0%	15.0%
Fair value per option at date of grant	66.0p	27.6p	45.1p	58.9p	53.7p

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period equivalent to the vesting period of the respective options prior to their date of grant.

The risk-free interest rate was based on the simple average of the historical daily gilt yields quoted for five year benchmark gilts during the month in which a grant of options is made.

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

	No of options	2010 Weighted average exercise price	No of options	2009 Weighted average exercise price
Outstanding at start of period	155,946	£2.01	160,634	£2.23
Granted during the period	41,839	£2.23	63,555	£1.73
Forfeited during the period	(9,694)	£1.99	(10,592)	£2.21
Exercised during the period	(36,488)	£2.40	(28,351)	£2.21
Expired during the period	(3,008)	£2.50	(29,300)	£2.35
Cancelled during the period	(7,653)	£2.03	—	—
Outstanding at end of period	140,942	£2.07	155,946	£2.01
Exercisable at end of period	9,992	£2.26	16,774	£2.15

Forfeiture arises when the employee is no longer entitled to participate in the savings-related share option scheme as a consequence of leaving the Group whereas cancellation arises when a participant voluntarily chooses to cease their membership of a scheme within the vesting period.

The options outstanding had a weighted average remaining contractual period of 2.3 years (2009: 2.5 years). The weighted average actual market share prices on date of exercise for share options exercised during the year was 305.4 pence (2009: 271.9 pence) and the weighted average fair value of options granted during the year was 58.6 pence (2009: 43.8 pence).

24. RESERVES

	No	Own shares in share trust £'000	Share premium £'000	Retained earnings £'000	Minority Interest £'000	Foreign exchange reserve £'000	Employee share option reserve £'000	Total £'000
Group								
1 October 2008	*316*	*(761)*	*2,757*	*18,975*	*(4)*	*(453)*	*31*	*20,545*
Net profit for the period	—	—	—	*2,485*	*3*	—	—	*2,488*
Dividends	—	—	—	*(1,138)*	—	—	—	*(1,138)*
Shares disposed of in the period	*(28)*	*69*	—	—	—	—	—	*69*
Loss on release of shares in share trust	—	—	—	*(4)*	—	—	—	*(4)*
Share-based payments	—	—	—	—	—	—	*20*	*20*
Exercise of options previously charged	—	—	—	*28*	—	—	*(28)*	—
Exchange differences	—	—	—	*(175)*	—	*1,194*	—	*1,019*
Actuarial loss on defined benefit pension scheme net of deferred tax	—	—	—	*(1,311)*	—	—	—	*(1,311)*
1 October 2009	288	(692)	2,757	18,860	(1)	741	23	21,688
Net profit for the period	—	—	—	653	1	—	—	654
Dividends	—	—	—	(1,222)	—	—	—	(1,222)
Shares disposed of in the period	(36)	90	—	—	—	—	—	90
Loss on release of shares in share trust	—	—	—	(3)	—	—	—	(3)
Share-based payments	—	—	—	—	—	—	21	21
Exercise of options previously charged	—	—	—	24	—	—	(24)	—
Exchange differences	—	—	—	(28)	—	139	—	111
Actuarial gain on defined benefit pension scheme net of deferred tax	—	—	—	131	—	—	—	131
30 September 2010	**252**	**(602)**	**2,757**	**18,415**	**—**	**880**	**20**	**21,470**
Parent Company								
1 October 2008	*316*	*(761)*	*2,757*	*1,432*	—	—	—	*3,428*
Net profit for the year	—	—	—	*1,079*	—	—	—	*1,079*
Dividends	—	—	—	*(1,138)*	—	—	—	*(1,138)*
Shares disposed of in the period	*(28)*	*69*	—	—	—	—	—	*69*
Loss on release of shares in share trust	—	—	—	*(4)*	—	—	—	*(4)*
1 October 2009	288	(692)	2,757	1,369	—	—	—	3,434
Net profit for the year	—	—	—	1,249	—	—	—	1,249
Dividends	—	—	—	(1,222)	—	—	—	(1,222)
Shares disposed of in the period	(36)	90	—	—	—	—	—	90
Loss on release of shares in share trust	—	—	—	(3)	—	—	—	(3)
30 September 2010	**252**	**(602)**	**2,757**	**1,393**	**—**	**—**	**—**	**3,548**

Employee Benefit Trust

The shares held in the Treatt Employee Benefit Trust (the 'EBT') are all held to meet options to be exercised by employees. The number of shares held by the EBT, together with the net acquisition costs, are shown within this note. Dividends on these shares have been waived except for 0.001p per share.

The market value of the shares held by the EBT at 30 September 2010 was £813,000 (2009: £795,000).

25. ANALYSIS OF NET DEBT

Group	2009 £'000	Cash flow £'000	Exchange difference £'000	**2010 £'000**
Cash at bank	2,678	(1,115)	21	**1,584**
Bank overdrafts	(9,640)	4,581	4	**(5,055)**
Bank loans due in one year	(159)	(1)	(2)	**(162)**
Bank loans due after more than one year	(1,773)	(5,547)	(28)	**(7,348)**
	(8,894)	(2,082)	(5)	**(10,981)**

26. PENSION SCHEMES

Group

The Group has continued to operate a wholly-funded 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. Pensionable salary for the remaining members of the scheme is based upon the lower of their actual salary upon retirement or leaving the Group and their 2003 salary as increased by inflation.

Defined contribution schemes are operated on behalf of eligible employees, the assets of which are held separately from those of the Group in independently administered funds.

The pension charge for the year principally 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:

	2010 £'000	2009 £'000
Defined benefit scheme – current service cost	525	483
Defined contribution schemes	225	201
Other pension costs	22	12
	772	696

The Group 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 2009 and updated by Mr N.P. 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 2010. Scheme assets are stated at their market value as at that date.

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

	2010	2009
Discount rate	5.30%	5.50%
Expected return on scheme assets	6.13%	6.93%
Rate of increase in salaries	2.75%	3.00%
Rate of increase in pensions in payment – LPI 5%	2.75%	3.00%
Rate of increase in pensions in payment – LPI 2.5%	2.20%	2.30%
Rate of increase in pensions in deferment	2.75%	3.00%
Rate of inflation	2.75%	3.00%
Mortality table	2000 series table with long cohort mortality min of 1.0% p.a. improvements with 110% scaling of mortality rates	2000 series table with long cohort mortality min of 1.0% p.a. improvements with 110% scaling of mortality rates
Life expectancy for current 65 year old male	21.8	21.7
Life expectancy for male aged 65 in 10 years time	22.9	22.8
Commutation allowance	20%	20%

The expected return on individual classes of pension scheme assets are determined by reference to external indices and after taking advice from external advisers. The overall expected rate of return shown above is the weighted average of the returns allowing for anticipated balances held in each asset class according to the scheme's investment strategy. The actual return on scheme assets was a gain of £1.02m (2009: gain of £1.5m). The Group expects to make on-going contributions of approximately £680,000 to its defined benefit pension scheme in 2011 (2010: £720,000).

26. PENSION SCHEMES continued

	2010 £'000	2009 £'000
Scheme assets:		
Equities	8,470	7,808
Bonds	4,550	3,898
Other	717	721
Fair value of scheme assets	13,737	12,427
Present value of funded obligations (scheme liabilities)	(15,333)	(14,427)
Deficit in the scheme recognised in the balance sheet	(1,596)	(2,000)
Related deferred tax	383	560
Net pension liability	(1,213)	(1,440)
Changes in scheme liabilities		
Balance at start of period	(14,427)	(11,027)
Current service cost	(525)	(483)
Interest cost	(796)	(781)
Benefits paid	394	229
Actuarial gains/(losses)	21	(2,365)
Balance at end of period	(15,333)	(14,427)
Changes in scheme assets		
Balance at start of period	12,427	10,489
Expected return on scheme assets	870	930
Employer contributions	683	693
Benefits paid	(394)	(229)
Actuarial gains	151	544
Balance at end of period	13,737	12,427

26. PENSION SCHEMES continued

	2010 £'000	2009 £'000
Amount charged to operating profit		
Current service cost	(525)	(483)
Total operating charge	(525)	(483)
Amount credited to finance revenue		
Expected return on assets	870	930
Interest on scheme liabilities	(796)	(781)
Net finance revenue	74	149
Net expense recognised in income statement	(451)	(334)
Amount recognised in statement of comprehensive income		
Actual less expected return on assets	151	544
Experience gain/(loss) on liabilities	110	(190)
Effect of change in assumptions on liabilities	(89)	(2,175)
Total gain/(loss) recognised in statement of comprehensive income	172	(1,821)
Actual return on scheme assets	1,021	1,474
Statement of comprehensive income		
Actuarial gain from assets	151	544
Actuarial gain/(loss) from liabilities	21	(2,365)
Actuarial loss recognised in statement of comprehensive income	172	(1,821)
Cumulative actuarial loss recognised in statement of comprehensive income	(1,406)	(1,578)
Movement in balance sheet net liability during the period		
Net liability at start of period	(2,000)	(538)
Current service cost	(525)	(483)
Cash contribution	683	693
Other finance income	74	149
Actuarial gain/(loss)	172	(1,821)
Net liability at end of period	(1,596)	(2,000)

History of scheme assets, liabilities, experience gains and losses:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Scheme assets	13,737	12,427	10,489	12,092	9,521
Scheme liabilities	(15,333)	(14,427)	(11,027)	(12,022)	(12,611)
Net (liability)/asset	(1,596)	(2,000)	(538)	70	(3,090)
Difference between expected and actual returns on scheme assets:	151	544	(2,989)	342	266
Experience gains/(losses) on scheme liabilities:	110	(190)	1	112	932
Total actuarial gain/(loss):	172	(1,821)	(1,011)	1,900	(389)

27. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2010, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 £'000	2009 £'000
Within one year	75	101
Within one to two years	65	43
In two to five years	86	58
In more than five years	3,186	—
	3,412	202

The Group as lessor

As at 30 September 2010, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2010 £'000	2009 £'000
Within one year	16	—
Within one to two years	7	—
	23	—

28. CONTINGENT LIABILITIES

Parent Company

The Parent 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$2,835,000 (£1,799,000) (2009: US$3,090,000 (£1,932,000)).

The Parent Company has also guaranteed certain bank borrowings of its UK subsidiaries R.C. Treatt & Co. Limited and Earthoil Plantations Limited. At the year end the liabilities covered by this guarantee amounted to £8,821,000 (2009: £5,123,000).

29. FINANCIAL INSTRUMENTS

Group and Parent Company

Capital risk management

The Group and Parent Company manage their capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt, as disclosed in note 25, and equity shareholders' funds, as disclosed in notes 22 and 24. The Group is not subject to any externally imposed capital requirements. Board policy is to operate with a mix of short and medium term borrowings, and during the year $9 million was switched from a short-term one year facility to a medium-term three year facility. The Group's net debt position is monitored daily and reviewed by management on a weekly basis. Further details of the Group's capital management are given in the Chairman's Statement and OFR on pages 4 to 7.

Categories of financial instruments

	Group		Parent Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Financial assets				
Redeemable loan notes receivable from subsidiaries	—	—	1,350	1,350
Trade receivables	11,027	8,571	—	—
Cash and cash equivalents	1,584	2,678	—	—
	12,611	11,249	1,350	1,350
Financial liabilities				
Redeemable loan notes payable	675	675	675	675
Trade payables	5,013	3,509	—	—
Bank borrowings	5,055	9,640	1,946	3,421
UK revolving credit facility	5,711	—	—	—
US industrial development loan	1,799	1,932	—	—
	18,253	15,756	2,621	4,096

29. FINANCIAL INSTRUMENTS continued

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 carrying values.

Financial risk management objectives
The Group and Parent Company collate information from across the business and reports to the Board on key financial risks. These risks include credit risk, liquidity risk, interest rate risk and currency risk. The Group has policies in place, which have been approved by the Board, to manage these risks. The Group does not enter into traded financial instruments as the costs involved currently outweigh the risks they seek to protect against. Speculative purchases of financial instruments are not made.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or Parent Company. The Group's credit risk is primarily attributable to its trade receivables and details of how this risk is managed are explained in note 17. The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies as outlined in note 18. The Directors are of the opinion that there are no significant concentrations of credit risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group and Parent Company's maximum exposure to credit risk.

The loan notes receivable by the Parent Company are made up as follows:

	2010 £'000	2009 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	950	950
Variable Rate Unsecured Loan Notes 2015 (B)	400	400
	1,350	1,350

The loan notes are redeemable in full on 31 December 2015 or from 31 March 2009 on request from the issuer. Interest is receivable at 1% above UK base rate. As disclosed in note 30, the loan notes are receivable by the Parent Company from two of its wholly-owned subsidiaries and therefore there is no credit risk attaching to them.

Further details of the Group's credit risk management are given in notes 17 and 18.

Liquidity risk management
Liquidity risk refers to the risk that the Group may not be able to fund the day to day running of the Group. Liquidity risk is reviewed by the Board at all Board meetings. The Group manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group also monitors the drawdown of debt against the available banking facilities and reviews the level of reserves. Liquidity risk management ensures sufficient debt funding is available for the Group's day to day needs. Board policy is to maintain a reasonable headroom of unused committed bank facilities.

The Group has a number of debt facilities, details of which, including their terms and maturity profile, are given in note 19.

The Board also monitors the Group's banking covenants which are calculated under IFRS. There were no breaches during the year or prior period.

Interest rate risk management
The Group is exposed to interest rate risk on short term borrowings primarily with three major institutions being HSBC, Lloyds Banking Group and Bank of America. The risk is managed by maintaining borrowings with several institutions across a number of currencies, principally US Dollar and Sterling. Long term financing is primarily used to finance long term capital investment such as the facilities occupied by Treatt USA.

Interest rate risk is diversified by having a mix of fixed and floating rate borrowings, as well as holding borrowings in a range of currencies as follows:

Group	Floating rate financial liabilities		Fixed rate financial liabilities		Total	
Financial liabilities*	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Bank borrowings:						
US Dollars	10,165	7,984	1,799	1,932	11,964	9,916
Sterling	(174)	6,718	—	—	(174)	6,718
Other currencies	761	943	—	—	761	943
Loan notes payable:						
Sterling	675	675	—	—	675	675
	11,427	16,320	1,799	1,932	13,226	18,252

* As a consequence of bank rights of set-off, although there is an overall financial liability there may at any point in time be a mix of positive and negative balances in differing currencies. As shown above, therefore, as at 30 September 2010 there was a positive Sterling balance offset against a negative US Dollar balance.

29. FINANCIAL INSTRUMENTS continued

The Parent Company bank borrowings were all held in Sterling.

Interest on floating rate bank deposits is based on UK base rates or currency LIBOR as applicable. The terms of the loan notes receivable are shown within this note.

Fixed rate financial liabilities comprise the Industrial Development Loan of US$2,835,000 (see note 19) (2009: US$3,090,000). Interest on bank overdrafts is charged at 1.75%-2% above bank base or currency LIBOR rates. The terms of the loan notes payable are shown within this note.

The loan notes payable by the Parent Company and Group are made up as follows:

	2010 £'000	2009 £'000
Series A Variable Rate Unsecured Loan Notes 2015	475	475
Series B Variable Rate Unsecured Loan Notes 2015	200	200
	675	675

The loan notes are redeemable in full on 31 December 2015 or at an earlier date, once 50% of the corresponding loan notes receivable have been redeemed. Interest is payable at 1% above UK base rate.

Interest rate sensitivity analysis has been performed on the floating rate financial liabilities to illustrate the impact on Group profits if interest rates increased or decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 bps increase or decrease has been used, comprising management's assessment of reasonably possible changes in interest rates. If interest rates had been 100 bps higher or lower, then profit before taxation for the year ended 30 September 2010 would have decreased or increased as follows:

	Group		Parent Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Impact on profit before tax of 1% interest rate movement	132	122	13	27

It has been assumed that all other variables remained the same when preparing the interest rate sensitivity analysis and that floating rate short term bank borrowings in the same currency are netted against each other for the purpose of interest rate calculation.

Foreign currency risk management

Foreign currency risk management occurs at a transactional level on revenues and purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. The Group's main foreign exchange risk is the US Dollar. Board policy is for UK businesses to mitigate US Dollar transactional exposures by holding borrowings in US Dollars. Further details of the Group's foreign currency risk management can be found in the Chairman's Statement and OFR on pages 4 to 7.

The Group's currency exposure, being 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 financial assets/(liabilities):

	US Dollar £'000	Other £'000	Total £'000
At 30 September 2010	**(8,212)**	**363**	**(7,849)**
At 30 September 2009	(2,949)	78	(2,871)

A currency sensitivity analysis has been performed on the financial assets and liabilities to sensitivity of a 10% increase/decrease in the pounds Sterling to US Dollar exchange rate. A 10% strengthening of the US Dollar has been used, comprising management's assessment of reasonably possible changes in US Dollar exchange rates. The impact on profit for the period in the income statement would be a loss on net monetary assets or liabilities of £912,000 (2009: £645,000).

30. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Group

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on pages 15 to 18.

	2010 £'000	2009 £'000
Short-term employee benefits	737	703
Employers' social security costs	94	90
Pension contributions to money purchase schemes	11	11
Share-based payments	2	2
	844	806

During the year two Directors (2009: two) were members of a defined benefit pension scheme. The aggregate accumulated total pension as at 30 September 2010 was £119,000 (2009: £115,000).

Parent Company	2010 £'000	2009 £'000
Interest received on loan notes from:		
Earthoil Plantations Limited	14	19
Earthoil Kenya PTY EPZ Limited	6	8
Dividends received from:		
R.C. Treatt & Co Limited	4,723	1,139
Redeemable loan notes receivable:		
Earthoil Plantations Limited	950	950
Earthoil Kenya PTY EPZ Limited	400	400
Amounts owed to/(by) Parent Company:		
Earthoil Plantations Limited	(123)	38
R.C. Treatt & Co Limited	180	11

During the ordinary course of business, purchases of goods take place from Earthoil India Private Limited, which is 80% owned by Earthoil Plantations Limited. The value of goods purchased by Earthoil Plantations Limited from Earthoil India Private Limited during the period was £603,000 (2009: £684,000). As at 30 September 2010 Earthoil India Private Limited owed Earthoil Plantations Limited £934,000 (2009: £423,000).

The redeemable loan notes are redeemable in full on 31 December 2015 or from 31 March 2009 on request from the issuer. Interest is receivable at 1% above UK base rate. Amounts owed to the Parent Company are unsecured and will be settled in cash.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE YOU ARE RECOMMENDED TO CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your ordinary shares in Treatt plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Notice of the Annual General Meeting which has been convened for 25 February 2011 at 10.00 am at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR as soon as possible and in any event not later than 48 hours (excluding weekends and public holidays) before the time appointed for holding the meeting.

Notice is hereby given that the Annual General Meeting of the Shareholders of Treatt plc (the "Company") will be held at Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL on 25 February 2011, at 10.00 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2010, 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 receive, adopt and approve the Directors' Remuneration Report.

3. To approve a final dividend of 8.9p per share on the ordinary shares of the Company for the year ended 30 September 2010.

4. To re-elect J.R. Grace as a Director of the Company.

5. To re-elect A.J. Haines as a Director of the Company.

6. To re-appoint Baker Tilly UK Audit LLP 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.

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolution 8 will be proposed as an Ordinary Resolution and Resolutions 9 and 10, will be proposed as Special Resolutions.

8. THAT:

   (a) In accordance with Section 551 of the Companies Act 2006 (the 'Act') the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (Rights) 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 24 May 2012; and

      (ii) this authority shall be limited to the allotment of shares and the granting of Rights up to an aggregate nominal amount of £345,850 (representing approximately 33 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 shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares and grant Rights 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 17 of the Act shall bear the same meaning herein.

9. THAT:

(a) Conditionally upon the passing of Resolution 8 above and in accordance with Section 570 of the Act, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 8 above as if Section 561 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

(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 £52,400 (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 24 May 2012;

(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 17 of the Act shall bear the same meaning herein.

10. THAT :

The Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693 of the Act) 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 1,048,000 (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 2012, 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	Registered Office:
R.A. Hope Secretary	Northern Way Bury St. Edmunds Suffolk
17 December 2010	IP32 6NL

The note on voting procedures and general rights of shareholders, together with explanatory notes on the resolutions to be put to the meeting, which follow on pages 56 to 59 form part of this notice.

NOTE ON VOTING PROCEDURES AND GENERAL RIGHTS OF SHAREHOLDERS:

Only those persons entered in the Register of Members of the Company (the Register) as at 6.00pm on 23 February 2011 (the Record Date) shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares in the capital of the Company registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Record Date shall be disregarded in determining the rights of any person to attend or vote at the AGM. Should the AGM be adjourned to a time not more than 48 hours after the Record Date, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned AGM. Should the AGM be adjourned for a longer period, to be so entitled, members must have been entered on the Register by 6.00pm two days prior to the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in such notice.

A member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him or her. The proxy need not be a member of the Company. A form of proxy is provided with this notice and instructions for use are shown on the form. Additional forms of proxy can be obtained from the Company's registrars on tel no 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday). Instruments appointing proxies must be lodged with the Company's registrars not less than 48 hours before the time fixed for the meeting to be effective. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.

An abstention option is provided on the form of proxy to enable you to instruct your proxy to abstain on any particular resolution, however, it should be noted that an abstention in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 25 February 2011 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Please note the following.

a) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.treatt.com.

As at 17th December 2010 the Company's issued share capital consists of 10,481,034 ordinary shares, The total number of voting rights in the Company as at 15 November 2010 (the latest practicable reporting date prior to publication of this document) is 10,230,588.

A statement of Directors' share transactions and copies of their service contracts and the letters of appointment of the Non-executive Directors 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, Sundays and public holidays excluded) and will be available at the place of the meeting for fifteen minutes prior to and during the meeting.

Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so using the following means:

Calling the Company Secretary on +44 1284 702500;
or writing to: The Company Secretary, Treatt plc, Northern Way, Bury St. Edmunds, Suffolk, IP32 6NL.

No other methods of communication will be accepted.

EXPLANATORY NOTES

Report and Accounts (Resolution 1)
The Directors of the Company must present the accounts to the meeting.

Directors' Remuneration Report (Resolution 2)
In line with legislation, this vote will be advisory and in respect of the overall remuneration package and not specific to individual levels of remuneration. You can find the remuneration report on page 15.

Declaration of a dividend (Resolution 3)
A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 8.9p per ordinary share is recommended by the Directors for payment to Shareholders who are on the register of members at the close of business on 28 January 2011. If approved, the date of payment of the final dividend will be 4 March 2011. An interim dividend of 4.1 pence per ordinary share was paid on 15 October 2010. This represents an increase of 1.0 pence per share, or 8.33 per cent, on the total 2009 dividend.

Re-election of Directors (Resolutions 4 and 5)
In accordance with the Corporate Governance Statement, all Directors retire at least every three years and all newly appointed Directors retire at the first Annual General Meeting following their appointment. Furthermore, in line with the Combined Code on Corporate Governance 2008 (Provision A.7.2), it is the Company's practice that any Non-executive Director having been in post for nine years or more is subject to annual re-election.

At this meeting, J.R. Grace and A.J. Haines will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 9. Having considered the performance of and contribution made by each of the Directors standing for re-election the Board remains satisfied that the performance of each of the relevant Directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

Reappointment and remuneration of auditors (Resolutions 6 and 7)
Resolutions 6 and 7 propose the reappointment of Baker Tilly UK Audit LLP as Auditors of the Company and authorise the Directors to set their remuneration.

Directors' authority to allot securities (Resolution 8)
Your Directors may only allot ordinary shares or grant Rights over ordinary shares if authorised to do so by Shareholders. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting. Accordingly, this resolution seeks to grant a new authority to the Directors to allot unissued share capital of the Company and grant Rights and will expire at the conclusion of the next Annual General Meeting of the Company in 2011 or, if earlier, on 24 May 2012 (the date which is 15 months after the date of passing of the resolution). There is no present intention of exercising this authority, which would give Directors authority to allot relevant securities up to an aggregate nominal value of £345,850 approximately 33 per cent of the Company's issued ordinary share capital as at 17 December 2010.

Disapplication of pre-emption rights (Resolution 9)
Under section 561 of the Act, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing Shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer to existing Shareholders. This cannot be done under the Act unless the Shareholders have first waived their pre-emption rights.

Resolution 9 asks the Shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £52,400 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 17 December 2010. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas Shareholders. If given, the authority will expire at the conclusion of the next Annual General Meeting of the Company in 2011 or, if earlier, 24 May 2012 (the date which is 15 months after the date of passing of the resolution).

Authority to purchase own shares (Resolution 10)
In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 10 seeks the authority from Shareholders to continue to do so. The Directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of Shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of ordinary shares that may be acquired (approximately 10 per cent of the Company's issued ordinary share capital as at 17 December 2010) and the maximum and minimum prices at which they may be bought.

The total number of options to subscribe for ordinary shares that were outstanding at 15 November 2010 (the latest practicable reporting date prior to publication of this document) was 137,849. The proportion of issued share capital that they represented at that time was 1.32 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 1.46 per cent.

Resolution 10 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next Annual General Meeting of the Company in 2011 or, if earlier, 24 May 2012 (the date which is 15 months after the date of passing of the resolution).

The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

Notes

Treatt Market Reports Now Available Online

Treatt recently completed its first customer survey and received a significant number of responses. In reaction to some of our customers' comments we have made our market reports available through our website.

Please visit www.treatt.com to register for these reports.

www.treatt.com
www.earthoil.com

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