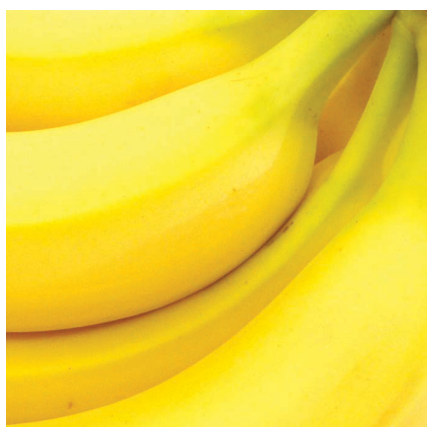


TREATT PLC
Annual Report and
Financial Statements

2014





about the group

WHO WE ARE

Treatt was founded on ingredient sourcing and risk management. Over the last 128 years, we have grown from a small merchant house trading in essential oils to become a world-leading innovative ingredient solutions provider for the flavour, fragrance and consumer goods industries, supplying customers globally.

WHAT WE DO

Our in-depth knowledge of flavour and fragrance ingredients provides a platform to partner with our customers and give them direct access to unique ingredient solutions not found elsewhere, allowing them to create signature products using Treatt's specialties, which can set their products apart from the competition. Provenance is of increasing importance and a growing number of brands now choose to clearly communicate the source of the main ingredients on their finished products, as shoppers show a heightened interest in knowing where the food and drink they consume comes from. By sourcing raw materials sustainably, we can ensure traceability and consistent product quality.

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strategy map



Group

Growth

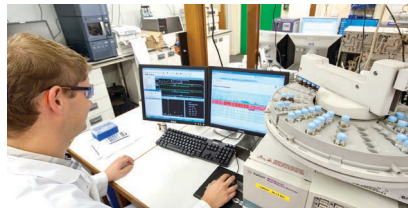
what makes treatt special

Knowledge



We are experts in the field of flavour and fragrance ingredients and have a long tradition of sourcing natural raw materials from all over the world. We travel the world to build personal relationships with our producers and farmers and so have the first-hand in-depth knowledge to impart to our customers.

People



We are proud of our people and empower them to make their own decisions and set goals, in line with our strategic objective. We ensure that they feel valued and recognised for their contribution to the success of our business and we are rewarded by their passion and commitment.

Tailored ingredient solutions



Innovation is central to our success. Our research and development teams are well-equipped to provide our customers with the means to develop their products to meet today's increased demand from consumers for natural ingredients and health-driven beverages, and to be ahead of future trends.

Customer partnerships



Treatt views its customers as true long-term business partners and focuses on providing solutions to meet their needs in a timely and efficient manner. We understand that it takes a delicate balance of service, quality and innovation to provide our customers with solutions for their products to make their brands grow and stand out in the global marketplace.

Operational excellence



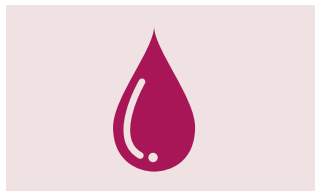
Treatt has manufacturing bases in the UK, the USA and in Kenya, offering a geographical spread of risk and access to world markets and is flexible enough to adjust to customers' needs. Sharing of best practices in technical and management processes ensures production efficiencies.

Customer education



We take pride in the knowledge that our customers look to us because of our understanding of the industry and market conditions. We regularly hold training seminars for our customers to educate them about many of the raw materials we use such as essential oils, how they are distilled, and the challenges facing the flavour and fragrance industry.

our products



Essential oils

Derived from a variety of origins. Using our advanced technical expertise, we can ensure there is a product available to match our customers' specific requirements.



Citrus

We have always been known for the quality of our citrus products such as orange, lemon, lime and grapefruit, which impart a natural, zesty flavour and aroma to a number of food, drink and personal care products.



Treattarome®

Our Treattarome® products are 100% natural specialties produced from fruits and vegetables. Their true-to-character profile makes them ideal for use in soft drinks, alcoholic drinks and juices.



Beverage specialties

Developed specifically for use in beverage applications offering enhanced flavour and improved solubility and cost, amongst other benefits, compared with standard essential oils.



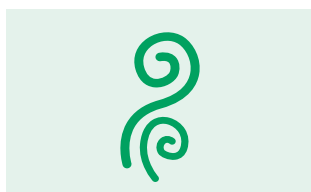
Fragrance ingredients

Provides solutions to many allergen, cost and stability issues associated with natural ingredients in fragrance applications such as fabric and personal care.



Wellness

Solutions for lower calorie and health-conscious products, as formulators seek to reduce the sugar content in their products, whilst maintaining mouthfeel and sweetness.



Natural and Aroma Chemicals

Our range of aroma, natural and high impact specialty chemicals work well in a number of flavour and fragrance applications and offer manufacturers a way of delivering authentic, aromatic profiles.

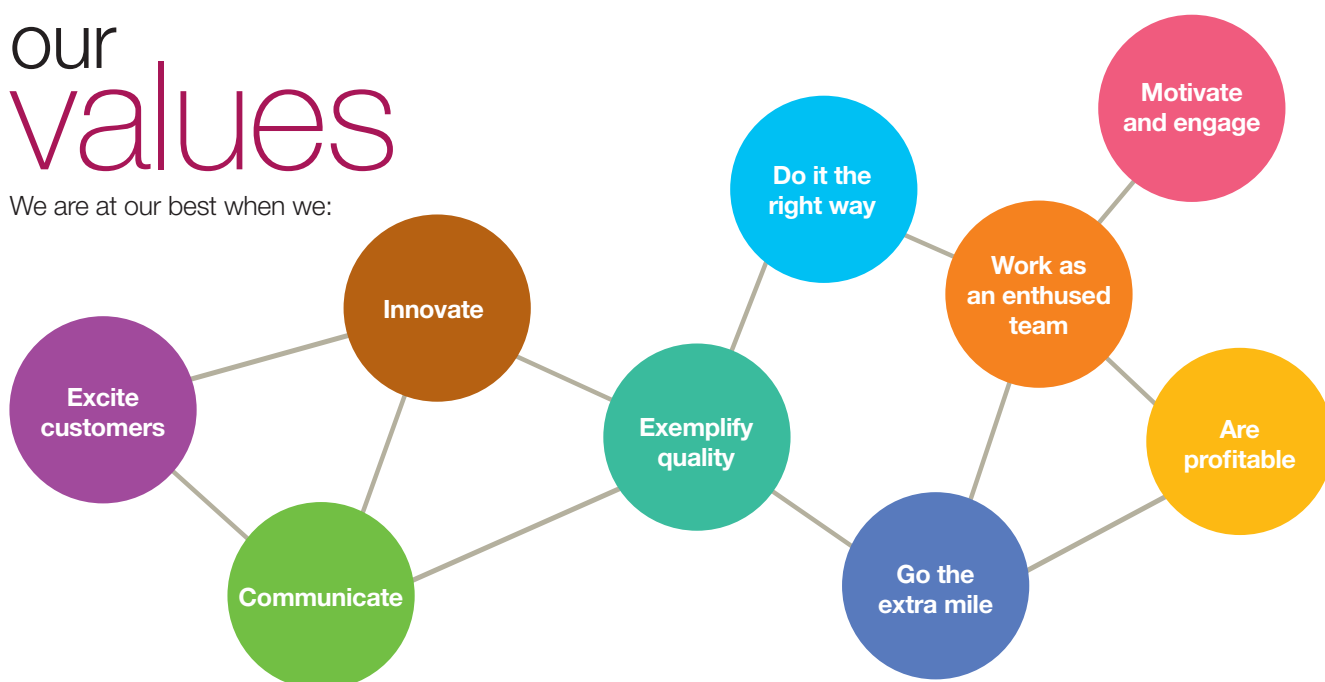


Organic oils

Our diverse product range includes 100% organically-certified ingredients for the flavour, fragrance and personal care industries.

our values

We are at our best when we:



an eye to the future

We are seeing a number of interesting trends come to the fore, with the emergence of stronger and more innovative flavour combinations such as the use of heat and spice in beverages.

Trealt has been capitalising on the growth in demand for on-trend vegetable-based beverages with a new application for its range of 100% natural vegetable distillates. This pairs them with herbal speciality ingredients including basil, sage and ginger to give a herbal twist or spicy kick when added to vegetable drinks. By pairing herbals with vegetable drinks, Trealt's in-depth knowledge of the essential oil market has been used to create a new concept that will allow manufacturers to take the vegetable-based beverages trend to the next level. The ingredients have been carefully infused to allow the respective flavour profiles to shine through the drink, while maintaining overall balance. This does not mean that it is the end of the road for sweet products though. There is even some crossover in certain food and beverage applications, with the launch of new products featuring a salty-sweet flavour profile.

Driven by concerns about rising obesity levels, more and more consumers are now taking a pro-active role in maintaining their health and wellbeing. Demand for low calorie, healthier beverages is increasing but creating a good-tasting, low sugar beverage requires much more than

a straightforward removal of the sugar. Careful selection of alternative ingredients or sweeteners and an understanding of how they interact with other components in the mix is vital to produce a healthier beverage which still delivers the sweet flavour profile that consumers crave. The arrival of Stevia and other natural non-nutritive sweeteners in the marketplace stimulated us to take a look at how some of our products might be used in combination with natural sweeteners. This resulted in the launch of some attractive new products, including some closely tailored to the needs of the actual application.

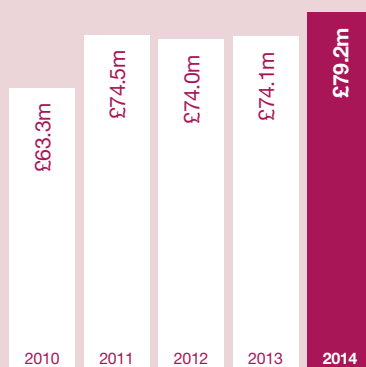
Our innovation teams will continue to work on new and exciting concepts and products to add to Trealt's existing portfolio, giving even greater solutions in the future.



2014 review

Financial Performance

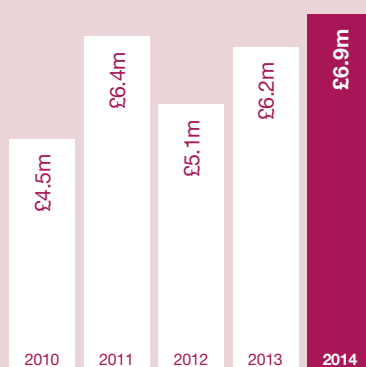
Revenue



£79.2m

Revenue represents the total sales of all businesses in the Group, and reflects both underlying business growth as well as being impacted by movements in raw material prices.

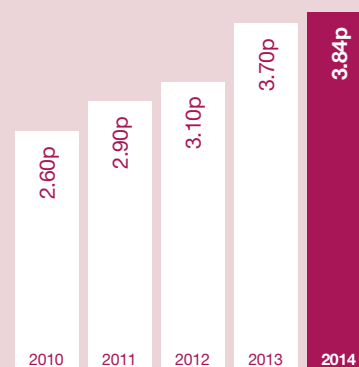
Adjusted Profit Before Tax



£6.9m

Adjusted earnings per share shows the trend in profits after tax (but ignoring exceptional items).

Dividends Per Share (pence)

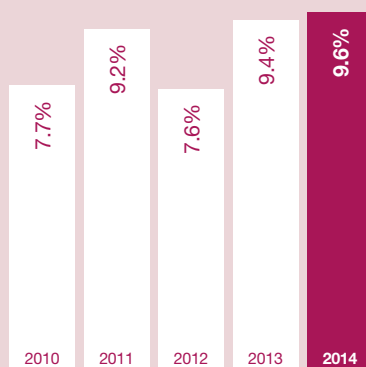


3.84p

Dividends per share shows the total dividend (interim plus final) per share relating to each financial year.

Key Performance Indicators

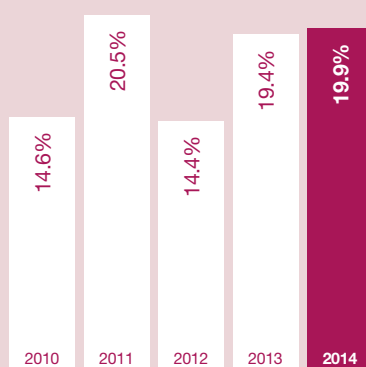
Net Operating Margin



9.6%

Net operating margin reflects the overall profitability of the business before financing costs.

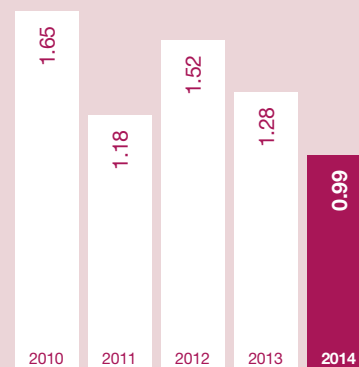
Return on Capital Employed



19.9%

Return on capital employed is a measure of the Group's profitability relative to the assets invested in the business.

Average Net Debt to EBITDA



0.99

Average net debt to EBITDA measures the debt of the Group relative to its profitability. The lower the ratio is, the more manageable the level of debt.

Group Five Year Trading Record

	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
INCOME STATEMENT					
Revenue	63,298	74,518	74,009	74,097	79,189
EBITDA (pre-exceptionals)	6,032	8,032	6,891	8,278	9,022
Operating profit	4,904	6,864	5,628	6,938	7,628
Adjusted profit before taxation	4,503	6,372	5,060	6,227	6,904
<i>Growth in adjusted profit before taxation</i>	28.6%	41.5%	(20.6%)	23.1%	10.9%
Exceptional items	(2,432)	—	(598)	(1,093)	(1,402)
Profit before taxation	2,071	6,372	4,462	5,134	5,502
Taxation	(1,417)	(2,017)	(1,390)	(1,655)	(1,553)
Non-controlling interest	(1)	(7)	—	—	—
Profit for the year attributable to owners of the Parent Company	653	4,348	3,072	3,479	3,949
BALANCE SHEET					
Goodwill	1,051	1,192	1,080	1,075	1,075
Other intangible assets	250	742	718	684	726
Property, plant and equipment	10,250	10,120	11,543	11,718	10,994
Deferred tax asset/(liability)	(19)	(261)	(594)	(723)	(611)
Non-current trade and other receivables	586	586	586	586	586
Current assets	34,311	35,847	38,053	38,340	43,590
Current liabilities	(14,292)	(12,592)	(17,345)	(12,484)	(16,005)
Non-current trade and other payables	—	(135)	(23)	(23)	(23)
Non-current bank loans	(7,348)	(7,606)	(5,469)	(8,889)	(7,857)
Post-employment benefits	(1,596)	(803)	(838)	(1,589)	(2,529)
Non-current derivative financial instruments	—	(864)	(1,033)	(577)	(511)
Redeemable loan notes (net)	(675)	(675)	(675)	(675)	(675)
Total equity	22,518	25,551	26,003	27,443	28,760
CASH FLOW					
Cash generated from operations	2,361	8,312	1,482	9,250	3,528
Taxation paid	(1,312)	(1,998)	(1,279)	(649)	(1,552)
Net interest paid	(387)	(527)	(618)	(714)	(724)
Dividends paid	(1,222)	(1,330)	(1,490)	(1,585)	(1,899)
Additions to non-current assets net of proceeds	(1,571)	(1,540)	(2,787)	(1,578)	(746)
Acquisition/disposal of interests in joint ventures or subsidiaries	(38)	(14)	—	(9)	—
Net (purchase)/sale of own shares by share trust	87	100	(306)	91	91
Other	(5)	(16)	43	(151)	12
Movement in net debt	(2,087)	2,987	(4,955)	4,655	(1,290)
Total net debt	(10,981)	(7,994)	(12,949)	(8,294)	(9,584)
RATIOS					
Net operating margin ¹	7.7%	9.2%	7.6%	9.4%	9.6%
Return on capital employed ²	14.6%	20.5%	14.4%	19.4%	19.9%
Average net debt to EBITDA ³	1.65	1.18	1.52	1.28	0.99
Growth in adjusted basic earnings per share	23.6%	40.5%	(19.1%)	25.6%	15.2%
Dividend per share ^{4,5}	2.60p	2.90p	3.10p	3.70p	3.84p
Dividend cover (adjusted to exclude exceptionals) ⁵	2.32	2.92	2.22	2.33	2.58
Net assets per share ⁴	43.0p	48.8p	49.6p	52.4p	55.0p

Notes on calculations:

1 Operating profit divided by revenue.

2 Operating profit divided by total equity plus net debt.

3 Average of net debt at start and end of financial year divided by EBITDA.

4 Restated following 5 for 1 sub-division of shares.

5 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

Results

Welcome to Treatt's 2014 annual report. It is gratifying to record a further year of progress for the Group with revenue up by 6.9% to £79.2m and adjusted profit before taxation up by 10.9% to £6.9m. This double digit profit growth reflects the success of our core strategy of growing sales whilst keeping control of our costs. I am also pleased to report adjusted basic earnings per share of 9.95p (15.2% growth in the year).

Cash flow has been a challenge for the Group in a year when many of our key raw materials have increased in price. As a result, the Group is reporting a net cash outflow of £1.3m with net debt increasing from £8.3m to £9.6m. However, the net debt to adjusted EBITDA ratio has improved to just under 1x – the third year in a row this ratio has declined reflecting the increasing financial robustness of the Group. Given the raw material price increases, we have focused on driving material reductions in our aged inventory across the Group as a whole. The £4.4m increase in inventory is really a function of recent price increases and the Group taking strategic positions on specific products. However, as we grow the relative size of our value-added product portfolio, the impact of fluctuating raw material prices is becoming less significant over time.

The £1.4m exceptional charge for the year is made up of legal fees in connection with the ongoing earnout dispute in relation to the acquisition of the Earthoil Group (£0.3m) and a strategic decision to end a long-standing agency arrangement (£1.1m). Whilst the Earthoil dispute sadly continues, the agency termination referred to will enable the Group to compete more effectively in certain key markets, with a shorter route to market being of great significance in reshaping our business.

Investments have been made during the year in people, processes and product development with notable progress made across all three. A root and branch review has streamlined our processes to improve the speed of delivery to our customers whilst reducing operating costs. Investment in product development has centred on added-value products boosting our confidence in future growth.

Employee and shareholder engagement

In my opening paragraph I highlighted record revenue and profits and I look forward to reporting future growth in years to come. It will be our people whose task it is to deliver the goals we strive for and, as ever, they are our greatest strategic asset. We believe it is important that the interests of all our stakeholders – including shareholders as well as employees – are aligned so that delivering our current and future success drives and sustains the future long-term growth for the Group.

All eligible employees in the Treatt Group will therefore receive a number of free shares in December 2014 and continue to be encouraged to participate in saving schemes across the Group in order to build further share ownership amongst employees. During the year a resolution approved by shareholders on 16 May 2014 enabled the share capital of the Company to be sub-divided on a five for one ratio. We believe the lower cost of each share is attractive to individual investors across the stakeholder communities.

I would like to take this opportunity to thank our employees across the Group for their hard work and dedication and look forward to many more years of reporting success with them.

“ Profits up 11%
to £6.9m – a new
record; Adjusted
EPS up 15% ”



Tim Jones
Chairman

Dividends

The Board is proposing a final net dividend of 2.6p (2013 2.6p) increasing the total dividend for the year to 3.84p (a 3.8% increase). If approved by shareholders at the forthcoming AGM, the final dividend will be payable on 3 April 2015 to all shareholders on the register at close of business on 27 February 2015. Shareholders who wish to participate in the dividend re-investment plan for this and future dividends should elect to do so by 9 March 2015.

Board changes

During the year, Anita Haines retired as HR Director after twenty-six years of dedicated service to the Group. Anita has been an enormous influence in helping to transition the Group from a private business in the 1980s, through flotation, to the successful Plc of today and we cannot thank her enough for everything she has done over so many years. I was delighted, therefore, when Anita agreed to stay on the Board as a Non-executive Director so that we can all continue to benefit from her wise counsel and intimate knowledge of Treatt.

Corporate Governance

During the course of the year the Board and its committees have addressed the corporate governance requirements arising from the changes in the regulations including increased disclosures on matters affecting audit and remuneration.

The composition and performance of the Board and its committees is kept under regular review to ensure that we are possessed not only of the relevant skills and experience but also of the culture, values and ethics appropriate for the long-term success of the Group.

Our risk management is regularly reviewed and takes into account current market conditions and the Group's activities. Significant risks, which are identified by their size of impact and probability of occurrence, are detailed on the Group risk register, which is reviewed by the Board.

Prospects

The first quarter of the financial year is traditionally our least busy time of the year and this autumn is no exception. Although order books are up on a year ago, it is of course too early in the financial year to be certain of the eventual outcome. However, the Group's strategic progress is encouraging, with its increased focus on value-added and innovative ingredient solutions, particularly in the beverage sector. The Board remain confident that the Group will make further progress against its long term strategic objectives over the coming year.

TIM JONES

Chairman
8 December 2014

Chief Executive Officer's Report

Business overview

Building on solid foundations, enhancing the cultural environment for our talented colleagues and working within the framework of shared values and with a coherent strategy, has enabled Treatt to produce a set of results which are gratifying and represent a record performance in our 128 year history. All three Treatt businesses reported solid performances and it is encouraging that these successful financial results were spread throughout the Group. However, we remain on a journey in our business and there is much more work to do as we continue to transition Treatt forward.

Financial performance

When we embarked on our new strategy in late 2012/early 2013, we set ourselves some clear financial goals. Uppermost of those was to deliver consistent, sustainable growth in profit. Too often in the past, Treatt has announced one good set of results which was then followed by a disappointing year. Therefore, for me, one of the most pleasing aspects of the past year's financial performance was that we did as we promised – with profits increasing on a consistent basis and in line with expectations, up by 11% to just short of £7m. Indeed, profits are now double what they were five years ago.

Earthoil, our niche personal care division which sells ethically sourced, mainly organic, vegetable oils and essential oils, continues to go from strength to strength, with four years of consecutive profit growth, 2013/14 being its best ever for pre-tax profit. There has been new investment to increase capacity in Kenya, and a strengthening of sales personnel in the UK.

Product development

We continue to innovate, working in alignment with our strategic customers, seizing opportunities for growth and increasing the efficiency of our business processes.

Our strategy for growth is delivering for Treatt. It is our employees' expertise, engagement and dedication to excellence through our values and execution of our strategy that has resulted in positive progress, which in turn gives us optimism for the future.

Focusing on those customers and ingredient solutions which can bring us sustainable value, and maintaining effective cost controls, continue to be a powerful combination at the core of our strategy. Controlling costs at Treatt balances our cost base today with appropriate investment for the future. Areas such as staff training and development, sales and R&D are being given additional investment to drive our strategy forward with our company-wide culture ensuring that potential savings are realised and wastage is minimised.

Product innovation, particularly in the beverage space, continues dynamically and this is providing opportunities for Treatt. This innovation is increasingly global in nature. More traditionally conservative markets such as Japan and South America are following the trend forged by North America and parts of Western Europe. Treatt is well placed to meet its customer needs across the globe. Sugar reduction remains a hot topic in this field and Treatt's ingredient solutions in this arena provide some important technical solutions to customer requirements. Tea distillates for iced tea products and vegetable essences designed to impart freshness to vegetable juice based functional drinks have shown good growth this year.

“Our strategy is providing the solid foundations for the growth and success of Treatt”



Daemnon Reeve
Chief Executive Officer

Deepening our relationships with key global accounts has also opened doors at affiliates in other corners of the world. This has enabled us to demonstrate our value proposition to new teams and work on new opportunities. Becoming a more significant partner at these key accounts is a fundamental part of our strategy. Our global sales team has been strengthened in the year and with increased focus and attention in markets such as China and other parts of Asia, we believe we will see longer term benefits for the Group.

Our beer ingredient solution team is founded on a passion for beer across a wide range of interests; as enthusiastic experimental brewers, growers of hops, as brewing technicians and not least as consumers. Our chemists, technicians, commercial teams and taste panels involved in the team speak the language of brewing and brewers, on a deeper level than merely understanding the process and where Treatt could add value. This passion and expertise has enabled Treatt to engage and gain a footing in this area, with innovation taking place in a growing market, presenting valuable opportunities. Providing the environment for idea incubation to thrive, and consequently solutions to be executed, unencumbered by excessive bureaucracy has been a key element to the fledgling success in this segment. Giving staff the space to develop solutions and run with their ideas has been an exciting development in our culture of empowerment – delighting customers has been the result.

Work is actively underway in areas of product engineering, reducing the time and cost to make some of our higher volume and also higher value ingredient solutions. Our teams are working hand in glove across the business to cut away at inefficient processes or find alternative sources for key materials. We are optimistic that the benefit of these projects will result in margin improvements across our business on a sustainable basis. Much of this work is centred on our existing product offering and the benefits are contributing to our business today.

Chemical sales through our partner, Endeavour Specialty Chemicals, continue to be strong with double digit growth year on year. This added-value manufacture is an important growth driver for Treatt.

A culture of safety

Health and safety is of paramount importance to Treatt. We have implemented a behavioural safety programme to embed the Treatt safety culture and have intensified pro-active inspections by the workforce and management. Our tenet of health and safety being a collective responsibility has brought us many benefits and true engagement from our teams, leading to increased awareness and ownership of safety.

The community

The communities in which we operate around the world are very important to us and we are increasingly engaging with them. We have close ties with local charities and this year made some of our facilities available for the launch of a Male Family Carers Awareness and Support campaign. Through our staff information exchange committees we are introducing 'community spirit leave' so that our employees can provide voluntary support and services to a charity within the working day.

Chief Executive Officer's Report continued

Trealt has raised its local profile significantly and we have been proud to receive prestigious business awards recognising this contribution, as well as being named a national champion in the European Business Awards. We are privileged to be a stakeholder in our head office town of Bury St Edmunds, Suffolk and we are active participants in local Chamber of Commerce events with the aim of giving back to our local community partners.

THE FUTURE

Partnership with customers

In the last year we have welcomed customers and potential customers alike to work with our innovation teams in our technical facilities. This close association with customers is a prime example of how our strategy to focus on key accounts is bearing fruit. Final modifications to our ingredient solutions are then made with their direct input, speeding up the sales cycle and providing technical engagement with the customer who can then tailor the solution they require to their application. This process builds customer confidence in Trealt's capabilities, creating the opportunity for further projects in the future.

Our marketing efforts continue to be appreciated by customers, and our Market Intelligence report, where we provide critical information to assist our customers in making key strategic sourcing decisions, receives significant plaudits from target customers. This drives their understanding of Trealt's capability and insight, and in turn provides our salesforce with a useful tool to engage with customers. Flavour trend data, commissioned by Trealt, is enabling our customer base to view us as a much more proactive organisation by helping them anticipate what consumers will want not just now, but critically, next.

Potential UK site re-development or re-location

In order to successfully grow our UK-based business in the most efficient and profitable manner, the leadership team, Executive Directors and the Board have been reviewing a number of options in recent years. Having been based at our current site in Bury St Edmunds, Suffolk for over forty years, we need to either carry out a comprehensive re-development of our existing site or locate to new premises within the area.

Our objective is to create a UK-based business which meets the needs of our customers and will deliver our strategic objectives in a sustainable manner for many decades to come. This in turn means that we need a site which meets the highest modern standards in terms of technical and R&D capabilities, operational efficiency, environmental standards, and above all to provide a great place for our people to drive the entrepreneurial success of this business.

We continue to explore a number of options from re-developing the existing site to a brand new facility on a 'greenfield' site. The potential cost of such a move is likely to be considerable, but we believe that the long-term benefits to the business will be significant. We also recognise that, if we chose to do nothing, we would still need to spend a significant sum on infrastructure maintenance and investment in our current site anyway over the next year or two in order to meet both the regulatory and growth needs of the business.

Aligning our organisation

During the year we added Quality Control and Human Resources to the list of departments now operating on a structured, global platform. This has enabled standardised training and development of staff with increased coherence and capability. Further development towards alignment across the Group will occur in the current year, with key areas such as improving cross-communication, idea sharing and resource allocation being optimised. To support our investment and the development of our staff, we have appreciably increased our training budget to equip our teams with the necessary skills to provide the best possible performance for the Group. This not only drives efficiencies within the business but also augments our service standards to our customers.

It is our employees who make the ultimate difference to Trealt. Investment in an engaged and motivated team who are working to deliver success every day for Trealt is not only central to achieving our goals but vital for our prosperity. The work on our cultural transformation will continue. We measure what our people say about working at Trealt through anonymous staff engagement surveys which gauge our performance and indicate where we must work to improve. We are now rolling these surveys out to the USA but recent results from the UK show that employees are well aware of company values, voting "very high" for clarity of vision, customer focus, quality and teamwork, which were all marked above the comparator group. It was also encouraging to read that motivation was marked "very high". We fell short on community projects, in which we scored just below the comparator group, but we are now addressing this with our "community spirit leave" and encouraging our staff to take part in charitable fundraising, which is helping make Trealt a fun place to work as well as building a unified Trealt team.

At Trealt we not only want our staff to enjoy working for us, but to help drive the business forward. Constant engagement with our colleagues throughout the Group ensures that we get the best out of our teams, and thereby deliver the best possible success for Trealt.

On behalf of the Board, I thank and congratulate all of our employees for their engagement, performance and dedication.

DAEMON REEVE

Chief Executive Officer
8 December 2014

Financial Review

Income Statement

The Group's revenue can fluctuate due to changes in product mix and movements in raw material prices. Following three years of relatively little movement, revenue for the year grew by 6.9% to £79.2m (2013: £74.1m) as a consequence of an increase in sales of value-added products, in line with Group strategy. With operating margins increasing slightly from 9.4% to 9.6%, this resulted in a 9.9% increase in pre-exceptional operating profit to £7.6m (2013: £6.9m).

Exceptional costs in the year of £1.4m were incurred in connection with the strategic decision to terminate a long-standing agency arrangement and the continuing legal costs relating to the Earthoil earnout dispute. The agency termination costs (£1.1m) will enable the route to market to be shortened, and in the process remove a significant layer of costs in a key geographical market for the Group. Excluding these costs, earnings before interest, tax, depreciation and amortisation for the year increased by 9.0% to £9.0m (2013: £8.3m). Profit before tax after exceptional items rose by 7.2% to £5.5m (2013: £5.1m). Further information on the exceptional items is given in note 8.

The proposed total dividend per share for the year has been increased by 3.8% to 3.84p per share, resulting in a dividend cover of 2.6 times pre-exceptional earnings for the year and a rolling three year cover after exceptionals of 2.0 times. The Board's policy is to maintain dividend growth on a consistent basis at between 2.0 and 2.5 times three year rolling cover with this year's dividend representing an increase of 60% over the last five years. Although, therefore, the rolling cover is at the bottom end of this range, this was caused by the agency termination costs, without which the dividend cover would be comfortably within policy. Basic earnings per share (adjusted to exclude exceptional items – see note 11) for the year increased by 15.2% to 9.95p (2013 restated: 8.64p*). 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 upon profit after tax.

Whilst the Group's functional currency is the British Pound ('Sterling') as explained below, the amount of business which is transacted in other currencies creates foreign exchange risk, particularly the US Dollar and to a more limited extent with the Euro. During the year the US Dollar fluctuated considerably but ended the year where it started with a closing balance sheet rate of £1=\$1.62 (2013: \$1.62). As explained further in this report under 'Treasury Policies', the Group hedges its foreign exchange risk at R C Treatt by holding and managing US Dollar borrowings and taking out forward currency contracts and options. This can result in timing differences in the short term, giving rise to re-translation gains or losses in the income statement. This has resulted in a small loss of £0.3m in 2014 compared to a gain of £0.1m in 2013. There was an immaterial currency loss of £0.02m (2013: loss of £0.18m) in the 'Statement of Comprehensive Income' in relation to the Group's investment in overseas subsidiaries, principally in respect of Treatt USA.

The Group's net finance costs for the year increased by 11.2% to £0.72m (2013: £0.65m) as a result of higher levels of debt in H1, before cash flows then improved in H2. Although finance costs did increase, as a consequence of the improvement in profitability, on a pre-exceptional cost basis, interest cover for the year fell slightly to 10.5 times (2013: 10.7 times).

As part of the Group's risk management, in 2011 R C Treatt fixed \$9m of US Dollar borrowings at 5.68% for ten years by way of an interest rate swap. This swap has been designated as a 'hedge' in accordance

“Operating margins increased to 9.6% and the ratio of net debt to EBITDA fell below 1x – a solid achievement on both fronts”



Richard Hope
Finance Director

with IFRS and consequently any movements in the mark-to-market of the swap are taken directly to equity. At the balance sheet date, the fair value liability, net of deferred tax, of the swap was £0.4m (2013: £0.5m).

Group Tax Charge

The current tax charge of £1.5m (2013: £1.5m) represents an effective rate (based on profit before tax and exceptional items) of 24.7% (2013: 26.5%), reflecting the continuing reduction in UK corporation tax rates. After providing for deferred tax, the overall tax charge has decreased by £0.1m to £1.6m (2013: £1.7m); an overall effective tax rate of 28% (2013: 32%). There were no significant adjustments required to the previous year's tax estimates. With corporation tax rates continuing to fall in the UK until they reach an expected 20%, the Group's overall effective rate of tax is expected to fall for the next two years.

Balance Sheet

Group shareholders' funds grew by £1.3m (2013: £1.4m) in the year to £28.8m (2013: £27.4m), with net assets per share increasing by 5.8% to 55p (2013 restated: 52p*). Over the last five years, net assets per share have grown by 27%. Net current assets now represent 96% (2013: 94%) 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, net of depreciation, in the balance sheet. It should be noted that net assets have been reduced by £0.5m (2013: £0.6m) 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 2014 Group net debt increased by £1.3m to £9.6m (2013: £8.3m) with a corresponding increase in the level of gearing from 30% to 33%. The Group has a mix of secured and unsecured borrowing facilities totalling £20.3m, of which £10.2m expire in one year or less. The Group's borrowing facilities are held with HSBC, Bank of America and Lloyds Banking Group with the majority of facilities now held on three to five year terms with expiry dates staggered to fall in different years. The Group continues to enjoy positive relationships with its banks and expects all facilities to be renewed without difficulty when they fall due.

There was a material increase in cash tied up in working capital for the year of £4.0m due to an overall increase in inventory levels of £4.4m, being an increase of 18%. There were particular factors in the year relating to higher citrus oil prices which had a material impact on the value of inventories held by the Group. In any event, this level of inventory, which is highly significant in cash terms, arises because as an ingredients specialist, Treatt takes many annual, and in some cases longer-term, contracts with customers as well as servicing the immediate spot needs of its diverse customer base. The success of the business has been built upon managing geographic, political and climatic risk of supply for our customers by judicious purchasing and inventory management to ensure continuity of supply and availability. Therefore it is part of the Group's business model to hold significant levels of inventory, although typically less than 5% is on average more than a year old.

Financial Review continued

The level of capital expenditure in the year was at the lower end of expectations with a total spend of £0.8m compared to £1.6m in 2013. There were no major projects in the year, whilst capex in the UK tended to be related to on-going routine renewal and maintenance whilst the potential site re-development or relocation options continue to be explored.

Treatt Employee Benefit Trust

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. In addition, 59,000 (2013 restated: 110,000*) market value options were granted to Directors and senior management. Following approval at the 2014 Annual General Meeting, certain key employees were granted 175,000 nil cost share options which will vest after three years on a sliding scale, subject to performance conditions. In total, options were granted over 468,000 (2013 restated: 261,000*) shares during the year, whilst 127,000 (2013 restated: 199,000*) were exercised.

The Employee Benefit Trust (EBT) currently holds 956,000 shares (2013 restated: 1,085,000*) 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 as the proceeds from share options which vest are expected to exceed the original cost of the shares acquired. It is anticipated that going forward, all-employee savings-related share schemes will continue to be satisfied by shares held within the EBT, but that when necessary further shares will be issued to the EBT by increasing the share capital of the Parent Company.

Final Salary Pension Scheme

The three-year actuarial review of the R C Treatt final salary pension scheme was carried out in January 2012, the result of which was that the company agreed to maintain contributions at their current levels in order to eliminate the actuarial deficit by 2019. Despite this, the IAS 19, "Employee Benefits" pension liability, net of deferred tax, increased in the year from £1.3m to £2.0m. The principal cause of this increase was the use of a lower discount rate to value the future liabilities of the scheme.

Following consultation with members, it was agreed that the scheme would not be subject to any further accruals after 31 December 2012 and instead members of the final salary pension scheme were offered membership of the Company's defined contribution pension plan with effect from 1 January 2013. As a consequence, a curtailment gain of £0.2m was recognised in last year's financial statements. This means that the defined benefit scheme has now been de-risked as far as it is practicable and reasonable to do so.

Financial Risk Management

The Group operates conservative 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, but other currencies such as the Euro can have a material effect as well. 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 throughout the world, 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 the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated raw material 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 and, to a lesser extent in Euros, as this is the most cost effective means of providing a natural hedge against movements in exchange rates. Where it is more cost effective to do so, the Group will enter into forward currency contracts and options as well. Consequently, during the year forward currency contracts and options have indeed been entered into which hedge part of R C Treatt's foreign exchange risk. These contracts and options have been designated as formal 'hedge' arrangements, with movements in mark-to-market valuations initially taken to equity and recycled to the income statement to match with the appropriately hedged currency receipts. 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.

As we enter the new financial year, we will continue our focus on balancing the generation of good returns for our shareholders, with investing against strict criteria in order to ensure the long-term success of the Group.

RICHARD HOPE

Finance Director
8 December 2014

* Restated following 5 for 1 sub-division of shares

Directors' Report

Financial Statements

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2014.

Results and Dividends

The results of the Group for the year are set out on page 40. Profit before tax for the year excluding exceptional items was £6,904,000 (2013: £6,227,000).

The Directors recommend a final dividend of 2.60p (2013: 2.60p) per ordinary share. This, when taken with the interim dividend of 1.24p (2013: 1.10p) per share paid on 17 October 2014, gives a total dividend of 3.84p (2013: 3.70p) per share for the year ended 30 September 2014.

Corporate Governance

The Corporate Governance Statement on pages 20 to 24 forms part of this Directors' Report.

Directors

The Directors of the Parent Company are shown on page 88.

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 21.

Details of the Executive Directors' contracts and notice periods are given in the Directors' Remuneration Report on page 31. The Executive Directors' contracts are terminable by the Group giving the required notice period of one year.

In accordance with the Parent Company's Articles of Association and as reported in the Corporate Governance Statement on page 21, in recognition of Provision B.7.1 of the UK Corporate Governance Code Richard Hope and Ian Neil retire by rotation. Both Directors, 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.

Directors' Interests in Shares

The interests of Directors in shares of the Parent Company are shown in the Directors' Remuneration Report on page 35.

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 4 December 2014 (the latest practicable reporting date prior to publication of this document).

	Number	%
Schroder Investment Management	9,016,345	17.52
Discretionary Unit Fund Managers	7,900,000	15.35
Miton Capital Partners	3,350,000	6.51
Henderson Volantis Capital	1,907,349	3.71
James Sharp Stockbrokers	1,849,530	3.59
Barclayshare Stockbrokers	1,699,765	3.30
Allianz Global Investors Europe (Germany)	1,664,750	3.24

Conflicts of Interest

No Director had an interest in any contract of significance during the year. The Group has procedures in place for managing conflicts of interests. If a Director becomes aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary as soon as possible. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews them annually.

Directors' and Officers' Liability Insurance

The Group maintains Directors' and Officers' liability insurance which is reviewed annually. The insurance covers the directors and officers of the Parent Company and its subsidiaries against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of a Group company and in respect of damages or civil fines or penalties resulting from the unsuccessful defence of any proceedings.

Research and Development

Product innovation and research and development are a critical part of the Group's strategy and business model as outlined in the strategic report on pages 16 to 19. The main research and development activity undertaken by the Group is in the area of new product development. The Group utilises its strong technical capabilities to develop innovative products that provide solutions for customers, particularly in the food and beverage area. In this way it seeks to make itself indispensable to a key group of major global multi-national companies. 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 28 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, CEO's Report and Financial Review on pages 6 to 10.

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; and
- the Group's 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 which were due for renewal have been renewed on either existing or improved terms. The Group also has in place a ten year fixed interest rate swap for \$9m in order to protect (hedge) the Group against possible future increases in interest rates.

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.

Directors' Report continued

Charitable Contributions

During the year the Group made charitable donations of £16,000 (2013: £15,000) to local and national causes. Support is provided through donations directly to charities and through a matching scheme, whereby the Company donates a percentage of funds raised by staff in sponsored events. This year staff have undertaken a number of sponsored and fundraising events including organising cricket matches, skydiving, walking and running.

Health and Safety

The Group's on-going investment in health and safety continued during the financial year and forms an integral part of the Group's strategy, remaining at the forefront of all of our operations. Particular emphasis is placed upon continuous improvement by way of a comprehensive Safety Management System designed to monitor and measure top line policies and procedures and a range of key indicators are maintained and reported at every Board meeting.

A top to bottom culture of safety awareness and responsibility is actively promoted and a training programme of accredited safety management and awareness courses is in place across the workforce to help underpin the efforts of the health and safety professionals already employed within the Group. Members of staff are appointed as Safety Champions across the Group in various departments and provide additional monitoring capability and support to staff on a day to day basis. These additional responsibilities, for which Safety Champions receive payment, ensure that safety remains a top priority in the business.

Employee health and well-being is monitored and dedicated and bespoke support is provided where necessary.

Environment

The Group is committed to good environmental practice. It places importance on the impact of its operations on the environment and on ensuring that it operates and adopts responsible practices. Group performance and risk reviews are undertaken and monitored on a regular basis and reported to the Board.

Environmental Performance and Strategy

The Group has for a long time managed energy, fuel and waste disposal costs with the aim of lessening the Group's environmental impact whilst reducing cost and improving efficiencies. In accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Group is required to report its greenhouse gas emissions. The release of greenhouse gases, notably carbon dioxide generated by burning fossil fuels, is understood to have an impact on global temperatures, weather patterns and weather severity, which can directly and indirectly affect the Group's business. As a supplier of natural ingredients, adverse weather events can have an effect on crop yields resulting in higher commodity prices and limited supply. Examples of this have been seen in 2013 with a large freeze in Northern Argentina causing reduced yields of lemon oil and in 2004/5 when the Florida hurricanes caused significant reductions in crops of orange and grapefruit.

Environmental Improvements in 2014

The Group continuously evaluates ways of reducing its impact on the environment and during the year has implemented a number of improvements at each of its subsidiaries:

R C Treatt

- all new refrigerant systems installed, providing lower carbon emissions;
- scrap pallets recycled into briquettes;
- reduction of methanol consumption by 25% reducing fugitive VOC emissions;
- appointment of 3 Environmental Champions to drive continuous improvements; and
- reduced laboratory waste collected by 75%.

Trealt USA

- reduced hazardous lab waste (samples, GC vials) by recycling citrus material and disposing of empty vials as non-hazardous;
- replaced all mercury thermometers to become mercury-free in all laboratories;
- surveyed all compressed air lines, fixed leaks and consequently reduced energy requirements for compressing and drying of plant air supply; and
- properly disposed of all obsolete hazardous lab chemicals that have accumulated over the years.

Earthoil

- dug a soak pit for factory waste water; and
- selling of macadamia nut process waste to a third party for recycling

Additionally, we have reduced the number of printed copies of the report and accounts required to be posted to shareholders by giving them the option to receive the annual report electronically through the Trealt website. The seventy-five percent reduction has not only saved several thousand pounds per year but it has reduced the environmental impact of our financial reporting process.

During the year R C Trealt formed an Environmental Working Group, which will meet quarterly to discuss the various elements of the business which impact on the environment, such as energy use and waste. Minutes of the meetings will be made available to all staff in order to raise awareness of the impact of our business on the environment and to highlight any particular issues or concerns.

Greenhouse Gas Emissions

The Group has adopted a greenhouse gas reporting policy and a management system based on the ISO 14064-1:2006 methodology, which has been used to calculate the Group's Scope 1 and 2 emissions in 2014 for activities within the operational control of the Group. It is not currently intended to report Scope 3 emissions.

In measuring the Group's greenhouse gas emissions, the sales offices in France and China, in which a maximum of two staff are employed, have been excluded on the grounds of materiality on the basis that emissions from utility consumption, which is included in the rent, are estimated to be less than a materiality threshold of 5% of overall Group emissions. Data has been accurately recorded from invoices, meter and mileage readings, using opening data from 2013, the first year of recording.

	2014	2013
Scope 1 – Direct CO ₂ emissions (tonnes CO ₂ e)	1,645	1,428
Scope 2 – Indirect CO ₂ emissions (tonnes CO ₂ e)	2,684	2,617
Total tonnes CO ₂ e emissions	4,329	4,045
gCO ₂ e emissions per kg of product shipped	451	408

GHG emissions detailed in this table have been calculated using the appropriate 2014 DEFRA conversion factors.

Despite the overall increase in emissions, electricity usage at R C Trealt decreased but was subject to an increased conversion factor resulting in a rise of 103 tonnes of CO₂e. Electric consumption also decreased at Trealt USA, but increased at Earthoil Kenya due to higher utilisation of the plant.

Overall vehicle emissions reduced across the Group and R C Trealt suffered relatively high one-off emissions in respect of the replacement

of a particular chiller, resulting in decommissioning and installation emissions. Gas usage increased at Treatt USA by 113 tonnes of CO₂e as a result of significantly higher still utilisation as focus continues to shift to value-added manufactured products in accordance with the Group strategy. Gas usage also increased at R C Treatt, but by a smaller degree.

The overall increase in emissions contrasts with a decrease in the number of kgs of product shipped, resulting in higher emissions per kg. This results from the strategic emphasis on manufactured products and movement away from low margin, small volume products, which absorb resources that can be more effectively utilised elsewhere.

Waste

Treatt USA aims to recycle as much of its waste as possible. Treattarome® production generates a large amount of cardboard in which the raw materials for the process are delivered; this is all recycled.

At R C Treatt, certain employees throughout the business are appointed as Waste Champions with additional responsibility for the reduction and efficient use of waste streams in their areas. All waste streams in the UK continue to work towards a zero land fill waste strategy. In addition, R C Treatt's waste oil with a calorific value is sent for use as biomass, thereby further reducing the Company's carbon footprint and eliminating disposal costs.

Earthoil Kenya utilises macadamia nut husks as a biomass fuel source, burning an average of 22,000kgs per month to produce heat for its distillation plant. As well as providing efficiencies in fuel costs and reducing waste from the facility, the use of this biomass has a net zero climate impact.

Water

The Group has decided to record water consumption data whilst recording its greenhouse gas emissions in order to gain a greater understanding of its environmental impact. The largest consumer of water in the Group is Treatt USA, which uses large quantities in its manufacturing processes and the cleaning of its specialist equipment. Due to its high consumption, Treatt USA recently replaced its closed loop cooling water circuit with direct cooling from deep well water on all still condensers. This well water is then recycled back into the aquifer via a second deep well. The system provides significant local environmental benefits as well as reduced energy usage.

The Group's own crop growing area in Kenya uses rain water harvested in its own dam, a borehole and water pumped from a nearby river, for which it pays a small annual fee. It does not purchase any water from a water treatment company.

In recording water consumption for the Group, the sales offices in France and China have been excluded on the basis that water usage is included in the rent. Data has been accurately recorded from invoice information and meter readings.

	2014	2013
Total water used (m ³)	38,515	39,708
Water efficiency (litres per kg of product shipped)	4.01	4.00

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 24). 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 Committees (IECs) at R C Treatt and Treatt USA exist in order to encourage a further exchange of ideas and information between the Company and its employees. The IEC is chaired by the CEO and the members of the Committee are all employees below management level who represent all departments and areas of the businesses in the UK and US. 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. All-employee bonus schemes, based on the performance of the business, remain in place.

Following approval at the 2014 Annual General Meeting, the Group has introduced a Share Incentive Plan for all UK employees, with a similar plan having been introduced for US employees. Under these plans, all eligible UK and US employees will receive free shares in December 2014 and will be able to buy additional partnership shares from their December salary payment, in accordance with the rules of the plans. The Directors believe that encouraging greater employee shareholding will further align the interests of employees with those of shareholders.

Structure of share capital

Following the sub-division of shares approved by shareholders at the Extraordinary General Meeting on 16 May 2014, as at 30 September 2014, the Parent Company's share capital comprises 52,405,170 ordinary shares with a nominal value of 2 pence each. 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 found on the Treatt website or 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 23 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.

Directors' Report continued

Articles of Association

The powers of the Directors are conferred on them by UK legislation and the Articles of Association. 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

At the forthcoming Annual General Meeting in 2015, the Parent Company will be seeking shareholder authority for the Directors' to purchase up to 10% of the Parent Company's ordinary shares, although at present the Directors have no plans to buy back any 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. A resolution will also be proposed at the 2015 Annual General Meeting, to give the Directors the power to issue new shares up to an amount of 33% of the existing issued share capital, in line with the latest institutional guidelines issued by the Association of British Insurers (ABI), of which 5% of the existing issued share capital can be issued by disapplying pre-emption rights. These authorities, if granted by shareholders at the Annual General Meeting, will expire at the conclusion of the Annual General Meeting in 2016. It is the Parent Company's intention to seek renewal of these authorities annually.

Treant 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 (2013: Nil) were purchased by the EBT during the year ended 30 September 2014. 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 Treant plc, Northern Way, Bury St Edmunds, Suffolk, IP32 6NL on 30 January 2015. The Notice of Meeting and explanatory notes are given on pages 77 to 86. 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 Treant 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 2014 is fully disclosed in note 5 to the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report, the Directors' Remuneration Report, the Corporate Governance Statement 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 Conduct Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- 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:

- 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
- the Strategic 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.

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 8 December 2014.

ANITA STEER
Secretary

The Board



Ian Neil

Non-executive
Director

First appointed:
December 2009

Tim Jones

Non-executive
Chairman

First appointed:
February 2012

Anita Haines

Non-executive
Director

First appointed:
October 2002

Daemmon Reeve

Chief Executive
Officer

First appointed:
May 2012

David Johnston

Non-executive
Director

First appointed:
May 2011

Richard Hope

Group Finance
Director

First appointed:
May 2003

Jeff Iliffe

Non-executive
Director

First appointed:
February 2013

1 Nomination Committee 2 Remuneration Committee 3 Audit Committee

EXECUTIVE DIRECTORS

Daemmon Reeve 1

Daemmon joined R C Treatt & Co Ltd, the Group's UK operating subsidiary, in 1991 and has extensive industry experience and knowledge gained from widespread understanding in technical, operational, sales and purchasing disciplines. He was appointed CEO of Treatt USA in July 2010, joined the Board of Treatt plc in May 2012 and became Group CEO in August 2012. Daemmon was recently named Bury Free Press Business Person of the Year as part of the 2014 West Suffolk Business Festival.

Richard Hope

Richard, appointed as Finance Director in May 2003, qualified at PWC as a Chartered Accountant in 1990. Prior to joining Treatt Richard held senior finance positions in value-added manufacturing businesses for almost 20 years including Hampshire Cosmetics Limited. Richard was certified a Fellow of the Institute of Chartered Accountants in England and Wales in 2010.

NON-EXECUTIVE DIRECTORS

Tim Jones 1 Chairman 2 3

Tim, appointed as Non-executive Chairman of Treatt in February 2012, is CEO and Secretary of Allia. He brings experience in financial services, SME start-ups and social entrepreneurship. His previous appointments include Head of Marketing at Royal Insurance and European Managing Director at Direct Marketing Corporation and he has worked across the US, Middle East and Europe. Tim is also a Non-executive Director of community support organisation SkillsBridge.

Jeff Iliffe 1 2 3 Chairman

Jeff, a qualified Chartered Accountant, joined the Board in 2013 and is Chief Financial Officer and Director of Abcam Plc, an AIM listed company. He has widespread experience of the City, industry and internet-based business. Between 1989 and 1996, Jeff was a corporate financier at Panmure Gordon & Co, during which time he advised Treatt. He has also held financial positions at Enviros Group Limited, Plethora Solutions plc and St Minver Ltd.

Anita Haines 1

Anita joined R C Treatt & Co Ltd as Company Secretary in 1988. In 2000 she was appointed as Human Resource Manager and HR Director for the Group in October 2002. She retired as an Executive Director in February 2014 but remains on the Board as a Non-executive Director.

Ian Neil 1 2 Chairman 3 Senior Independent Director

Ian, first appointed to the Treatt Board in 2009, is currently UK Director of Perfortec BV and has 25 years' experience with International Flavors and Fragrances in a variety of international managerial roles including Vice President Europe, Africa and Middle East ("EAME") Flavors.

David Johnston 1 2 3

David joined the Board in 2011, has a PhD in Biochemistry and is currently part owner of Natural Taste Consulting. He worked for Firmenich, one of the leading global flavour and fragrance companies, in a variety of roles for over 13 years including Vice President of Innovation and Design and as a member of the flavour executive team. David was Vice President of the European Flavour Association.

Strategic Report

Overview

The Group is required to produce a strategic report complying with the requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the Regulations').

An overview of the Group's strategy and business model is set out on page 1, and together with the Chairman's Statement, CEO's Report and Financial Review on pages 6 to 10 form part of this Group Strategic Report. This incorporates a review of the Group's activities, its business performance and developments during the year as well as an indication of likely future developments.

The Board approved a new Group strategy in December 2012 and this was presented to all employees in the UK and US by the CEO during January 2013. Underpinning the strategy outlined on page 1, is a clear focus on delivering long-term and consistent growth in profitability by focusing on those customers and products which can bring Treatt long term sustainable value.

Our business model is designed to bridge the gap between the raw material and providing the quality ingredient solutions which our customers want. In doing so, we are increasingly leveraging our position as a key supplier to major global multi-national corporations. Key to the success of our business model is our experience and knowledge of the ingredients we handle, and our focus on product innovation.

We are clear about what we do and this is outlined on page 2. In serving the flavour, fragrance and consumer goods industries, we place a particular emphasis on the beverage market where many of our innovative ingredient solutions are used.

In order to deliver long-term sustainable profit growth, there are four key pillars to our strategy which support a focused sales approach:

- **QUALITY** – we have an excellent reputation for delivering quality products but we are not complacent. We invest continuously in our quality control and assurance processes to ensure that our customers receive quality products, right first time.
- **COST CONTROL** – we continually bear down on costs and improve the efficiency of our business in order to deliver the best possible returns for shareholders. Where we can, we manage our costs globally in order to maximise our efficiency.
- **POSITIVE CULTURE** – we strongly believe that a happy, well-motivated workforce is a more successful one. As part of strategy implementation, we have moved to 'One Treatt' and operate the business on a progressively global platform. A business is only as good as its people – we attract and promote the most talented people to drive our business forward and foster a culture of responsibility, accountability and openness.
- **HEALTH & SAFETY** – this is the number one priority in the business. Without a safe business the Group cannot exist. We continuously train and re-train our staff to ensure that we operate best health and safety practices throughout the organisation.

Key Performance Indicators (KPIs)¹

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 the 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:

	2014	2013	2012	2011	2010
Growth in adjusted profit before tax	10.9%	23.1%	(20.6%)	41.5%	28.6%
Growth in adjusted basic earnings per share	15.2%	25.6%	(19.1%)	40.5%	23.6%
Net operating margin	9.6%	9.4%	7.6%	9.2%	7.7%
Return on capital employed ²	19.9%	19.4%	14.4%	20.5%	14.6%
Average net debt to EBITDA	0.99	1.28	1.52	1.18	1.65

¹ All KPIs are calculated excluding exceptional items.

² Return is defined as operating profit. Capital employed is defined as net assets plus net debt. Further explanation of the calculations is given on page 5.

In addition, the Board monitors a number of non-financial key performance indicators relating to health and safety and employee well-being as follows:

	2014	2013
Number of reportable accidents across the Group	3	3
Average number of sick days per employee	3.39	3.45

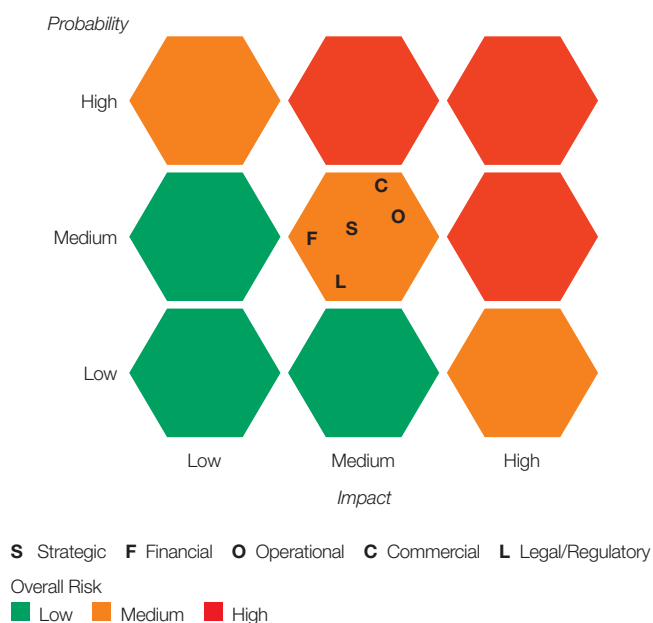
Whilst the average number of sick days per employee has only decreased marginally, new absence policies have had the desired effect of reducing the number of incidences of short term absence. There has, however, been an increase in longer term absence caused by more serious illness.

Principal Risks and Uncertainties

The Board has overall responsibility for setting the risk appetite within the business and for Group risk management. It regularly reviews the risk matrix, risk register and mitigation strategies in place to reduce risk as far as possible. Day to day risk management responsibility is delegated to the Executive Directors and they, together with the senior management teams, compile Group risk registers considering the effects of risks on the business and determining appropriate and proportionate risk mitigation strategies. Detailed risk registers are reviewed twice a year and upon any material change in the business, with any amendments being reported to the Board. In addition, the Board formally reviews the risk register annually and undertakes a review of the effectiveness of the Group's system of internal controls.

The principal risks and uncertainties fall within five categories, the overall risk of which, post mitigation, can broadly be summarised as follows:

Risk Matrix



The following details of the principal risks and uncertainties faced by the business is not exhaustive, but contains those that are of most concern to the business at this moment in time and that have been the subject of most discussion or debate during the course of the year.

Risk	Mitigation
Strategic	
Product Failure	<p>Strong supplier qualification process</p> <p>Supplier risk assessments to determine level of analysis required for raw materials received</p> <p>Analysis of raw materials received for adherence to specification and to detect contamination</p> <p>Regular review of risk matrix for every raw material handled</p> <p>Use of barcode scanners for traceability</p> <p>Maintenance of up-to-date information on all suppliers</p> <p>Continuation of product recall insurance</p>
Commoditisation of established Treatt products	<p>Innovation and development of new products</p> <p>Broadening into other associated sectors</p> <p>Growth of Earthoil</p> <p>Customer diversity</p>
Shortening value chain with customers demonstrating increased competence together with new entrants	<p>Continued value-added in-house innovation</p> <p>Rationalisation of product portfolio to eradicate low margin commoditised products</p> <p>Strengthening of product knowledge/sourcing</p>
Financial	
Movements in commodity and essential oil prices	<p>Regular stock meetings and inventory control with experienced members of staff</p> <p>Monitoring and communication of market conditions</p> <p>Long term commodity contracts</p>
Foreign exchange risk	<p>Implementation of a foreign exchange risk management policy including maintenance of forward contracts for hedging purposes</p>
Rise in interest rates or availability and cost of debt financing	<p>Targeting long term and staggered debt maturity</p> <p>Phasing of capital expenditure</p> <p>Maintenance of relationships with a number of banks</p>

Strategic Report continued

Risk	Mitigation
Operational	
Structural damage to production facilities, particularly at Treatt USA, which suffers from hurricanes	Regularly inspect and maintain building components Implement hurricane action plan when necessary Sufficient spread of inventory between production facilities in UK and US
Failure of third party or regulatory audits and damage to reputation as problem-free supplier	Strong commitment Group-wide to disciplined compliance to internal quality programs Commitment to permit third party auditing Investment in rectification of any non-compliances noted
Age and inadequacy of buildings for modern manufacturing business	UK site review on-going
Network hardware issues causing loss of IT systems	Well-constructed network asset management database and processes Continuous monitoring of network traffic, seeking anomalies and intentional attacks Comprehensive network mapping Built in resilience Test failover systems Strong network change control
Commercial	
Increased visibility of supply chain with customers and suppliers having improved access to each other and increased supplier awareness of customer requirements	Targeting specific suppliers to forge strategic relationships Enhanced use of digital media Increasing value-added manufacturing
Consolidation of suppliers at origin providing less scope for negotiation	Enhancing relationships with competitors/brokers and other supply channels Contracting for material on a medium term basis
Suppliers without product liability insurance	Supplier questionnaires required from all suppliers to enable an assessment of the risk of buying, taking into account whether insurance cover is in place, type of product, quality systems in place and previous relationship with supplier Not placing too heavy a reliance on suppliers without insurance
Legal/Regulatory	
Failure to comply with relevant environmental, H&S and other applicable legislation	Detailed understanding of legislative requirements with internal involvement, consultancy support and capital investment Pro-active role in ensuring the Group's systems and procedures are adapted to ensure compliance Engagement with relevant authorities
Environmental spillage due to tanker spillage on site, fire, drainage or valve failure, sabotage, or other major disaster event.	Ensure compliance with relevant legislation Compliance with site Standard Operating Procedures and relevant authority consents Storage areas to remain adequately bunded Regular weekly site inspections
Termination of existing long term agency agreements resulting in payment of compensation	Monitor performance of agents Ensure agents have a robust agency agreement in place

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 continues to have 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.

Diversity

Appointments within the Group are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual orientation, religion or age.

As a manufacturing business, few women apply for positions within the production areas. However, women are well represented in other areas of the business and account for 33% (2013: 29%) of the Group workforce and 31% of Group senior management positions (2013: 29%).

Position	Male	Female	Total
Group Director	6	1	7
Senior Manager	24	11	35
Other Employees	169	87	256
Total Employees	199	99	298

Social, community and human rights issues

The Group endeavours to impact positively on the communities in which it operates. Earthoil in particular is committed to purchasing oils directly from source at a fair and sustainable price and works closely with growers in under-developed countries through Fair for Life – Social and Fair Trade certification.

Long term and trusted support and co-operation has also been a driver for positive change which has led to Earthoil's Kenyan Organic Oil Farmers Association (KOOFA) increasing from its initial 90 members to now well over 500 producers. In addition, community funds provide further benefits to the farmers and their families, such as scholarships, and a project is currently underway to build a social hall for community activities.

Ethical concerns and human rights issues have always played an important role in Treatt's company philosophy and the Group's ethical and social accountability statement details the standards of behaviour which Treatt regards as acceptable. Provision of a safe, clean working environment, free from discrimination, coercion and the use of child or forced labour is a basic right of all employees, which Treatt expects of its business partners as a minimum standard. The Group is often audited by its customers to assess compliance with minimum acceptable standards, including ethical and human rights considerations.

This strategic report was approved by the Board on 8 December 2014.

ANITA STEER

Secretary

Corporate Governance Statement

“At Treatt there is a commitment to high standards of corporate governance throughout the Group and this is reflected in our governance principles, policies and practices. We believe that effective governance, not only in the boardroom but right across the business, ultimately produces a better business and supports long-term performance.”

Tim Jones
Chairman

Compliance with the UK Corporate Governance Code

The Board confirms that throughout the year ended 30 September 2014 the Group has complied with the provisions set out in the UK Corporate Governance Code¹, except for clause D2.2 which, as explained in the Directors' Remuneration Report, the Board does not fully comply with, in that the remuneration of Group senior managers is determined by the Executive Directors as the Remuneration Committee believe that they are best placed to make this decision. However, remuneration proposals in respect of senior managers are reviewed by the Remuneration Committee. 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 UK Corporate Governance Code are applied by the Group.

The Directors consider the annual report and financial statements, taken as a whole to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The terms of reference of all the Committees can be found on the Treatt website at www.treatt.com.

Leadership

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 15. The Board consists of five Non-executive Directors, of which Tim Jones is Chairman, and two Executive Directors, of which Daemmon Reeve is Chief Executive Officer.

There is a clear division of responsibility between the Chief Executive Officer, who is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its shareholders, and the Chairman who is responsible for leadership of the Board and ensuring that appropriate conditions are created to enable the Board to be effective in providing entrepreneurial leadership to the company. 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 Chairman has regular contact with the Non-executive Directors without the presence of the Executive Directors. Concerns relating to the executive management of the Group or the performance of the other Non-executive Directors may be raised with the Senior Independent Director, who is Ian Neil.

The Board meets at least five times each year and more frequently where business needs require, with attendance in person or by video conference required at each meeting. In addition, regular contact is maintained by email and telephone with written updates provided in respect of on-going issues, enabling regular input from all Board members. On a bi-annual basis, a Board meeting is held at the Group's US subsidiary, Treatt USA, to enable closer interaction of the Non-executive Directors with the senior management and staff.

Day to day management of the Group is delegated to the Executive Directors. However 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 matters, which are reviewed periodically, include material capital commitments, commencing or settling major litigation, business acquisitions and disposals, appointments to subsidiary company boards and dividend policy.

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. Board meetings are of sufficient duration to enable debate and discussion ensuring adequate analysis of issues during the decision making process. Further opportunity for more informal and extended discussion is provided at Board lunches which take place after every Board meeting and also provide the Board with an opportunity to meet members of staff, who are invited to attend.

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 and that there are good information flows within the Board and its Committees and between senior management and Non-executive Directors.

Effectiveness

The Directors believe that the Board, having been refreshed in 2011, 2012 and 2013, has an appropriate balance of skills and experience with financial, technical, industry specific and general business disciplines being represented. The structure of the Board ensures that no one Director is dominant in the decision-making process and that open debate and discussion is encouraged. There is a suitable balance between the number of Executive and Non-executive Directors.

¹ A copy of the UK Corporate Governance Code can be obtained from www.frc.org.uk

The importance of a diverse board, including gender diversity which has been the subject of recent debate in respect of board composition, is recognised and supported by the Directors of Treatt plc. The Board is conscious of the benefits of diversity in the boardroom and within management positions within the Group. Our policy is to recruit the best possible candidate for each individual role having regard to qualifications, experience and personality, without prejudice to a candidate's characteristics.

The Board considers that, with the exception of Anita Haines, 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. Anita Haines is not regarded as independent, as defined by the UK Corporate Governance Code, having recently served as an Executive Director. Accordingly, Anita Haines does not serve on either the Audit or Remuneration Committees. None of the Non-executive Directors have a significant interest in the shares of Treatt plc and all receive a fixed fee for their services. However, in exceptional circumstances, where significant additional time commitment is required, a Non-executive Director may, if approved by the Board or Remuneration Committee as required, be paid an additional fee in accordance with the Remuneration Policy. 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.

Nomination Committee

Members of the Nomination Committee throughout the year are shown on page 88. 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.

Appointments to the Board of both Executive and Non-executive Directors are considered by the Nomination Committee, which consults with Executive Directors and ensures that a wide range of candidates are considered. The Committee considers the skills mix of the serving Directors to identify potential gaps or areas where increased strength is required. In accordance with Treatt's Board Diversity Policy and having recognised the benefit of having an appropriate level of diversity on the Board to support the achievement of its strategic objectives, the Committee also considers the benefits of all aspects of diversity, including but not limited to, race, disability, gender, sexual orientation, religion, belief, age and culture. The recommendations of the Nomination Committee are ultimately made to the full Board which considers them before any appointment is made.

Upon appointment, Directors 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 they have significant relevant experience for the role, training may be felt to be unnecessary. In addition, all new Directors receive an induction to acquaint them with the Group. This takes the form of site tours, meetings with other Board members and senior management and the provision of an induction pack, which contains general information about the Group, its structure and key personnel, together with copies of relevant policies and procedures, financial information and briefings on Directors' responsibilities and corporate governance.

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 is carried out internally, with the assistance of the Company Secretary, as the Board believes it has the appropriate resources and experience to undertake the reviews. The Board and committee reviews are conducted under the supervision of the appropriate Chairman. The Board evaluation process involved completion, by each Board member, of a comprehensive anonymous questionnaire designed to evaluate each of the essential

components of an effective board. The results, which were benchmarked against the previous year's evaluation, demonstrated that performance is effective overall. These results were reported to the Committee and action points agreed to further improve performance.

The performance of individual Directors is evaluated by the Chairman, in conjunction with the Chief Executive Officer in the case of other Executive Directors. The Chairman is evaluated by the Chief Executive Officer and Senior Independent Director. The process includes individual performance meetings, at which past performance is discussed and evaluated and future objectives established. Additionally, this year 360 degree appraisals were undertaken for both Executive Directors, enabling a more rounded assessment of their performance in respect of their day to day responsibilities. In the event that training and development needs are identified during the evaluation process, suitable resources or training are provided. During the course of the year, the Board has undertaken training on strategic leadership provided by an external trainer, specialising in board support.

Any Director appointed during the year is required, under the provisions of the 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 provided always that all directors must be subject to re-election at intervals of no more than three years. Any Non-executive Director having been in post for nine years or more, is subject to annual re-election. The Directors required to retire are those in office longest since their previous re-election.

Audit Committee

Role and Responsibilities

The main responsibilities of the Audit Committee ("the Committee") are:

- to monitor the integrity of the annual report of the Group and to review and report to the Board on significant financial reporting issues and judgements which it contains, having regard to matters communicated to it by the auditor;
- to review the content of the annual report and advise the Board on whether, taken as a whole, it presents a balanced assessment of the Group's position and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- to oversee the relationship with the auditor, including making recommendations to the Board on their appointment, remuneration and terms of engagement. The Committee also monitors their independence and objectivity, and sets the policy for non-audit work;
- to make recommendations to the Board on the requirement for an internal audit function; and
- to ensure 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 Committee has arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Activities since the last report

- a review of the requirement for an internal audit function was undertaken. Given the structure of the Group, and the level of control exercised by the management team, the establishment of a formal internal audit function was not considered to be necessary at present. As the Group develops, the need for such a function will be kept under review;
- the Committee met with the audit partner and manager to agree the scope of audit work to be undertaken;
- a transparent long term fee structure, only permitting increases in line with RPI, was agreed with the auditor;

Corporate Governance Statement continued

- a review of the auditor's performance was undertaken, to ensure that they remain objective and independent, and to assess the effectiveness of the audit;
- consideration was given to any whistleblowing reports (of which there were none during the year);
- the Group's annual report for 2014 was reviewed to ensure that taken as a whole, it was fair, balanced and understandable. This included consideration of a report from the auditor on their audit and review of the financial statements and confirmation from management; and
- the policy for the engagement of the external auditor for non-audit related services was reviewed together with an assessment of its implementation during the year.

Financial Reporting

Amongst the matters considered by the Committee were the key accounting issues, matters and judgement in relation to the Group's 2014 annual report and financial statements relating to:

- the presentation of the financial statements and in particular the treatment of exceptional items in respect of legal and professional fees relating to the Earthoil contract dispute and compensation relating to the termination of a longstanding agency arrangement;
- the treatment of the contingent consideration included within the investment of the Earthoil Group;
- the level of provisions made against the carrying value of inventories;
- the level of onerous contract provisions made; and
- the estimation of taxable profits in the jurisdictions in which the Group operates to support the current tax liability.

After due challenge and debate the Committee was content that the assumptions made and judgements applied in these areas, which where possible are supported by external advice or other corroborative evidence, are reasonable and therefore agreed with management recommendations.

The Committee also reviewed compliance with the additional disclosure requirements recently introduced for companies reporting on financial years ending on or after 30 September 2013, which the Group is reporting on for the second time. This included changes to the reporting on Directors' remuneration and the introduction of the remuneration policy, the new strategic report and reports on greenhouse gas emissions and gender diversity.

Membership and Meetings

Members of the Audit Committee throughout the year are shown on page 88. The Committee has met twice since the approval of the 2013 financial statements. The auditor attended these meetings other than when their appointment or performance was being reviewed. The Chief Executive Officer, Finance Director and other senior finance staff attend as and when appropriate. The Committee has discussions at least once a year with the auditor without management being present. Furthermore the Committee Chairman meets informally with, and has access to, the Finance Director to discuss matters considered relevant to the Committee's duties.

External Auditor

The Committee has oversight of the relationship with the external auditor and is responsible for monitoring the auditor's independence, objectivity and compliance with professional and regulatory requirements. The incumbent auditors, Baker Tilly UK Audit LLP, were appointed in 2009 following a full audit tender process. They are appointed on an annual rolling contract but with a long-term agreement on fees, which was renegotiated during the financial year. During the year the Committee has monitored Baker Tilly's effectiveness and performance and were satisfied that Baker Tilly UK Audit LLP were providing the audit services agreed. The Chairman of the Committee has communicated with the Audit Partner throughout the year and having reviewed whether the position of auditor should be put out to tender, the Committee decided that it was not currently necessary. The Committee has therefore recommended to the Board that Baker Tilly be reappointed in 2015.

The level of non-audit fees and their effect on the auditor's independence or objectivity is also considered on a regular basis. The split between audit and non-audit fees for the year under review appears in note 5. Non-audit fees are generally paid mainly in respect of tax compliance services and advice on share schemes. The Group has a policy to ensure that the provision of such services does not impair their independence or objectivity and when considering the use of the auditor to undertake non-audit assignments, management give consideration at all times to the provisions of the FRC Guidance on Audit Committees with regard to the preservation of independence.

Remuneration Committee

The Remuneration Committee's primary responsibility is to determine the remuneration of the Executive Directors of the Group ensuring that there is a sufficient balance between the levels of ordinary remuneration and performance-related elements designed to promote the Group's long term success.

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 25 to 37. Members of the Remuneration Committee throughout the year are shown on page 88. The Chief Executive Officer attends meetings of the Remuneration Committee to discuss the performance of the Finance Director 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.

Accountability

The Board is responsible for reviewing and approving the annual report and financial statements, the half year results and other financial statements made to ensure they present a balanced assessment of the Group's position. Drafts of all financial releases are provided to the Board in a timely manner and Directors' feedback is discussed and incorporated where appropriate, prior to publication.

Attendance at meetings

The members of the Board during the year and its Committees, together with their attendance, are shown below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in year	6	2	1	4
Daemmon Reeve Chief Executive Officer	6	N/A	—	N/A
Richard Hope Finance Director	5	N/A	N/A	N/A
Tim Jones Non-executive Director and Chairman	6 Chairman	2	1 Chairman	4
Jeff Iliffe Non-executive Director	6	2 Chairman	1	4
David Johnston Non-executive Director	6	2	1	4
Ian Neil Senior Independent Non-executive Director	6	2	1	4 Chairman
Anita Haines Human Resources Director	5	N/A	—	N/A

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

Financial and Internal Control

The Board confirms that a process for the on-going 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 on Risk Management, Internal Control and Related Financial and Business Reporting" which was issued by the FRC in September 2014. The process is subject to regular review by the Board and there were no significant internal control issues identified during the year.

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 and five year forecast 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.

The Board monitors the integrity of all financial announcements released by the Group, ensuring that, among other things, appropriate accounting standards and policies are applied consistently, that all material information is presented and that the disclosures are accurate.

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.

Corporate Governance Statement continued

Information Technology

The Group operates on a common centrally managed computer platform. This provides common reporting and control systems and the ability to manage and interrogate businesses remotely. However, there are associated risks with having the entire group IT systems on a common platform, such as IT security, access rights and business continuity. These risks are mitigated by an on-going focus on IT security through a process of continuous investment in IT facilities.

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 the design and operation of suitable internal controls. Details of the principal risks associated with the Group's activities are given in the Strategic Report on pages 17 and 18.

Relations with Shareholders

The Group places a great deal of importance on communication with its shareholders. The Parent Company mails to all shareholders who have elected to receive it, the 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 and other major shareholders as well as presentations after the half and full year 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.

This report was approved by the Board on 8 December 2014.

ANITA STEER

Secretary

Directors' Remuneration Report

ANNUAL STATEMENT

Introduction

As Chairman of the Remuneration Committee, I am pleased to present our report on Directors' remuneration for 2014.

This report has been prepared in accordance with the Companies Act 2006 ('the Act') and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations'), as amended. The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the Principles of the UK Corporate Governance Code relating to Directors' remuneration. In accordance with the Act, the Remuneration Report is divided into two sections, a Remuneration Policy Report, which describes our approach to remuneration, and an Implementation Report, which details the remuneration paid to the Directors during the financial year under review. The Remuneration Policy Report and the Implementation Report will be put to binding and advisory votes respectively at the Annual General Meeting of the Parent Company on 30 January 2015. Whilst the Remuneration Policy was approved by shareholders at the 2014 Annual General Meeting, a proposed change to the Executive Director's bonus scheme in order to make it more stretching, requires further shareholder approval.

2014 Performance

As detailed elsewhere in this report, the Group performed well in 2014, meeting expectations for adjusted pre-tax profit and earnings per share. The Group's strategic plan, although only approved in late 2012, continued to show signs of success, contributing towards the year's result. The base salaries of Daemmon Reeve and Richard Hope were increased with effect from 1 October 2014 by 2.5%, in line with the average increases received by staff across the Group.

Remuneration policy

The aim of our remuneration policy is to attract and retain appropriately skilled and experienced Directors with the ability to deliver the Group's strategic objectives and obtain good returns for shareholders in accordance with the Group's values. This may be achieved through an appropriate combination of salary, benefits and performance-related longer term incentives, which align the interests of Directors with shareholders. Following consultation last year with the Group's major shareholders, a share retention policy was adopted by the Board which imposes a shareholding requirement of 200% of salary on the Chief Executive Officer and 150% of salary on the Finance Director. Whilst not at these levels currently, both Directors have continued throughout the year to add to their shareholdings, details of which are on page 33 of the Implementation Report.

Historically, the level of share-based incentives granted to Directors has been relatively low but it is recognised that this is an important aspect of remuneration, which encourages focus on the longer-term interests of shareholders and Directors alike. Therefore, it is intended that the grant of appropriate awards of share-based incentives, with stretching performance conditions, will be considered annually. As a result of a further consultation this year with major shareholders, any awards made under the Long Term Incentive Plan will be subject to a one-year holding period following vesting, save that a proportion of the shares will be

permitted to be sold in order to satisfy any tax liability arising upon either vesting or exercise.

The Committee believes that this policy is aligned with our business strategy outlined elsewhere in this report. The Committee is also satisfied that within the remuneration policy, and particularly in respect of the setting of performance targets, there is a sufficient balance between encouraging entrepreneurial behaviour without encouraging excessive risk-taking.

In a departure from provision D2.2 of the UK Corporate Governance Code, the remuneration of Group senior management is determined by the Executive Directors since the Board believes that the Executive Directors are best placed to make this decision. However, remuneration proposals in respect of senior managers are reviewed and monitored by the Committee to ensure consistency and proportionality. The bonuses of all senior managers in the Group are approved by the Committee.

Decisions made during the year

In line with its terms of reference, the following key matters were considered by the Committee during the year:

- approval of the 2013 Directors' Remuneration Report;
- agreement of the bonuses payable for the 2013 financial year;
- grant of options to Directors under the Treatt 2005 Approved and Unapproved Share Option Schemes and the setting of performance conditions;
- grant of options to senior management and key employees under the newly approved Long Term Incentive Plan and the setting of performance conditions;
- review of the remuneration policy and the remuneration arrangements for the Executive Directors and Chairman;
- review of salary levels for the Executive Directors and agreement of salary increases for the 2015 financial year;
- review and amendment of all bonus schemes across the Group, including those of Executive Directors, to ensure that they incentivise appropriately stretching performance; and
- to propose renewal of the all staff Save As You Earn scheme and its US equivalent the Employee Stock Purchase Plan to shareholders at the 2015 Annual General Meeting.

During the year all elements of the packages of the Executive Directors were reviewed and no significant changes have been made, although, as previously stated, greater emphasis will be placed on share-based incentives going forward.

I hope that shareholders will support the resolutions on Directors remuneration; I will be available at the AGM to answer any questions you may have.

IAN NEIL

Chairman
Remuneration Committee

Members of the Committee are shown on page 88 and for full biographies of the Committee members see page 15. The terms of reference of the Committee can be found on the Treatt website at www.treatt.com.

Directors' Remuneration Report continued

Policy section

Remuneration policy report

The Committee's policy is to ensure that remuneration structures are simple, transparent and proportional to the size and complexity of the business whilst ensuring that Executive Directors are fairly rewarded for the role they undertake. The main principles of the remuneration policy are:

- salaries should be competitive but not excessive when compared to similar companies;
- remuneration packages should align the interests of Directors with shareholders by using stretching performance metrics that provide a strong link to the creation of shareholder value;
- there should be appropriate balance between fixed and performance-related pay to ensure delivery of results over the short, medium and longer term;
- performance metrics should not encourage a culture of excessive risk taking; and
- Directors should invest in and retain shares in Treatt.

The Committee reviews its policy annually to determine whether it remains effective and aligned to the Group strategy. As a result of this review greater emphasis will be placed on longer-term share-based incentives to more closely align the interests of Directors with shareholders and provide stretching longer term targets to encourage strong performance.

The current intention is that the framework of this remuneration policy will apply for future years.

Executive Directors' remuneration

The following table sets out a summary of each element of the Executive Directors' remuneration, how it operates, the maximum opportunity available, applicable performance metrics and changes to remuneration for the 2015 financial year:

Element – Purpose and link to strategy	Operation	Maximum Opportunity	Performance Metrics	Changes for 2015 financial year
Base salary Help recruit and retain high calibre Executive Directors To provide a competitive salary relative to the size of the Group Reflects individual experience and the role	Reviewed annually by the Committee with changes taking effect from 1 October unless a change in responsibility requires an interim review Influenced by personal performance and by the increase in salaries of other Group employees Normally benchmarked at intervals of 3 years against similar companies and targeted broadly at the median level Discretion may be exercised for the purpose of retention	Excluding a review required by a change in role or responsibility, to align with benchmarking, or in exceptional circumstances, the annual increase should not exceed the average salary increase of employees within the Group	Individual and company performance are considered	No changes have been made to the salary review process Base salary increases are consistent with the average increases of Group employees
Benefits Help recruit and retain high calibre Executive Directors	Entitlement to the following benefits on the same terms as employees in the country in which Director is resident: Private Healthcare – except that Daemmon Reeve also receives Family Cover in the UK; Life Assurance; Permanent Health Insurance – except that Daemmon Reeve receives enhanced long term disability cover; All-employee Share Schemes Any new benefits introduced to staff generally shall be provided to Directors on equal or comparable terms Discretion may be exercised to provide appropriate benefits that might become payable as a result of a new business requirement, such as a need for a Director to relocate	Except as otherwise stated these are on the same terms as the benefits received by other employees in the country in which the Director is resident	Not applicable	Life Assurance for UK tax resident Directors will be provided by means of a Lifetime Plus Policy

Element — Purpose and link to strategy	Operation	Maximum Opportunity	Performance Metrics	Changes for 2015 financial year
Annual Bonus (Note 1) Provides an element of at risk pay, which incentivises the achievement of good annual financial results Aligns Directors' interests with shareholders	<p>The rules of the Executive Directors Bonus Scheme and the performance targets are reviewed every three years</p> <p>A bonus pool is calculated by reference to the achievement of performance targets for the financial year and each Director is entitled to a set percentage of the pool, subject to the maximum opportunity</p> <p>Bonuses are subject to determination by the Committee after year end and are paid in cash in December</p> <p>Discretion may be exercised in respect of the treatment of exceptional items which may have the effect of increasing or decreasing the bonus pool</p>	100% of salary	<p>The bonus pool is based on an amount by which adjusted pre-tax profit exceeds a minimum level</p> <p>The bonus pool ranges from 3% of pre-tax profit above the threshold level rising incrementally to a maximum of 16% for performance exceeding the threshold by a specified margin</p> <p>The Committee has discretion to reduce bonus where circumstances have created a sufficiently significant impact on the reputation of the Group to justify, in the view of the Committee, the operation of this discretion</p>	<p>For 2015, bonuses are to be based on the growth in adjusted Group profit before tax compared to the prior financial year</p> <p>Bonus payments range from 4% of salary at threshold level rising incrementally to a maximum of 100% of salary where growth in adjusted Group profit before tax exceeds prior year by 15% or more</p>
Share Options (Note 2) Incentivises Directors to achieve returns for shareholders over a longer time frame Aligns Directors' interests with shareholders	<p>The Group has one Approved and one Unapproved Share Option Scheme which were approved by shareholders in February 2005. Grants of options are considered annually after year end. The quantum of awards are reviewed to ensure that they are in line with market rates</p> <p>Awards must be made at market price with vesting dependent on the achievement of performance conditions over a period determined by the Committee, which shall be a minimum of 3 years</p> <p>Discretion may be exercised in respect of the performance criteria by replacing the current measure with a similarly appropriate measure or combination of measures</p> <p>The Committee may also exercise the specific discretions contained within the rules of the scheme, as approved by shareholders</p>	100% of salary based on market value of shares at date of grant	<p>Performance is measured over three years. The vesting of the options shall be subject to growth in adjusted basic EPS exceeding a minimum level during the period from date of grant to date of vesting</p> <p>20% vests at threshold rising incrementally to 100% for performance exceeding the threshold by a specified margin</p> <p>Options lapse if performance criteria are not met at the end of the three year performance period</p>	No awards can be made under these schemes after February 2015. The schemes will not be renewed

Directors' Remuneration Report continued

Element – Purpose and link to strategy	Operation	Maximum Opportunity	Performance Metrics	Changes for 2015 financial year
<p>Long Term Incentive Plan (Note 2)</p> <p>Incentivises Directors to achieve returns for shareholders over a longer time frame</p> <p>Aligns Directors interests with shareholders</p>	<p>The LTIP was approved by shareholders at the AGM in February 2014</p> <p>The Committee will consider awards of shares under the LTIP annually and will review the quantum of awards to ensure that they are in line with market rates</p> <p>Awards will be made at nil cost with vesting dependent on the achievement of performance conditions over a period determined by the Committee, which shall be a minimum of 3 years</p> <p>Discretion may be exercised in respect of the performance criteria by replacing the current measure with a similarly appropriate measure or combination of measures</p> <p>The Committee may also exercise the specific discretions contained within the rules of the scheme, as approved by shareholders</p>	<p>100% of salary based on market value of shares at date of grant</p>	<p>The vesting of the awards shall be subject to growth in adjusted basic EPS exceeding a minimum level during the period from date of grant to date of vesting</p> <p>20% vests at threshold rising incrementally to 100% for performance exceeding the threshold by a specified margin</p> <p>Awards lapse if performance criteria are not met at the end of the three year performance period</p>	<p>The performance criteria over a 3 year period is the average annual growth in adjusted basic EPS. 30% of award vests where average annual growth equals or exceeds 3% rising incrementally to 100% where average annual growth equals or exceeds 10%</p> <p>Awards will be subject to a one year holding period following vesting net of any tax liability arising on either vesting or exercise</p>
<p>Share Retention Policy</p>	<p>Holding requirements:</p> <p>CEO – 200% of basic salary FD – 150% of basic salary</p> <p>Directors are required to retain shares acquired under share-based incentive awards until the holding requirements are met, save that they are permitted to sell sufficient shares to pay any exercise price and all applicable taxes due in respect of that award</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p>None</p>
<p>Pension</p> <p>Help recruit and retain high calibre Executive Directors and to provide a competitive package relative to the size of the Group</p>	<p>Entitlement to receive employer contributions into a defined contribution pension scheme on the same terms as employees in the country in which the Director is resident</p> <p>Daemmon Reeve also receives a contribution into a Supplemental Executive Retirement Plan (SERP)</p>	<p>UK employees – 9% base salary contribution or 15% where previously a member of the defined benefit pension scheme (no personal contribution required in either case)</p> <p>US employees – up to 6% base salary contribution, which matches personal contribution</p> <p>SERP – 4% base salary contribution (no personal contribution required)</p>	<p>Not applicable</p>	<p>None</p>

Element – Purpose and link to strategy	Operation	Maximum Opportunity	Performance Metrics	Changes for 2015 financial year
Recruitment of Executive Directors Enable recruitment of high calibre Executive Directors able to contribute to the success of the Group	Salary will be set to reflect skills and experience of incoming Director and market rate for the role to be undertaken Existing benefits and incentives of the Group to be used with participation on the same basis as existing Directors Payment of relocation expenses where relevant In the event of an internal promotion any commitments made prior to promotion may continue to be honoured when they would otherwise be inconsistent with this policy Discretion may be exercised in exceptional circumstances and existing entitlements with current employer, such as bonus and share schemes, may be bought out on a like for like basis and subject to performance conditions	Recruitment awards are subject to the maximum value of any outstanding awards forgone by the recruit	Based on existing Treatt performance conditions	Not applicable
Clawback To ensure Executive Directors do not benefit from errors or misconduct	Provisions are included in performance-related remuneration to enable clawback of remuneration which has been overpaid due to material misstatement of the Group's accounts, errors made in calculation or a Director's misconduct	Not applicable	Not applicable	None

Notes

- 1 The performance targets were set by the Remuneration Committee and are reviewed annually to ensure that they continue to incentivise strong financial performance. The Committee continues to believe that this performance measure offers a balance between the needs of shareholders, in providing good profitability and providing a measure of performance over which the Executive Directors have direct influence. The Committee considers that the level of performance required is appropriately stretching.

The bonuses of staff and senior management are restricted to between 12% and 75% of base salary depending on seniority, role and market conditions.

- 2 Performance targets are set by the Committee at the date of grant of the options to ensure that they are appropriately stretching. The Committee considers adjusted basic EPS to be a complete and appropriate measure of performance, capturing revenue growth and operating margin. EPS targets are aligned with the Board's strategy.

Awards under the LTIP may be made to Senior Executives and other key employees who have significant influence over the Group's ability to meet its strategic targets with such awards being subject to the achievement of performance conditions set by the Committee at the date of grant, consistent with those of Executive Directors.

Directors' Remuneration Report continued

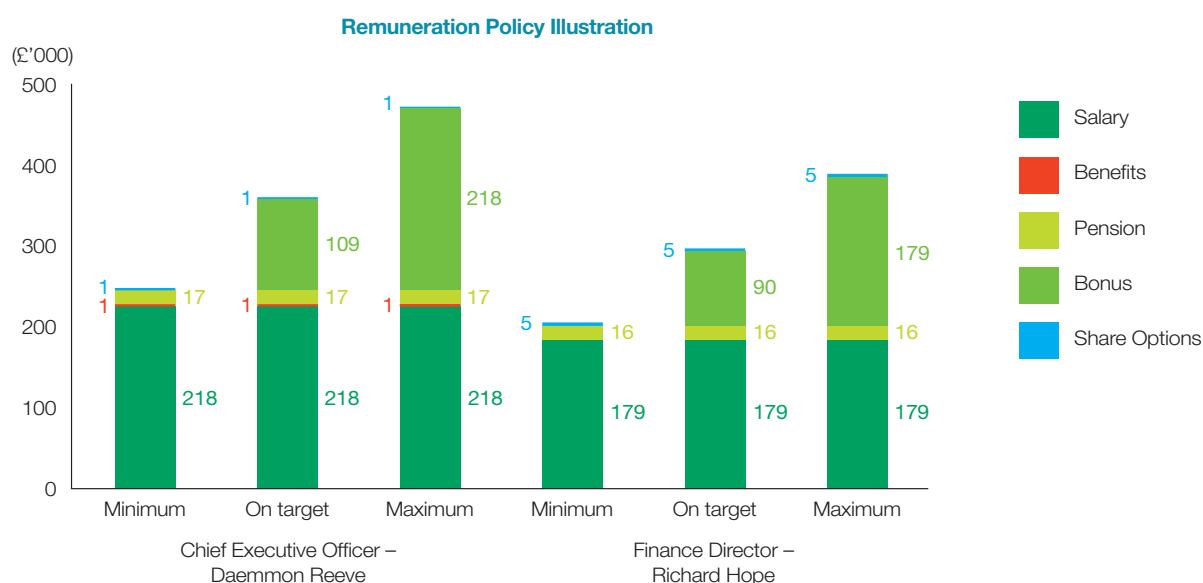
Non-executive Directors' remuneration

Element – Purpose and link to strategy	Operation	Maximum Opportunity	Changes for 2015 financial year
Fees To recruit high calibre Non-executive Directors To reward additional responsibility by virtue of position as Chairman of the Board or Chairman of a Committee	Subject to an aggregate limit within the Articles of Association, which was last approved by shareholders at the AGM in February 2014 Reviewed annually for each Non-executive Director with changes taking effect from 1 October The Chairman's fees are reviewed by the Committee and the other Non-executives' fees are reviewed by the Board (excluding the Non-executives) Influenced by the increase in salaries of other Group employees and by personal performance Benchmarked against similar companies and targeted broadly at the median level Additional fees may be paid in respect of increased responsibility or time commitment required by the role or in respect of invoiced consultancy fees, where relevant	Excluding a review required by a change in role or responsibility or to align with benchmarking the annual increase should not exceed the average increase of employees within the Group	Fee increase for Tim Jones is consistent with the average increases of Group employees Fee increases for the other Non-executive Directors address the misalignment with benchmarking. Percentage increases range from 6.67% to 12.18%

Where exceptional circumstances arise, the Committee shall have discretion to approve payments not specifically referred to above where the Committee, acting in good faith and taking into account the needs of the wider business, considers it reasonable and appropriate to do so.

Illustration of remuneration policy

The graphs below provide estimates of the potential future reward for each of the Executive Directors based on their current roles, the remuneration policy outlined on pages 25 to 37 and base salaries as at 1 October 2014. Although Daemmon Reeve is paid in US Dollars, the figures below are in Pounds Sterling at an exchange rate of £1=\$1.66, being the average rate over the preceding twelve months.



Only those share options which potentially vest in 2015 have been included and have been calculated as the difference in market value at 30 September 2014, being £1.405, and the option price.

Comparison of remuneration policy

This policy sets out the remuneration structure applicable to Directors of the Group. Salary levels and incentive arrangements applicable to other Group employees are determined by reference to local employment conditions for comparative roles.

Budgeted salary increases for Group employees are taken into consideration when determining increases for the Executive Directors.

Employees are provided with a competitive benefits package including healthcare, life assurance and pension. Recent replacement of the defined benefit scheme in the UK has applied equally to all employees, including Directors. Consistent with Directors, employees are eligible to participate in an annual bonus scheme with conditions linked to the performance of their operating subsidiary and the Group overall. Employee share ownership is encouraged across the Group and participation, particularly in the UK, is strong. The recently approved Share Incentive Plan is designed to further encourage employee share ownership. Eligible employees, including Executive Directors, are able to participate in the all-employee share schemes on equal terms. Executive Directors and key employees with the greatest potential to influence achievement of the Group's strategic objectives are provided with share options or long term incentives designed to encourage strong Group performance.

The Group does not consult with employees in respect of the Executive Directors remuneration policy. However, the Committee receives regular updates on salary and bonus levels across the Group and is aware of how the remuneration of Directors compares to employees.

In addition, when setting remuneration levels for the Executive Directors the Committee takes account of the levels of remuneration received by executive directors of similar companies that are selected on the grounds of:

- size in terms of turnover, profits and number of people employed;
- a ranking within the FTSE Fledgling Index or FTSE Small Cap Index;
- the diversity and complexity of the business;
- the geographical spread of its business; and
- market segment.

Whilst remuneration consultants have not been engaged, regular benchmarking is undertaken against companies within the FTSE Fledgling and Small Cap Indexes using salary reports and surveys of established remuneration consultants.

Directors' Contracts

Executive Directors

The Committee reviews the contractual terms of new and existing Executive Directors to ensure that they reflect best practice and are designed to attract and retain suitable candidates. The Committee considers that a rolling contract terminable on twelve months' notice by either party is appropriate.

Summary of Director's service contracts as at 30 September 2014:

	Date of contract	Notice period
Daemmon Reeve	30 October 2012	12 months
Richard Hope	1 October 2013	12 months

Summary of the key elements of Directors' service contracts:

Provision	Summary
Notice period	12 months by either party
Termination payment	Daemmon Reeve – Payment in lieu of notice clause providing for base salary and benefits payable during notice period Richard Hope – No provision for payment in lieu of notice
Salary	Reviewed annually with effect from 1 October each year
Benefits	Private healthcare, life assurance, permanent health insurance or other disability cover, pension Participation in discretionary incentive arrangements determined by the Committee

The Directors' contracts are available for inspection at the Company's registered office during normal business hours.

Future contracts are to provide for remuneration obligations comparable to those set out above taking into consideration role and responsibility, except in exceptional circumstances where additional incentive is required in order to secure the services of an outstanding candidate.

Directors' Remuneration Report continued

Non-executive Directors

All Non-executive Directors are subject to the same terms and conditions of appointment which provide for the payment 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 Company's registered office during normal business hours.

Payments for loss of office

In accordance with the UK Corporate Governance Code notice periods shall not exceed a maximum of twelve months.

In normal circumstances it is expected that termination payments for Executive Directors should not exceed current salary and benefits for the notice period. When determining termination payments in the event of early termination, the Committee will take into account a variety of factors including length of service, personal and Group performance, the Director's obligation to mitigate his loss, statutory compensation to which a Director may be entitled and legal fees and other payments which may be payable under a Settlement Agreement.

A Director who has been given notice by the Group for any reason other than on the grounds of injury, disability, redundancy or change of control shall only be eligible to a payment under the bonus scheme at the discretion of the Committee, which will take into account the circumstances leading to the notice.

Directors have no entitlement to performance-related share-based incentives, the unvested portion of which will generally lapse following termination of employment. However, in certain circumstances, such as injury, disability or redundancy, share options, which shall be pro-rated by reference to the proportion of the performance period completed and subject to performance conditions, may be exercised within six months of termination. Where termination is for any other reason, share options may only be exercised at the discretion of, and to the extent permitted by the Committee, acting fairly and reasonably.

Payments to a former director

The compensation for loss of office agreed with Hugo Bovill, the former Group Managing Director, comprised on-going elements which the Group is contractually obligated to continue to pay. The value of these on-going elements was accrued in the figure for compensation for loss of office disclosed in the 2012 annual report and financial statements.

The Group agreed to a fixed sum to provide future private medical insurance for Mr Bovill and his children. The annual premiums paid by the Group in respect of this cover will be deducted from the fixed sum until the residual amount is insufficient to cover the annual premium, whereupon the Group's obligations will cease.

The Group may continue to provide private medical insurance to former Directors at the discretion of the Committee and currently provides this cover to one former Director who retired in 2009.

External Appointments

Whilst neither of the Executive Directors currently serve as Non-executive Directors on the boards of other companies, it is recognised that such appointments would provide an opportunity to gain broader experience outside of Treatt which would benefit the Group. In the event that the Directors are offered such positions and providing that they are not likely to lead to a conflict of interest or significant constraints on time, Executive Directors may, with the prior approval of the Board, accept Non-executive appointments and retain the fees received.

Shareholder Views

The Remuneration Committee has engaged pro-actively with the Group's major shareholders in respect of the details of this policy and welcomed feedback received from them. The Committee will also consult with major shareholders prior to any material changes to the remuneration policy.

This Remuneration Policy, if approved at the 2015 Annual General Meeting, shall be effective immediately.

Implementation Report

The following section of this report provides details of the implementation of the policy for the year ended 30 September 2014.

Directors' Remuneration (audited)

The tables below report a single figure for total remuneration for each individual Executive and Non-executive Director respectively.

Executive Directors:	Daemmon Reeve		Richard Hope		Anita Haines*	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Salary	212	201	175	142	69	121
Taxable Benefits (Note 1)	2	14	—	21	10	20
Annual Bonus (Note 2)	203	171	135	118	—	118
Share Options vesting in the financial year	2	4	4	5	—	5
Pension	17	16	16	14	8	26
	436	406	330	300	87	290

* Remuneration shown for Anita Haines in 2014 includes remuneration as an Executive Director until 24 February 2014 and as a Non-executive Director thereafter.

Non-executive Directors:	Fees	
	2014 £'000	2013 £'000
Tim Jones	51	42
Jeff Iliffe	31	20
David Johnston	30	29
Ian Neil	31	29
Peter Thorburn (Until 25 February 2013)	—	15
	143	135

* Anita Haines received remuneration in 2014 of £18,000 in respect of her role as a Non-executive Director from 24 February 2014 which is included in the table for Executive Directors.

Note 1: Taxable benefits provided to Executive Directors now only relate to private medical insurance. With effect from 1 October 2013, car allowances and re-imbursement of fuel expenses were incorporated into basic salaries for all Executive Directors other than those retiring during the year.

Note 2: Details relating to the annual bonus are as follows:

The annual bonus for Executive Directors is calculated based upon the amount by which profit before tax and exceptional items (at the discretion of the Remuneration Committee) exceeds a minimum level of 10% of adjusted net assets, with the actual result for the year being a return on adjusted net assets of 26.0%. Net assets are adjusted to exclude any movement in the pension liability which is considered to be outside the control of the Executive Directors. The annual bonus is capped at a maximum of 100% of annual basic salary. The annual bonus, as a percentage of the maximum achievable, was as follows:

	2014	2013
Daemmon Reeve	95%	85%
Richard Hope	77%	83%

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

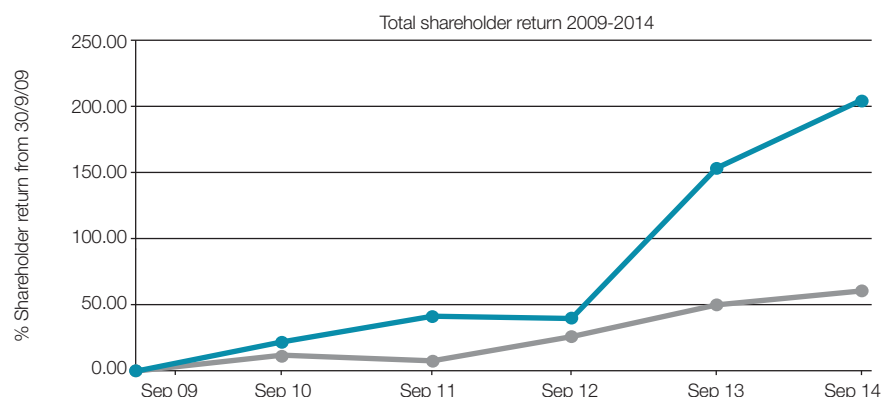
	Basic Salary		Annual Bonus	
	2014	2013	2014	2013
Daemmon Reeve	51%	54%	49%	46%
Richard Hope	56%	55%	44%	45%

Directors' Remuneration Report continued

Performance Graph

This performance graph shows Treatt Plc's performance (restated following 5 for 1 sub-division), 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



CEO Remuneration

The following table provides historical data on remuneration in respect of the Director(s) performing the role of Chief Executive Officer for each of the years covered by the performance graph:

	2014	2013 ²	2012	2011	2010
Total remuneration (£'000)	436	405	274	447	281
Annual bonus as % of maximum ¹	95%	85%	11% ³	104%	47%
Share options vesting as % of maximum ⁴	100%	100%	100%	100%	100%

1 Prior to 2012 there was no cap on the payment of annual bonuses to Executive Directors, therefore the percentage of annual salary is shown by way of comparative.

2 The CEO Remuneration for 2012 is the combined remuneration paid to the current and previous CEO for the periods when they held that post.

3 The 2012 annual bonus only related to two months of the financial year.

4 All share options vested in full as they were all-employee share options which were not subject to performance conditions.

The percentage change in remuneration of the Director undertaking the role of CEO, compared to employees as a whole was as follows:

	Salaries	Bonus
CEO	5.7%	19%
Employees ¹	4.0%	13%

1 The employees used for comparison are those UK and US employees who, for the salary comparison, were employed for the whole of the 2014 financial year, and for bonuses, for the whole of both the 2013 and 2014 financial years.

Relative importance of spend on pay

Wages and salaries are the most significant overhead cost in the Group. The following table sets out, in a manner prescribed by the regulations, the relative importance of employee remuneration, as compared to distributions to shareholders and other significant uses of profit, the most significant of which, taxation, has therefore been selected:

	2014	2013	Movement
Total remuneration ¹	10,586	10,837	-2%
Dividends ²	1,899	1,585	+20%
Current tax ³	1,458	1,496	-3%

1 Total remuneration includes wages, salaries and pension costs as disclosed in note 6.

2 Dividends paid in the financial year as disclosed in note 10.

3 Current tax payable in respect of the financial year as disclosed in note 9.

Directors' Interests (audited)

The Directors who held office at 30 September 2014 had the following interests in the shares of the Parent Company:

	Shares held outright or vested		Unvested share options with performance conditions		Unvested all-employee share options	
	2014	2013*	2014	2013*	2014	2013*
Executive Directors						
Daemmon Reeve	92,485	74,720	119,770	78,195	5,158	3,175
Richard Hope	148,025	138,845	19,610	12,820	13,439	13,250
Non-executive Directors						
Tim Jones	62,495	62,495	—	—	—	—
Anita Haines	50,680	50,680	—	—	—	—

* Restated following 5 for 1 sub-division of shares

Between 1 October 2014 and 4 December 2014, the latest date practicable to obtain the information prior to publication of this document the following changes occurred:

Daemmon Reeve purchased 831 shares under a Dividend Reinvestment Plan.

Richard Hope purchased 1,296 shares under a Dividend Reinvestment Plan.

Tim Jones purchased 4,775 shares.

The table below shows the value of Executive Directors' interests in shares as at 30 September 2014 as a percentage of their base salary:

	Value of Shares Held Outright or Vested		Base Salary ¹		Value of Interest as % of Base Salary	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 %	2013 %
Daemmon Reeve	130	90	212	201	61%	45%
Richard Hope	208	167	175	142	119%	118%

¹ Base salary is the average basic gross pay for the corresponding year.

Share Option Schemes (audited)

The following share options were granted to Executive Directors during the financial year:

	Scheme	Basis	Date of Grant	Share Price at date of grant	Face Value £'000	Min Performance Award	Performance End date
Daemmon Reeve	ESPP 2014 ¹	All-staff	10 Jul 14	£1.470	8	N/A	N/A
	ISO 2014 ²	Individual	20 Dec 13	£1.472	61	20%	30/9/18
Richard Hope	SAYE 2014 ³	All-staff	10 Jul 14	£1.380	6	N/A	N/A
	ASO 2013 ⁴	Individual	20 Dec 13	£1.472	10	20%	30/9/16

¹ ESPP (Employee Stock Purchase Plan) share options are offered to US employees (subject to tax exempt limits) at a discount of 15% of the share price at date of grant and are exercisable after one year.

² ISO (Incentive Stock Options) are granted at the share price at date of grant, subject to performance conditions.

³ SAYE (Save As You Earn) share options are offered to UK employees (subject to tax exempt limits) at a discount of 20% of the average share price for the three days preceding the date of grant and are exercisable after three years.

⁴ ASO (Approved Share Options) are granted at the average share price for the three days preceding the date of grant, subject to performance conditions.

The performance conditions for ISO and ASO options are as follows:

Average annual growth in adjusted basic earnings per share during the period from date of grant to date of vesting. The options shall vest on the following sliding scale: 20% where average annual growth equals or exceeds 6%; 40% where average annual growth equals or exceeds 7%; 60% where average annual growth equals or exceeds 8%; 80% where average annual growth equals or exceeds 9%; and 100% where average annual growth equals or exceeds 10%.

Directors' Remuneration Report continued

The share options (restated where necessary following 5 for 1 sub-division) of the Directors in office during the year are as set out below:

	Exercise Dates	Exercise Price	At 1 Oct 2013	Granted During the Year	Exercised During the Year	Expired During the Year	At 30 Sep 2014
Daemmon Reeve	Jul 2014	100.2p	3,175	—	(3,175)	—	—
	Jul 2015	147.0p	—	5,158	—	—	5,158
	Dec 2017 – Dec 2022	79.0p	78,195	—	—	—	78,195
	Dec 2018 – Dec 2023	147.2p	—	41,575	—	—	41,575
			81,370	46,733	(3,175)	—	124,928
Richard Hope	Sep 2014 – Feb 2015	68.0p	4,245	—	(4,245)	—	—
	Sep 2015 – Feb 2016	53.4p	6,065	—	—	—	6,065
	Sep 2016 – Feb 2017	97.8p	2,940	—	—	—	2,940
	Sep 2017 – Feb 2018	138.0p	—	4,434	—	—	4,434
	Dec 2015 – Dec 2022	78.0p	12,820	—	—	—	12,820
	Dec 2016 – Dec 2023	147.2p	—	6,790	—	—	6,790
			26,070	11,224	(4,245)	—	33,049

The aggregate amount of gains made by the Directors on the exercise of share options in the year was £6,000 (2013: £14,000).

There have been no further changes in the interests of the Directors to subscribe for or acquire shares between 1 October 2014 and 4 December 2014, the latest date practicable to obtain the information prior to publication of this document.

The market price of the shares at 30 September 2014 was £1.405 and the range during the financial year was £1.192 to £1.765. All market price figures are derived from the Daily Official List of the London Stock Exchange.

Pensions (audited)

Certain Executive Directors are deferred members of the R C Treatt & Co Limited Pension & Assurance Scheme following its closure to future accruals on 31 December 2012. The plan was 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 was 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:

	Normal Retirement Date	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Excluding Inflation)		Accrued Total Pension at	
		2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Daemmon Reeve	24 Sep 2036	—	65	—	385	20,719	20,178
Anita Haines*	6 Nov 2017	—	593	—	8,309	45,213	43,816

* Anita Haines retired before her Normal Retirement Age, during the year to 30 September 2014. The accrued total pension figure for Anita Haines relates to accrued pension amounts immediately prior to her retirement under the scheme rules on 30 April 2014 (before the application of any early retirement factor and before allowance for cash commutation).

The transfer values have been calculated on the basis of actuarial advice in accordance with Regulation 7B(2) of the Occupational Pension Schemes (Transfer Values) Regulations 1996. Further details of the scheme are included in note 25.

In addition, contributions to defined money purchase pension plans were made as follows:

	2014 £'000	2013 £'000
Daemmon Reeve*	17	15
Richard Hope	16	14
Anita Haines (Until 24 February 2014)*	8	14

* Following the closure of the defined benefit scheme, with effect from 1 January 2013 Daemmon Reeve and Anita Haines were in receipt of contributions towards money purchase pension plans as shown.

Statement of voting

At the Annual General Meeting held on 24 February 2014, the votes cast in respect of the resolution to approve the Directors' Remuneration Report, were as follows:

For: 99.92% Against: 0.08% Votes withheld: 1,456

Audit notes

In accordance with Section 421 of the Companies Act 2006 and the Regulations, where indicated, certain information contained within the Implementation Section of this report has been audited. The remaining sections are not subject to audit.

This report was approved by the Board and signed on its behalf on 8 December 2014.

ANITA STEER

Secretary

Independent Auditor's Report to the Members of Treatt plc

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 40 to 76. 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 auditor

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 and express an opinion on 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on 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 2014 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;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 20 to 24 is in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) 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 ISAs (UK and Ireland) we are required to report to you if, in our opinion, information in the annual report is:
 - materially inconsistent with the information in the audited financial statements; or
 - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
 - otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

- 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; or
 - a Corporate Governance Statement has not been prepared by the Parent Company.

- under the Listing Rules we are required to review:
 - the Directors' statement, set out on page 11, in relation to going concern; and
 - the part of the Corporate Governance Statement on page 20 relating to the Parent Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Our assessment of risks of material misstatement

We identified the following risks as being those which had the most significant impact on our audit strategy and set out below how each of these were addressed by the scope of our audit:

- the determination of provisions against inventory

We reconfirmed our understanding of the basis for determining provisions against obsolete, slow moving and defective inventory and against items where expected net realisable value is lower than cost. We considered the controls over this process, and whether these continued to be appropriate and consistently applied. We tested a sample of inventory provisions, considered their appropriateness and reviewed post year end transactions to assess whether these confirmed the provisions made and their completeness. We also reviewed the outcome of prior year provisions.

- the determination of provisions against onerous trading contracts

We reconfirmed our understanding of the basis for determining onerous contract provisions and the controls over this process, and considered whether these continued to be appropriate. We tested a sample of the contract provisions, reviewed the supporting documentation and considered the appropriateness of the supporting calculations. We also reviewed post year end transactions to consider whether there were further contracts against which provision ought to have been made.

- the accounting for and disclosure of exceptional items and related matters

With regards to legal claim made by the vendors of the Earthoil subsidiaries, in respect of the deferred consideration relating to their earn-out, we reviewed the progress of the dispute and considered the independent professional advice in connection with management's assessment of the Group's liability in respect of the earn-out and the disclosures relating to the contingent liability in respect of this claim. We reviewed the accounting treatment and disclosures regarding the costs incurred in defending the claim and reviewed post year end transactions for omitted liabilities in this regard.

With regards to the termination of a longstanding agency agreement, we reviewed the supporting documentation regarding the termination and considered management's assessment of whether a liability should be recognised at the balance sheet date. We also reviewed the evaluation of the liability and the disclosures in this regard.

In respect of both of these matters, we undertook specific post balance sheet enquiries to confirm that events to the date of signing the audit report were appropriately reflected and disclosed.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £425,000, which was not changed during the course of our audit.

We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £15,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit approach focused on the Parent Company and the three key trading subsidiaries, two in the UK and one in the US. The UK entities are subject to local statutory audit completed to the Group reporting timetable. The US entity is not subject to local statutory audit and has been subject to full scope audit to Group materiality. The US entity audit was undertaken by the same team as the UK statutory audits.

These audits covered 99% of Group revenue, 99% of Group profit before tax, and 98% of Group total assets.

CHARLES FRAY (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

8 December 2014

Group Income Statement

for the year ended 30 September 2014

	Notes	2014 £'000	2013 £'000
Revenue	4	79,189	74,097
Cost of sales		(61,218)	(56,510)
Gross profit		17,971	17,587
Administrative expenses		(10,343)	(10,649)
Operating profit	5	7,628	6,938
Loss on disposal of subsidiaries		—	(60)
Finance revenue	7	1	85
Finance costs	7	(725)	(736)
Profit before taxation and exceptional items		6,904	6,227
Exceptional items	8	(1,402)	(1,093)
Profit before taxation		5,502	5,134
Taxation	9	(1,553)	(1,655)
Profit for the period attributable to owners of the Parent Company		3,949	3,479
Earnings per share			
Basic	11	7.69p	6.80p*
Diluted	11	7.66p	6.77p*
Adjusted basic	11	9.95p	8.64p*
Adjusted diluted	11	9.91p	8.60p*

All amounts relate to continuing operations

Notes 1 - 29 form part of these financial statements

* Restated following 5 for 1 sub-division of shares

Group Statement of Comprehensive Income

for the year ended 30 September 2014

	Notes	2014 £'000	2013 £'000
Profit for the period attributable to owners of the Parent Company		3,949	3,479
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency net investment		20	(180)
Current tax on foreign currency translation differences	9	(11)	30
Fair value movement on cash flow hedge	28	16	546
Deferred tax on fair value movement	16	(8)	(135)
		17	261
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	25	(1,170)	(1,058)
Current tax credit on actuarial loss	9	51	72
Deferred tax credit on actuarial loss	16	188	158
		(931)	(828)
Other comprehensive expense for the period		(914)	(567)
Total comprehensive income for the period attributable to owners of the Parent Company		3,035	2,912

Notes 1 - 29 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

for the year ended 30 September 2014

Group	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
1 October 2012	1,048	2,757	(736)	(1,033)	635	23,332	26,003
Profit for the period	—	—	—	—	—	3,479	3,479
Other comprehensive income/(expense):							
Exchange differences net of tax	—	—	—	—	(180)	30	(150)
Fair value movement on cash flow hedge net of tax	—	—	—	546	—	(135)	411
Actuarial loss on defined benefit pension scheme net of tax	—	—	—	—	—	(828)	(828)
Total comprehensive income	—	—	—	546	(180)	2,546	2,912
Transactions with owners:							
Dividends	—	—	—	—	—	(1,585)	(1,585)
Share-based payments	—	—	—	—	—	22	22
Movement in own shares in share trust	—	—	114	—	—	—	114
Loss on release of shares in share trust	—	—	—	—	—	(23)	(23)
1 October 2013	1,048	2,757	(622)	(487)	455	24,292	27,443
Profit for the period	—	—	—	—	—	3,949	3,949
Other comprehensive income/(expense):							
Exchange differences	—	—	—	—	20	—	20
Fair value movement on cash flow hedge	—	—	—	16	—	—	16
Actuarial loss on defined benefit pension scheme	—	—	—	—	—	(1,170)	(1,170)
Transfer between reserves	—	—	—	102	(173)	71	—
Taxation relating to items above	—	—	—	(8)	(11)	239	220
Total comprehensive income	—	—	—	110	(164)	3,089	3,035
Transactions with owners:							
Dividends	—	—	—	—	—	(1,899)	(1,899)
Share-based payments	—	—	—	—	—	47	47
Movement in own shares in share trust	—	—	73	—	—	—	73
Gain on release of shares in share trust	—	—	—	—	—	18	18
Taxation relating to items recognised directly in equity	—	—	—	—	—	43	43
30 September 2014	1,048	2,757	(549)	(377)	291	25,590	28,760

Notes 1 - 29 form part of these financial statements

Group and Parent Company Statements of Changes in Equity

for the year ended 30 September 2014

	Share capital £'000	Share premium £'000	Own shares in share trust £'000	Retained earnings £'000	Total equity £'000
Parent Company					
1 October 2012	1,048	2,757	(736)	1,843	4,912
Profit for the period	—	—	—	1,571	1,571
Total comprehensive income	—	—	—	1,571	1,571
Transactions with owners:					
Dividends	—	—	—	(1,585)	(1,585)
Movement in own shares in share trust	—	—	114	—	114
Capital contribution to subsidiary undertakings	—	—	—	22	22
Loss on release of shares in share trust	—	—	—	(23)	(23)
1 October 2013	1,048	2,757	(622)	1,828	5,011
Profit for the period	—	—	—	1,742	1,742
Total comprehensive income	—	—	—	1,742	1,742
Transactions with owners:					
Dividends	—	—	—	(1,899)	(1,899)
Movement in own shares in share trust	—	—	73	—	73
Capital contribution to subsidiary undertakings	—	—	—	47	47
Gain on release of shares in share trust	—	—	—	18	18
30 September 2014	1,048	2,757	(549)	1,736	4,992

Notes 1 - 29 form part of these financial statements

Group and Parent Company Balance Sheets

as at 30 September 2014

Registered Number: 1568937

	Notes	Group 2014 £'000	2013 £'000	Parent Company 2014 £'000	2013 £'000
ASSETS					
Non-current assets					
Goodwill	12	1,075	1,075	—	—
Other intangible assets	13	726	684	—	—
Property, plant and equipment	14	10,994	11,718	—	—
Investment in subsidiaries	15	—	—	5,285	5,238
Deferred tax assets	16	396	278	—	—
Trade and other receivables	18	586	586	586	586
Redeemable loan notes receivable	28	—	—	1,350	1,350
		13,777	14,341	7,221	7,174
Current assets					
Inventories	17	28,020	23,669	—	—
Trade and other receivables	18	14,509	13,207	45	454
Current tax assets		340	128	—	—
Derivative financial instruments	28	92	219	—	—
Cash and bank balances	19	629	1,117	—	—
		43,590	38,340	45	454
Total assets		57,367	52,681	7,266	7,628
LIABILITIES					
Current liabilities					
Borrowings	20	(2,356)	(522)	(1,556)	(1,915)
Provisions	21	(920)	(49)	—	—
Trade and other payables	22	(12,053)	(11,292)	(20)	(4)
Current tax liabilities		(676)	(621)	—	—
		(16,005)	(12,484)	(1,576)	(1,919)
Net current assets/(liabilities)		27,585	25,856	(1,531)	(1,465)
Non-current liabilities					
Deferred tax liabilities	16	(1,007)	(1,001)	—	—
Borrowings	20	(7,857)	(8,889)	—	—
Trade and other payables	22	(23)	(23)	(23)	(23)
Post-employment benefits	25	(2,529)	(1,589)	—	—
Derivative financial instruments	28	(511)	(577)	—	—
Redeemable loan notes payable	28	(675)	(675)	(675)	(675)
		(12,602)	(12,754)	(698)	(698)
Total liabilities		(28,607)	(25,238)	(2,274)	(2,617)
Net assets		28,760	27,443	4,992	5,011
EQUITY					
Share capital	23	1,048	1,048	1,048	1,048
Share premium account		2,757	2,757	2,757	2,757
Own shares in share trust		(549)	(622)	(549)	(622)
Hedging reserve		(377)	(487)	—	—
Foreign exchange reserve		291	455	—	—
Retained earnings		25,590	24,292	1,736	1,828
Total equity attributable to owners of the Parent Company		28,760	27,443	4,992	5,011

Notes 1 - 29 form part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 8 December 2014 and were signed on its behalf by:

Tim Jones
Chairman

Richard Hope
Finance Director

Group and Parent Company Statement of Cash Flows

for the year ended 30 September 2014

		Group		Parent Company	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash flow from operating activities					
Profit before taxation		5,502	5,134	1,715	1,560
Adjusted for:					
Depreciation of property, plant and equipment	14	1,222	1,219	—	—
Amortisation of intangible assets	13	172	181	—	—
Loss on disposal of property, plant and equipment		17	3	—	—
Gain on disposal of intangible assets		(2)	—	—	—
Loss on disposal of subsidiaries	15	—	60	—	—
Net finance costs	7	724	714	36	44
Share-based payments	24	46	22	—	—
Decrease/(increase) in fair value of derivatives	28	115	(129)	—	—
Decrease in post-employment benefit obligation		(230)	(307)	—	—
Operating cash flow before movements in working capital		7,566	6,897	1,751	1,604
Movements in working capital:					
Increase in inventories		(4,322)	(789)	—	—
(Increase)/decrease in trade and other receivables		(1,331)	876	410	(397)
Increase/(decrease) in trade and other payables, and provisions		1,615	2,266	16	(29)
Cash generated from operations		3,528	9,250	2,177	1,178
Taxation (paid)/received		(1,552)	(649)	26	11
Net cash from operating activities		1,976	8,601	2,203	1,189
Cash flow from investing activities					
Disposal of subsidiaries		—	(9)	—	—
Proceeds on disposal of property, plant and equipment		4	2	—	—
Purchase of property, plant and equipment	14	(538)	(1,433)	—	—
Purchase of intangible assets	13	(212)	(147)	—	—
Interest received	7	1	22	20	20
		(745)	(1,565)	20	20
Cash flow from financing activities					
Increase/(decrease) in bank loans		215	(2,223)	—	—
Interest paid	7	(725)	(736)	(56)	(64)
Dividends paid	10	(1,899)	(1,585)	(1,899)	(1,585)
Net sale of own shares by share trust		91	91	91	91
		(2,318)	(4,453)	(1,864)	(1,558)
Net (decrease)/increase in cash and cash equivalents		(1,087)	2,583	359	(349)
Cash and cash equivalents at beginning of period		1,095	(1,341)	(1,915)	(1,566)
Effect of foreign exchange rates		13	(147)	—	—
Cash and cash equivalents at end of period		21	1,095	(1,556)	(1,915)
Cash and cash equivalents comprise:					
Cash and cash equivalents	19	629	1,117	—	—
Bank borrowings	20	(608)	(22)	(1,556)	(1,915)
		21	1,095	(1,556)	(1,915)

Notes 1 - 29 form part of these financial statements

Group Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 30 September 2014

	2014 £'000	2013 £'000
(Decrease)/increase in cash and cash equivalents	(1,074)	2,436
(Increase)/decrease in bank loans	(215)	2,223
Cash (outflow)/inflow from change in net debt in the period	(1,289)	4,659
Effect of foreign exchange rates	(1)	(4)
Movement in net debt in the period	(1,290)	4,655
Net debt at start of the period	(8,294)	(12,949)
Net debt at end of the period	(9,584)	(8,294)

Notes 1 - 29 form part of these financial statements

Notes to the Financial Statements

for the year ended 30 September 2014

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 88.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amended accounting standards

The following new standards and amendments to standards, none of which have a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2014:

Annual improvements 2009-2011 – published May 2012

IFRS 7 Financial instruments: Disclosures – offsetting of assets and liabilities – published December 2011

IFRS 13 Fair value measurement – published May 2011

IAS 19 Employee benefits – amendments from post-employment benefits project – published June 2011

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 (and in some cases had not yet been adopted by the EU):

Annual improvements 2010-2012

Annual improvements 2011-2013

Annual improvements 2012-2014

IFRS 7 Financial instruments: Disclosures (amendments)

IFRS 9 Financial instruments: Classification and measurement of assets and liabilities

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

IFRS 15 Revenue from contracts with customers

IAS 16 Property, plant and equipment (amendments)

IAS 27 Separate financial statements (amendments)

IAS 28 Investments in associates and joint ventures (amendments)

IAS 32 Financial instruments: Presentation (amendments)

IAS 36 Impairment of assets (amendments)

IAS 38 Intangible assets (amendments)

IAS 39 Financial Instruments: Recognition and measurement (amendments)

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, £1.7m (2013: £1.6m) 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.

Notes to the Financial Statements

for the year ended 30 September 2014 continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 11.

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. 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.

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. Assets and liabilities in foreign currencies are translated into Pounds Sterling in the balance sheet at the year-end rate. The exchange rate of the US Dollar, the principal foreign currency affecting the Group's results, was \$1.62 (2013: \$1.62) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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".

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.

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 substantively 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 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 long leasehold land, 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

Notes to the Financial Statements

for the year ended 30 September 2014 continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Other intangible assets

Amortisation (which is included within administrative expenses) is provided on all intangible assets, other than goodwill, using the straight-line basis to write off the cost of the asset, less estimated residual value, as follows:

- software licenses: 4 years
- lease premium: 85 years

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.

Impairment of property, plant and equipment and intangible assets

Provision will be made should any impairment in the value of properties or other non-current assets 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.

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 amortised 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 loan'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 loan'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 loan 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Derivative financial instruments

The Group's activities expose it to both the financial risks of changes in foreign currency exchange rates and interest rates. From time to time the Group uses foreign exchange forward and option contracts and interest rate swap contracts to hedge some of these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board. Further information on currency and interest rate management is provided in note 28, "Financial Instruments".

Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss for the period. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedging instruments are recognised directly in equity. The ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had been previously recognised in equity are included in the initial measurement of the asset or liability. For transactions that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

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.

For the year ended 30 September 2014, the Group has applied IAS 19 as amended in June 2011 which became effective for financial years beginning on or after 1 January 2013. The effects of the amended standard are not material and therefore the prior year comparatives have not been restated. 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 net interest 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.

Notes to the Financial Statements

for the year ended 30 September 2014 continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share options and the employee benefit trust

Shares held by the "Treant 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 Group has adopted the Black-Scholes model for the purposes of computing fair value of options under IFRS. The fair value excludes the effect of non market-based vesting conditions. This expense, which is in relation to share option schemes for staff in the UK and US, 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. Cancelled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled.

Where the Parent Company grants options over its shares to employees in subsidiaries, it recognises this as a capital contribution equivalent to the share-based payment charge recognised in the Group Income Statement. In the financial statements of the Parent Company, this capital contribution is recognised as an increase in the cost of investment in subsidiaries, with the corresponding credit being recognised directly in equity.

Details of share-based payments are disclosed in note 24.

Critical accounting estimates, assumptions 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:

Critical accounting estimates and assumptions

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 25 'Pension schemes';

Useful economic life and residual value estimates – the Group reviews the useful economic lives and residual values attributed to assets on an on-going basis to ensure they are appropriate. Changes in economic lives or residual values 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;

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 is 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 24 '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 can also include an estimate of deferred consideration payable using assumptions which are consistent with those used to determine the carrying value of goodwill. Future changes in performance or disposals could also impact the value of goodwill. Details of the assumptions made in respect of goodwill and deferred consideration are disclosed in note 12. These estimates could change materially in future years in line with actual and expected future performance.

Taxation – the Group operates in a number of tax jurisdictions and estimation is required of taxable profit in order to determine the Group's current tax liability. There are transactions and calculations for which the ultimate tax determination can be uncertain. The Group periodically evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements

Deferred tax assets – deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Description of the nature and purpose of each reserve within equity

Share premium account – the share premium account represents amounts received in excess of the nominal value of shares on issue of new shares.

Own shares in share trust – own shares in share trust relate to shares held in the Treatt Employee Benefit Trust (the 'EBT'). The shares held in the EBT are all held to meet options to be exercised by employees. 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 2014 was £1,343,000 (2013: £1,361,000).

Hedging reserve – the hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign exchange reserve – the foreign exchange reserve records exchange differences arising from the translation of the financial statements of overseas subsidiaries.

Retained earnings – retained earnings comprises the Group's annual profits and losses, actuarial gains and losses on the defined benefit pension scheme and dividend payments, combined with the employee share option reserve which represents the equity component of share based payment arrangements.

4. SEGMENTAL INFORMATION

Group

Business segments

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 has been identified as the Board of Directors who are 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.

The Group operates one global business segment engaging in the manufacture and supply of ingredient solutions for the flavour, fragrance and consumer goods markets with manufacturing sites in the UK, US and Kenya. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

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:

Revenue by destination	2014 £'000	2013 £'000
United Kingdom	9,975	10,016
Rest of Europe	21,566	19,837
The Americas	29,638	26,661
Rest of the World	18,010	17,583
	79,189	74,097

All Group revenue is in respect of the sale of goods, other than property rental income of £17,000 (2013: £16,000). No customer represented more than 10% of Group revenue.

Non-current assets by geographical location, excluding deferred tax assets, were as follows:

	2014 £'000	2013 £'000
United Kingdom	7,274	7,622
United States	5,893	6,139
Rest of the World	214	302
	13,381	14,063

Notes to the Financial Statements

for the year ended 30 September 2014 continued

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

Group	2014 £'000	2013 £'000
Depreciation of property, plant & equipment	1,222	1,219
Amortisation of intangible assets (included in administrative expenses)	172	181
Loss on disposal of property, plant & equipment	17	3
Gain on disposal of intangible assets	(2)	—
Research and development costs	672	657
Operating leases		
– plant & machinery	14	17
– land & buildings	69	75
Net exchange loss/(gain) on trading activities	267	(56)
Rent receivable	(17)	(16)
Cost of inventories recognised as expense	49,562	46,548
Shipping costs	1,426	1,569
IT & telephony costs	545	565
Insurance costs	534	457
Energy & utility costs	560	543

The analysis of auditor's remuneration is as follows:

Fees payable to the Parent Company's auditors and their associates for the audit of:

– the Parent Company and Group accounts	33	28
– the Group's subsidiaries pursuant to legislation	66	57

Total audit fees	99	85
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Fees payable to the Parent Company's auditors and their associates for other services to the Group:

– tax compliance services	13	11
– corporate finance services (included in exceptional items)	—	34
– (over)/under accrual from prior years and disbursements	—	(4)

Total non-audit fees	13	41
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6. EMPLOYEES

Group

Number of employees

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

	2014 Number	2013 Number
Technical and production	184	182
Administration and sales	114	122
	298	304

Employment costs

The followings costs were incurred in respect of the above:

	2014 £'000	2013 £'000
Wages and salaries	9,918	10,127
Social security costs	957	992
Pension costs (see note 25)	668	710
Share-based payments (see note 24)	46	22
	11,589	11,851

Directors

The information on Directors' emoluments and share options set out on pages 33 to 37 form part of these financial statements.

7. NET FINANCE COSTS

Group		2014 £'000	2013 £'000
Finance revenue	– bank interest received	1	22
	– pension finance income (see note 25)	—	63
		1	85
Finance costs	– bank overdraft interest paid	(494)	(555)
	– other bank finance costs	(94)	(56)
	– loan interest paid	(60)	(115)
	– loan note interest paid	(10)	(10)
	– pension finance cost (see note 25)	(67)	—
		(725)	(736)

8. EXCEPTIONAL ITEMS

The exceptional items referred to in the income statement can be categorised as follows:

	2014 £'000	2013 £'000
Legal and professional fees	292	634
Corporate finance advisory and other costs	—	459
Agency termination	1,110	—
	1,402	1,093
Less: tax effect of exceptional items	(244)	(108)
	1,158	985

The exceptional items in the year all relate to non-recurring items. The legal and professional fees relate to the earnout dispute in relation to the acquisition of the Earthoil Group, which remains on-going. The agency termination costs relate to statutory compensation due upon giving contractual notice in respect of the strategic termination of a longstanding agency arrangement.

Notes to the Financial Statements

for the year ended 30 September 2014 continued

9. TAXATION

Group	2014 £'000	2013 £'000
Analysis of tax charge in income statement:		
Current tax:		
UK corporation tax on profits for the period	732	953
Adjustments to UK tax in respect of previous periods	(111)	7
Overseas corporation tax on profits for the period	909	581
Adjustments to overseas tax in respect of previous periods	(72)	(45)
Total current tax	1,458	1,496
Deferred tax:		
Origination and reversal of temporary differences	20	163
Effect of reduced tax rate on opening assets and liabilities	(27)	(3)
Adjustments in respect of previous periods	102	(1)
Total deferred tax (see note 16)	95	159
Tax on profit on ordinary activities	1,553	1,655
Analysis of tax credit/(charge) in other comprehensive income:		
Current tax:		
Foreign currency translation differences	(11)	30
Actuarial loss on defined benefit pension scheme	51	72
Total current tax	40	102
Deferred tax:		
Cash flow hedges	(8)	(135)
Actuarial loss on defined benefit pension scheme	188	158
Total deferred tax	180	23
Total tax credit recognised in other comprehensive income	220	125
Analysis of tax credit/(charge) in equity:		
Current tax:		
Share-based payments	17	—
Deferred tax:		
Share-based payments	26	—
Total tax credit recognised in equity	43	—

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 of 22% (2013: 23.5%). The differences are explained below:

	2014 £'000	2013 £'000
Profit before tax multiplied by standard rate of UK corporation tax at 22% (2013: 23.5%)	1,210	1,206
Effects of:		
Expenses not deductible in determining taxable profit and other items	70	300
Difference in tax rates on overseas earnings	354	188
Adjustments to tax charge in respect of prior years	(81)	(39)
Total tax charge for the year	1,553	1,655

The main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014. The Group's effective UK corporation tax rate for the year was therefore 22% (2013: 23.5%). The adjustments in respect of prior years relate to the finalisation of previous year's tax computations.

10. DIVIDENDS

	Dividend per share for years ended 30 September				2013 £'000
	2014 ² Pence	2013 ¹ Pence*	2012 ¹ Pence*	2014 £'000	
Parent Company and Group					
Equity dividends on ordinary shares:					
Interim dividend	1.24p	1.10p	1.02p	565	521
Final dividend	2.60p	2.60p	2.08p	1,334	1,064
	3.84p	3.70p	3.10p	1,899	1,585

1 Accounted for in the subsequent year in accordance with IFRS.

2 The declared interim dividend for the year ended 30 September 2014 of 1.24 pence was approved by the Board on 16 May 2014 and was paid on 17 October 2014. Accordingly it has not been included as a deduction from equity at 30 September 2014. The proposed final dividend for the year ended 30 September 2014 of 2.60 pence will be voted on at the Annual General Meeting on 30 January 2015. Both dividends will therefore be accounted for in the financial statements for the year ended 30 September 2015.

11. EARNINGS PER SHARE

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. The weighted average number of shares excludes shares held by the EBT.

	2014	2013*
Earnings (£'000)	3,949	3,479
Weighted average number of ordinary shares in issue (No: '000)	51,335	51,142
Basic earnings per share (pence)	7.69p	6.80p

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.

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

	2014 No ('000)	2013* No ('000)
Weighted average number of shares	52,405	52,405
Weighted average number of shares held in the EBT	(1,070)	(1,263)
Weighted average number of shares used for calculating basic EPS	51,335	51,142
Executive share option schemes	40	9
Savings-related share options	177	223
Weighted average number of shares used for calculating diluted EPS	51,552	51,374
Diluted earnings per share (pence)	7.66p	6.77p

* Restated following 5 for 1 sub-division of shares

Notes to the Financial Statements

for the year ended 30 September 2014 continued

11. EARNINGS PER SHARE (continued)

Adjusted earnings per share

Adjusted earnings per share measures are calculated based on profits for the year attributable to owners of the Parent Company before exceptional items as follows:

	2014 £'000	2013* £'000
Earnings for calculating basic and diluted earnings per share	3,949	3,479
Adjusted for:		
Exceptional items (see note 8)	1,402	1,093
Taxation thereon	(244)	(155)
Earnings for calculating adjusted earnings per share	5,107	4,417
Adjusted basic earnings per share (pence)	9.95p	8.64p
Adjusted diluted earnings per share (pence)	9.91p	8.60p

* Restated following 5 for 1 sub-division of shares

12. GOODWILL

	Goodwill £'000
Carrying amount 30 September 2014	1,075
30 September 2013	1,075

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 earnout formula in relation to the profits of Earthoil in the calendar years 2010 and 2011. Deferred consideration of £23,000 (2013: £23,000) has been included in goodwill in relation to the earnout notice which has been issued but not yet settled as it is the subject of an on-going dispute (see note 27).

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.

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, 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. As at the year ended 30 September 2014, the impairment review has concluded that the value in use of Earthoil now significantly exceeds its carrying value. In performing this impairment review, the Group has prepared cash flow forecasts derived from the most recent financial budgets approved by the Board for the five years ending 30 September 2018. Thereafter, a growth rate for pre-tax profit of 2% (2013: 2%) per annum is assumed into perpetuity. A rate of 12.5% (2013: 12.5%) has been used to discount the forecast cash flows. The key assumptions are based on past experience adjusted for expected changes in future conditions.

Based upon this impairment review the recoverable amount of Earthoil exceeds its carrying amount by £7.5m (2013: £10.2m). The recoverable amount is most sensitive to changes in the discount rate and sales growth. A 1% change in the discount rate or sales growth would change the recoverable amount by £1m.

13. OTHER INTANGIBLE ASSETS

Group	Lease premium £'000	Software licences £'000	Total £'000
Cost			
1 October 2012	343	764	1,107
Additions	—	147	147
Disposals	—	(73)	(73)
1 October 2013	343	838	1,181
Exchange adjustment	—	1	1
Additions	—	212	212
Disposals	—	(105)	(105)
30 September 2014	343	946	1,289
Amortisation			
1 October 2012	9	380	389
Charge for period	4	177	181
Disposals	—	(73)	(73)
1 October 2013	13	484	497
Exchange adjustment	—	1	1
Charge for period	4	168	172
Disposals	—	(107)	(107)
30 September 2014	17	546	563
Net book value			
30 September 2014	326	400	726
30 September 2013	330	354	684

Intangible assets with a net book value of £27,000 (2013: £4,000) have been pledged as security in relation to the Industrial Development Loan detailed in note 20.

Notes to the Financial Statements

for the year ended 30 September 2014 continued

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
Cost			
1 October 2012	6,259	11,512	17,771
Exchange adjustment	(10)	(50)	(60)
Additions	12	1,421	1,433
Disposals	—	(443)	(443)
Disposal of subsidiary	—	(7)	(7)
1 October 2013	6,261	12,433	18,694
Exchange adjustment	(5)	(54)	(59)
Additions	—	538	538
Disposals	—	(2,291)	(2,291)
30 September 2014	6,256	10,626	16,882
Depreciation			
1 October 2012	826	5,402	6,228
Exchange adjustment	(4)	(26)	(30)
Charge for period	136	1,083	1,219
Disposals	—	(439)	(439)
Disposals of subsidiary	—	(2)	(2)
1 October 2013	958	6,018	6,976
Exchange adjustment	—	(39)	(39)
Charge for period	132	1,090	1,222
Disposals	—	(2,271)	(2,271)
30 September 2014	1,090	4,798	5,888
Net book value			
30 September 2014	5,166	5,828	10,994
30 September 2013	5,303	6,415	11,718

Analysis of land & buildings

Net book value	2014 £'000	2013 £'000
Freehold	4,427	4,548
Long Leasehold	739	755
	5,166	5,303

Included in plant and machinery are assets in the course of construction totalling £352,000 (2013: £516,000).

Property, plant and equipment with a net book value of £5.6m (2013: £5.8m) has been pledged as security in relation to the Industrial Development Loan and Equipment Financing Loan detailed in note 20.

Capital commitments

	2014 £'000	2013 £'000
Contracted but not provided for	350	134

15. INVESTMENTS IN SUBSIDIARIES

Parent Company	Total £'000
Cost	
1 October 2012	5,216
Capital contribution to subsidiaries	22
1 October 2013	5,238
Capital contribution to subsidiaries	47
30 September 2014	5,285

Parent Company	2014 £'000	2013 £'000
Subsidiary:		
R C Treatt & Co Limited – at cost		
50,000 ordinary shares of £1 each, fully paid	2,350	2,318
Treatt USA Inc – at cost		
2,975,000 common stock of US\$1 each, fully paid	1,860	1,845
Earthoil Plantations Limited		
4,051,000 ordinary shares of 50p each, fully paid	923	923
Earthoil Kenya Pty Limited		
2,500 'A' ordinary shares of KES20 each, fully paid		
2,500 'B' ordinary shares of KES20 each, fully paid	152	152
	5,285	5,238

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 natural cosmetic ingredients
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

16. DEFERRED TAXATION

	2014 £'000	2013 £'000
UK deferred tax asset	396	278
Overseas deferred tax liability	(1,007)	(1,001)
Net deferred tax liability	(611)	(723)

Notes to the Financial Statements

for the year ended 30 September 2014 continued

16. DEFERRED TAXATION (continued)

A reconciliation of the net deferred liability is shown below:

Group	Post-employment benefits £'000	UK Deferred Tax			Overseas Deferred Tax		Total £'000
		Fixed assets £'000	Cash flow hedge £'000	Other temporary differences £'000	Fixed assets £'000	Other temporary differences £'000	
1 October 2012	192	(195)	238	51	(1,000)	120	(594)
Exchange differences	—	—	—	—	7	—	7
(Charge)/credit to income statement	(17)	29	(27)	(16)	(111)	(17)	(159)
Credit/(charge) to other comprehensive income	158	—	(135)	—	—	—	23
1 October 2013	333	(166)	76	35	(1,104)	103	(723)
Exchange differences	—	—	—	—	(1)	2	1
(Charge)/credit to income statement	(16)	(52)	17	(37)	(69)	62	(95)
Credit/(charge) to other comprehensive income	188	—	(8)	—	—	—	180
Credit direct to equity	—	—	—	26	—	—	26
30 September 2014	505	(218)	85	24	(1,174)	167	(611)

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 has a specific plan in place to reverse the deficit and so this deferred tax asset has been recognised.

The deferred tax rate applied to UK companies within the Group is 20% (2013: 21%) as legislation has been substantively enacted which reduces the main rate of UK corporation tax from 21% in the 2014/15 tax year to 20% for the 2015/16 tax year.

17. INVENTORIES

Group	2014 £'000	2013 £'000
Raw materials	11,463	11,736
Work in progress and intermediate products	12,267	8,135
Finished goods	4,290	3,798
	28,020	23,669

Inventory with a carrying value of £10.6m (2013: £8.1m) has been pledged as security in relation to the Industrial Development Loan detailed in note 20.

18. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current				
Trade receivables	13,203	11,448	—	—
Amounts owed by subsidiaries	—	—	45	454
Other receivables	470	931	—	—
Prepayments	836	828	—	—
	14,509	13,207	45	454
Non-current				
Other receivables	586	586	586	586

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 (2013: 59 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 £0.3m (2013: £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% (2013: 25%) 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
2014	1,541	507	180
2013	1,842	489	187

The ageing profile of impaired trade receivables is as follows:

Group	Number of days past the due date			
	Current £'000	1-30 £'000	31-60 £'000	Over 60 £'000
2014	10	—	5	294
2013	95	17	1	51

for the year ended 30 September 2014 continued

At 30 September 2014 £3.3m (2013: £3.2m) of trade receivables were denominated in Sterling, £8.5m (2013: £6.9m) in US Dollars and £1.4m (2013: £1.5m) 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 28 and the Financial Review on pages 9 and 10.

There is no credit risk associated with non-current other receivables of £0.6m (2013: £0.6m) as these amounts are contractually fully recoverable against loan notes payable of £0.7m (2013: £0.7m) when they fall due, and are recoverable at an earlier date if deferred consideration in respect of Earthoil becomes payable.

Group

A detailed analysis of cash balances by currency is shown in note 28. 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.

	Group		Parent Company	
Current	2014 £'000	2013 £'000	2014 £'000	2013 £'000
US term loans	514	500	—	—
UK revolving credit facilities	1,234	—	—	—
Bank borrowings	608	22	1,556	1,915
	2,356	522	1,556	1,915

	Group	
	2014	2013
	£'000	£'000
Non-current		
US term loans	2,306	2,096
UK revolving credit facilities	5,551	6,793
	7,857	8,889

US term loans include an industrial development loan of £1,120,000 (2013: £1,279,000) and equipment financing loans of £973,000 (2013: £1,317,000).

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 3.66% for ten years ending on 1 July 2021 by way of an interest rate swap which covers the full term of the loan. The fair value of this interest rate swap (based on the mark-to-market valuation provided by Bank of America) at the year-end was £102,000 (2013: £135,000) based on year end exchange rates. The fair value of this swap is not included on the balance sheet or through the income statement as the amount involved is not material. Similarly, the Directors do not apply hedge accounting in respect of US borrowings due to the lack of materiality of the items involved.

The equipment financing loans of £748,000 (2013: £1,026,000) and £225,000 (2013: £291,000) are repayable by fixed monthly instalments over five years ending on 30 March and 31 December 2017, with fixed interest rates of 4.36% and 2.89% respectively.

The US Dollar overdraft facility ('line of credit') of \$4m is a four year facility expiring in 2017. The US term loans and line of credit, both held by Treatt USA Inc are secured by a fixed and floating charge over Treatt USA's current and non-current assets.

20. BORROWINGS (continued)

Other borrowings

The Group's UK overdraft facilities are unsecured. UK borrowings of \$9m are held on a three year revolving credit facility (RCF) which expires in 2016, and £1.2m on a three year RCF expiring in 2015. The rate of interest on \$9m of UK revolving credit facilities has been fixed for ten years at a rate of 5.68% through an interest rate swap. Hedge accounting has been applied to the fair value of this swap, details of which are provided in note 28.

Borrowings are repayable as follows:

	2014 £'000	2013 £'000
– in one year or less	2,356	522
– in more than one year but not more than two years	6,080	1,749
– in more than two years but not more than five years	1,444	6,647
– in more than five years	333	493
	10,213	9,411

Further information on Group borrowing facilities is given in notes 27 and 28, including a detailed analysis of cash balances by currency.

Borrowing facilities

At 30 September 2014, the Group had total borrowing facilities of £20.3m (2013: £19.9m) of which £10.2m (2013: £6.0m) expire in one year or less and £10.7m (2013: £11.6m) were undrawn.

21. PROVISIONS

Group	2014 £'000	2013 £'000
Onerous contract provision:		
At start of year	49	—
Utilised in year	(49)	—
Additional provision in year	920	49
Balance at end of year	920	49

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.

22. TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current				
Trade payables	7,326	7,434	—	—
Amounts owed to subsidiaries	—	—	13	—
Other taxes and social security costs	514	415	6	4
Accruals	4,213	3,443	1	—
	12,053	11,292	20	4
Non-current				
Other creditors and accruals	23	23	23	23

Notes to the Financial Statements

for the year ended 30 September 2014 continued

22. TRADE AND OTHER PAYABLES (continued)

Trade payables principally comprise amounts for trade purchases and on-going costs. The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

At 30 September 2014 £1.4m (2013: £2.2m) of trade payables were denominated in Sterling, £5.0m (2013: £4.1m) in US Dollars and £0.4m (2013: £0.9m) 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 28 and the Financial Review on pages 9 and 10.

Non-current other creditors and accruals relates to the deferred consideration payable to the vendors in relation to the acquisition of Earthoil. See note 12 for further information.

23. SHARE CAPITAL

Parent Company and Group Called up, allotted and fully paid	2014 £'000	2014 Number	2013 £'000	2013 Number (Restated)
At start and end of period	1,048	52,405,170	1,048	52,405,170

During the year the Parent Company sub-divided its 10p ordinary shares, on a five for one basis, into 2p ordinary shares. The Parent Company has one class of ordinary shares, now with a nominal value of 2p each, which carry no right to fixed income.

24. SHARE-BASED PAYMENTS

Group

The Group has applied the requirements of IFRS2 "Share-based payments".

The Group operates executive share option schemes for Directors, senior management and other key employees 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 2p each in the capital of the Parent Company. These share options are expected to be settled via the transfer of shares out of the "Treant Employee Benefit Trust".

The options outstanding at 30 September 2014 for which a share-based payment charge of £47,000 (2013: £22,000) has been made are as follows:

	Number of shares outstanding	Number exercised in year	Exercise price per share	Date option exercisable
UK Executive Options 2012	12,820*	—	78.0p	Dec 2015 - Dec 2022
US Executive Options 2012	97,740*	—	79.0p	Dec 2017 - Dec 2022
UK Executive Options 2013	6,790*	—	147.2p	Dec 2016 - Dec 2023
US Executive Options 2013	51,965*	—	147.2p	Dec 2018 - Dec 2023
UK SAYE ¹ Scheme 2011	265*	106,340	68.0p	Sep 2014 - Feb 2015
UK SAYE Scheme 2012	192,800*	—	53.4p	Sep 2015 - Feb 2016
UK SAYE Scheme 2013	126,420*	—	97.8p	Sep 2016 - Feb 2017
UK SAYE Scheme 2014	198,069	—	138.0p	Sep 2017 - Feb 2018
US ESPP ² scheme 2014	35,698	—	147.0p	Jul 2015
UK LTIP ³ Scheme 2014	100,282	—	Nil	Jun 2017 - Jun 2024
US LTIP scheme 2014	75,061	—	Nil	Jun 2017

1 Save as you earn

2 Employee stock purchase plan

3 Long-term incentive plan

* Restated following 5 for 1 sub-division of shares

24. 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:

All-employee share schemes:	SAYE 2012*	SAYE 2013*	SAYE 2014	US ESPP 2014
Share price at date of grant	63.3p	123.5p	172.5p	172.5p
Contractual life	3.5 years	3.5 years	3.5 years	1 year
Expected life	3 years	3 years	3 years	1 year
Expected volatility	21.1%	23.6%	23.4%	19.1%
Risk-free interest rate	0.57%	1.30%	2.02%	2.02%
Dividend yield	4.7%	2.6%	2.2%	2.2%
Expected cancellations	10.0%	10.0%	10.0%	10.0%
Expected forfeitures	10.0%	10.0%	10.0%	10.0%
Fair value per option at date of grant	8.1p	26.4p	39.0p	25.2p

Executive share schemes:	UK Exec 2012*	US Exec 2012*	UK Exec 2013*	US Exec 2013*	UK LTIP 2014	US LTIP 2014
Share price at date of grant	78.0p	78.0p	147.2p	147.2p	174.0p	174.0p
Contractual life	10 years	10 years	10 years	10 years	10 years	3.25 years
Expected life	3 years	5 years	3 years	5 years	3 years	3 years
Expected volatility	21.1%	21.7%	23.6%	23.3%	23.4%	23.3%
Risk-free interest rate	0.84%	0.84%	1.70%	1.70%	2.02%	2.02%
Dividend yield	4.0%	4.0%	2.5%	2.5%	2.2%	2.2%
Expected cancellations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected forfeitures	25.0%	25.0%	25.0%	25.0%	35.0%	35.0%
Fair value per option at date of grant	8.25p	8.45p	30.0p	29.6p	139.5p	162.1p

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.

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

	No of options	2014 Weighted average exercise price	No of options*	2013* Weighted average exercise price
Outstanding at start of period	570,890	£0.73	556,640	£0.54
Granted during the period	467,865	£0.88	260,865	£0.90
Forfeited during the period	(14,175)	£0.64	(38,610)	£0.56
Exercised during the period	(126,670)	£0.73	(198,985)	£0.46
Expired during the period	—	—	—	—
Cancelled during the period	—	—	(9,020)	£0.61
Outstanding at end of period	897,910	£0.81	570,890	£0.73
Exercisable at end of period	265	£0.68	—	—

* Restated following 5 for 1 sub-division of shares

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 5.2 years (2013: 3.7 years). The weighted average actual market share price on date of exercise for share options exercised during the year was 159.4 pence (2013 restated: 125.7 pence) and the weighted average fair value of options granted during the year was 78.1 pence (2013 restated: 18.5 pence).

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for the year ended 30 September 2014 continued

25. PENSION SCHEMES

Group

The Group operates 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 and from 1 January 2013 was not subject to any further accruals. Instead members of the final salary pension scheme became eligible for membership of a defined contribution pension plan with effect from 1 January 2013.

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 in relation to the defined benefit pension scheme, amounting to:

	2014 £'000	2013 £'000
Defined benefit scheme – current service cost	—	112
Defined contribution schemes	644	574
Other pension costs	24	24
	668	710

Defined benefit pension scheme

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 2012 carried out by Barnett Waddingham and updated by Mrs L Lawson, a Fellow of the Institute and Faculty of Actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2014. Scheme assets are stated at their market value as at that date.

The scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the trustees of the scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the scheme in these financial statements.

The scheme is managed by a board of trustees appointed in part by the company and part from elections by members of the Scheme. The trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the scheme's assets. The trustees delegate some of these functions to their professional advisers where appropriate.

The scheme exposes the Group to a number of risks:

Investment risk: The scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk: The scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk: A proportion of the benefits under the scheme are linked to inflation. Although the scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

Mortality risk: In the event that members live longer than assumed a greater deficit will emerge in the scheme.

Member options: Certain benefit options may be exercised by members without requiring the consent of the trustees or the company, for example exchanging pension for cash at retirement. In this example, if fewer members than expected exchange pension for cash at retirement then a funding strain will emerge.

The assets do not include any investment in shares of the Group and there were no plan amendments, curtailments or settlements during the period.

25. PENSION SCHEMES (continued)

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

	2014	2013
Discount rate	4.10%	4.65%
Rate of inflation (RPI)	3.25%	3.35%
Rate of inflation (CPI)	2.25%	2.35%
Rate of increase in pensions in payment – CPI max 5%	2.25%	2.35%
Rate of increase in pensions in payment – CPI max 3%	2.10%	2.20%
Rate of increase in pensions in payment – CPI max 2.5%	1.95%	2.00%
Revaluation in deferment	2.25%	2.35%
Mortality table	100% of S1PxA table with CMI_2011 projections with a long term average rate of improvement of 1% pa	100% of S1PxA table with CMI_2011 projections with a long term average rate of improvement of 1% pa
Commutation allowance	20%	20%
Rate of increase in salaries	N/A	N/A
Life expectancy for male aged 65 in 20 years' time	23.5	23.4
Life expectancy for female aged 65 in 20 years' time	26.0	25.9
Life expectancy for male aged 65 now	22.2	22.1
Life expectancy for female aged 65 now	24.4	24.4

Effect of the scheme on future cash flows

The Group is required to agree a schedule of contributions with the trustees of the scheme following a valuation which must be carried out at least once every three years. The next valuation of the scheme is due as at 1 January 2015. In the event that the valuation reveals a larger deficit than expected the Group may be required to increase contributions above those set out in the existing schedule of contributions. Conversely, if the position is better than expected contributions may be reduced. The Group expects to make on-going contributions of approximately £306,000 to its defined benefit pension scheme in 2015 (2013: £297,000). The weighted average duration of the defined benefit obligation is approximately 19 years.

	2014 £'000	2013 £'000
<i>Scheme assets:</i>		
Equities	9,143	8,653
Target return funds	5,544	5,213
Bonds	3,454	3,256
Other	36	49
Fair value of scheme assets	18,177	17,171
Present value of funded obligations (scheme liabilities)	(20,706)	(18,760)
Deficit in the scheme recognised in the balance sheet	(2,529)	(1,589)
Related deferred tax	505	333
Net pension liability	(2,024)	(1,256)
Changes in scheme liabilities		
Balance at start of period	(18,760)	(16,436)
Current service cost	—	(112)
Interest cost	(858)	(747)
Benefits paid	622	560
Remeasurement losses:		
Actuarial loss arising from changes in financial assumptions	(1,710)	(2,025)
Balance at end of period	(20,706)	(18,760)
Changes in scheme assets		
Balance at start of period	17,171	15,598
Interest on scheme assets	791	810
Employer contributions	297	356
Benefits paid	(622)	(560)
Remeasurement gains:		
Return on plan assets (excluding amounts included in interest expense)	540	967
Balance at end of period	18,177	17,171

Notes to the Financial Statements

for the year ended 30 September 2014 continued

25. PENSION SCHEMES (continued)

	2014 £'000	2013 £'000
Amount charged to operating profit		
Current service cost (excluding employee contributions)	—	(112)
Amount credited to finance revenue		
Interest on scheme assets	791	810
Interest on scheme liabilities	(858)	(747)
Net finance (expense)/revenue	(67)	63
Net expense recognised in income statement	(67)	(49)
Amount recognised in statement of comprehensive income		
Return on plan assets (excluding amounts included in interest expense)	540	967
Actuarial loss arising from changes in financial assumptions	(1,710)	(2,025)
Remeasurement loss recognised in statement of comprehensive income	(1,170)	(1,058)
Actual return on scheme assets	1,331	1,777
Statement of comprehensive income		
Actuarial gain on scheme assets net of interest	540	967
Actuarial loss from changes in financial assumptions	(1,710)	(2,025)
Actuarial loss recognised in statement of comprehensive income	(1,170)	(1,058)
Cumulative remeasurement loss recognised in statement of comprehensive income	(3,513)	(2,343)

Approximate effect of change of assumptions on liability values at 30 September 2014:

Change	Increases liability by: £'000
Reduce discount rate by 0.25% pa	990
Increase inflation and all related assumptions by 0.1% pa	290
Increase life expectancy by one year	655

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. The assumptions used in preparing this sensitivity analysis are unchanged from the prior year.

26. COMMITMENTS UNDER OPERATING LEASES

The Group as lessee

As at 30 September 2014, the Group had total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 £'000	2013 £'000
Within one year	38	28
In one to two years	38	10
In two to five years	83	21
In more than five years	14	—
	173	59

The Group as lessor

As at 30 September 2014, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2014 £'000	2013 £'000
Within one year	8	8

27. CONTINGENT LIABILITIES

Parent Company

The Parent Company has guaranteed the Industrial Development Loan and 'Line of Credit' for Treatt USA Inc. At the balance sheet date the liability covered by this guarantee amounted to US\$1,815,000 (£1,120,000) (2013: US\$2,070,000 (£1,279,000)).

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 £5,419,000 (2013: £4,322,000).

Parent Company and Group

As previously reported, the sellers of the Earthoil Group, which was wholly acquired in April 2008 (see note 12), have filed a claim in the Chancery Division of the High Court against the Parent Company for £1.8m which was subsequently extended to £2.3m. The claim relates to various matters in respect of the earnout, being the deferred consideration payable to the sellers in respect of the acquisition of the Earthoil Group. Following the hearing of some preliminary issues in November 2013 and February 2014, determination of the substantive issues has been stayed pending hearings at the Court of Appeal on matters of legal interpretation. As with any litigation, there can be no certainty of the eventual outcome, but the Board remains of the view that no sums are due to the sellers in respect of this claim. The costs of resolving the dispute currently total £939,000, of which the current year's costs of £292,000 have been included in exceptional items, on a consistent basis to the prior year. The total eventual legal and professional fees of the dispute are currently unknown, but are likely to exceed £1.25m.

28. FINANCIAL INSTRUMENTS

Parent Company and Group

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 and equity shareholders' funds. 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. In recent years the Group have converted £3.25m of committed one year borrowings and \$9m of overdraft in the UK into three year revolving credit facilities, and a \$4m line of credit facility in the US into a four year facility. None of these facilities expire in the same financial years and all bank facilities are operated independently and are therefore not syndicated. 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, CEO's Report and Financial Review on pages 6 to 10.

Notes to the Financial Statements

for the year ended 30 September 2014 continued

28. FINANCIAL INSTRUMENTS (continued)

Parent Company and Group (continued)

Categories of financial instruments

In the following table those financial instruments which are measured subsequent to initial recognition at fair value are required to be grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group		Parent Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Financial assets				
Redeemable loan notes receivable from subsidiaries	—	—	1,350	1,350
Trade receivables	13,203	11,448	—	—
Cash and cash equivalents	629	1,117	—	—
Derivative financial instruments – forward currency contracts (level 2)	92	219	—	—
	13,924	12,784	1,350	1,350
Financial liabilities				
Redeemable loan notes payable	675	675	675	675
Trade payables	7,326	7,434	—	—
Bank borrowings	608	22	1,556	1,915
UK revolving credit facilities	6,785	6,793	—	—
US term loans	2,093	2,596	—	—
Derivative financial instruments – interest rate swap (level 2)	511	577	—	—
	17,998	18,097	2,231	2,590

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 report 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 18. 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 19. 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:

	2014 £'000	2013 £'000
Variable Rate Unsecured Loan Notes 2015 (A)	950	950
Variable Rate Unsecured Loan Notes 2015 (B)	400	400
	1,350	1,350

28. FINANCIAL INSTRUMENTS (continued)

Parent Company and Group (continued)

Credit risk management (continued)

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 29, the loan notes are receivable by the Parent Company from two of its wholly-owned subsidiaries, comprising the Earthoil Group. Although the Earthoil Group has access to the Group's banking facilities, on a standalone basis there is technically a credit risk attaching to the loan notes. However, given that the Earthoil Group is now trading profitably and the Parent Company has control over when the loan notes are redeemed, this credit risk is not considered to be significant.

Further details of the Group's credit risk management are given in notes 18 and 19.

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 20.

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 to medium 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.

The Group hedges a portion of its interest rate risk through an interest rate swap which has the effect of fixing the interest rate on a notional principal of US\$9m of borrowings. The interest rate swap is for a period of ten years ending in 2020 and swaps variable 3 month US LIBOR for a fixed rate of 5.68%. The Group has complied with the requirements of IAS39, 'Financial Instruments: Recognition and Measurement' and designated this interest rate swap as a cash flow hedge. The hedge was 100% effective during the period and is expected to be going forward, and consequently the carrying value (which is the same as the fair value) of the interest rate swap has been taken to the hedging reserve, and the corresponding liability as at 30 September 2014 of £511,000 (2013: £577,000) is shown under non-current liabilities – 'Derivative Financial Instruments'. The fair value of the interest rate swap equates to the mark-to-market valuation of the swap provided by HSBC and represents the amount which the Group would expect to pay in order to close the swap contract at the balance sheet date. The gain for the period of £13,000 (2013: £546,000) is shown in the 'Statement of Comprehensive Income'.

The derivative financial instrument for the interest rate swap described above is classified as level 2.

Interest rate risk is further 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Financial liabilities						
Bank borrowings:						
US Dollars	472	6,062	7,644	2,596	8,116	8,658
Sterling*	1,422	(106)	—	—	1,422	(106)
Other*	45	(258)	—	—	45	(258)
Total Net Debt	1,939	5,698	7,644	2,596	9,583	8,294
Loan notes payable:						
Sterling	675	675	—	—	675	675
	2,614	6,373	7,644	2,596	10,258	8,969

* Bank borrowings are shown net of positive cash balances as rights of set-off exist.

Notes to the Financial Statements

for the year ended 30 September 2014 continued

28. FINANCIAL INSTRUMENTS (continued)

Parent Company and Group (continued)

Interest rate risk management (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. Interest on bank overdrafts is charged at 1.35%-2.75% above bank base or currency LIBOR rates. The terms of the loan notes receivable are shown within this note.

Fixed rate financial liabilities comprise the Industrial Development Loan of US\$1,815,000 (2013: US\$2,070,000), equipment financing term loans of \$1,578,000 (2013: \$2,133,000) and \$9,000,000 revolving credit facility (see note 20).

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

	2014 £'000	2013 £'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, after taking account of rights of set off, 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 2014 would have decreased or increased as follows:

	Group		Parent Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Impact on profit before tax of 1% interest rate movement	102	101	9	12

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 and Euros as well as by entering into foreign currency forward contracts and options. Further details of the Group's foreign currency risk management can be found in the Chairman's Statement, CEO's Report and Financial Review on pages 6 to 10.

The following table details the forward and option contracts outstanding at the year end:

	Average Rate	Nominal Currency '000	Contract GBP £'000	Fair value Gain £'000
US Dollars:				
Option to sell US Dollars in 3 to 6 months	1.659	\$10,000	6,028	—
Euros:				
Forward contract to sell Euros in 3 to 6 months	1.255	€3,000	2,391	53
			8,419	53

28. FINANCIAL INSTRUMENTS (continued)

Parent Company and Group (continued)

Foreign currency risk management (continued)

The derivative financial instruments for the foreign currency contracts and options described above are all held as cash flow hedges and are classified as level 2. The fair value of the foreign currency contracts and options at the year end equate to the mark-to-market valuation of the contracts and options provided by HSBC and represents the amount which the Group would expect to pay in order to close the contracts at the balance sheet date.

The gain/(loss) on foreign currency financial instruments during the year was as follows:

	2014 £'000	2013 £'000
Income statement	360	129
Other comprehensive income	(50)	90
	310	219

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 2014	1,948	1,074	3,022
At 30 September 2013	(5,056)	1,077	(3,979)

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 gain on net monetary assets or liabilities of £216,000 (2013: loss of £562,000). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since it is limited to the year-end exposure and does not reflect the exposure during the year.

29. 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 25 to 37.

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	950	1,070
Employers' social security costs	91	111
Pension contributions to money purchase schemes	41	42
Share-based payments	6	3
	1,088	1,226

During the year no Directors (2013: two) were members of a defined benefit pension scheme as the scheme was closed to future accrual with effect from 31 December 2012. The aggregate accumulated total pension as at 30 September 2014 was £66,000 (2013: £64,000).

Notes to the Financial Statements

for the year ended 30 September 2014 continued

29. RELATED PARTY TRANSACTIONS (continued)

	2014 £'000	2013 £'000
<i>Interest received from:</i>		
Earthoil Plantations Limited	14	14
Earthoil Kenya PTY EPZ Limited	6	6
<i>Dividends received from:</i>		
R C Treatt & Co Limited	936	948
Treatt USA Inc	902	654
<i>Redeemable loan notes receivable:</i>		
Earthoil Plantations Limited	950	950
Earthoil Kenya PTY EPZ Limited	400	400
<i>Amounts owed to/(by) Parent Company:</i>		
Earthoil Plantations Limited	45	157
R C Treatt & Co Limited	(13)	297

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 30 January 2015 at 10.30 am at Treatt plc, Northern Way, Bury St Edmunds, Suffolk, IP32 6NL is set out below.

At the AGM the Company will propose measures regarding historic dividends paid by it. This is a technical issue that has no impact on either the historic or future trading and profitability of the Group.

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 Asset Services, PX51, 34 Beckenham Road, Beckenham, Kent, BR3 47F 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 30 January 2015, at 10.30 am for the transaction of the following business:

Ordinary Business

1. To receive the accounts and the reports of the Directors and the Auditors for the year ended 30 September 2014.
2. To approve the Directors' Remuneration Report.
3. To approve a final dividend of 2.60p per share on the ordinary shares of the Company for the year ended 30 September 2014.
4. To re-elect Richard Hope as a Director of the Company.
5. To re-elect Ian Neil 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 Resolutions 8 to 10 will be proposed as Ordinary Resolutions and Resolutions 11 to 13 will be proposed as Special Resolutions.

8. Approval of Remuneration Policy
THAT:
The Remuneration Policy be and is hereby approved.
9. Authority to allot securities
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 30 April 2016; 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.
10. Approval of Save As You Earn Share Option Scheme
THAT:
The Treatt plc 2015 Save As You Earn Share Option Scheme ('SAYE'), the main terms of which are summarised in the explanatory notes accompanying this notice of meeting, to be constituted by the rules produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby approved and adopted for ten years from the date of approval by shareholders and the Directors are hereby authorised:
 - a) to do all acts and things necessary to carry the same into effect, including the making of any changes to the rules as may be necessary to take account of the requirements of HM Revenue & Customs and/or to do all other such acts as the Directors may consider necessary or desirable to implement the SAYE; and

Notice of Annual General Meeting continued

- b) to adopt further all-employee share plans based on the SAYE but modified to take account of local tax, exchange control or securities laws in overseas territories provided that any shares made available under such further arrangements are treated as counting against the limits on individual and overall participation in such schemes.
11. Disapplication of pre-emption rights for up to 5% of existing share capital
- THAT:
- (a) Conditionally upon the passing of Resolution 9 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 10 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 30 April 2016;
- (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.
12. Authority to purchase own shares
- 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 2p each in the capital of the Company ("ordinary shares") provided that:
- (a) the maximum number of ordinary shares authorised to be purchased is 5,240,510 (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 2p;
- (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 2016, 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.
13. Proposed release of the Company's rights in respect of certain dividends:
- THAT:
- (a) the Company be and it is hereby authorised to release, abandon and undertake not to pursue any and all rights and claims it has or may have against shareholders on the register of members on the relevant dividend record dates arising out of:
- (i) the payment of 0.74p* per ordinary share by way of an interim dividend on 2 October 2009;
- (ii) the payment of 0.82p* per ordinary share by way of an interim dividend on 15 October 2010;
- (iii) the payment of 0.96p* per ordinary share by way of an interim dividend on 21 October 2011;
- (iv) the payment of 1.94p* per ordinary share by way of a final dividend on 2 March 2012;
- (v) the payment of 1.02p* per ordinary share by way of an interim dividend on 19 October 2012;
- (vi) the payment of 1.10p* per ordinary share by way of an interim dividend on 18 October 2013;
- (vii) the payment of 2.60p* per ordinary share by way of a final dividend on 4 April 2014;
- (viii) the payment of 1.24p per ordinary share by way of an interim dividend on 17 October 2014;
- together, the dividends referred to in sub-paragraphs (a)(i)-(viii) above being defined as the "Dividends" and each being an interim or final "Dividend";
- * Restated following five for one sub-division of shares
- (b) the Company be and it is hereby authorised to release, abandon and undertake not to pursue any and all rights and claims it has or may have in respect of, the matters aforesaid against the directors of the Company (the "Directors") in office at the time of the declaration and/or payment of the Dividends or subsequently appointed;
- (c) for the purpose of implementing paragraphs (a) and (b) of this resolution, any Director be authorised and instructed to execute a deed substantially in the form produced to this meeting and initialled by the Chairman for the purposes of identification, to give effect to the above provisions of this resolution, and any prohibition in the articles of association, as filed with the Registrar of Companies, on interested Directors voting in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal in which they may be interested shall be suspended to the extent necessary to enable the execution and delivery of such deed on behalf of the Company; and

(d) the Company ratifies:

- (i) the entry in the audited accounts of the Company for the year ended 30 September 2010 whereby distributable profits of the Company were appropriated to the payment of 0.74p per ordinary share by way of an interim dividend on 2 October 2009;
- (ii) the entry in the audited accounts of the Company for the year ended 30 September 2011 whereby distributable profits of the Company were appropriated to the payment of 0.82p per ordinary share by way of an interim dividend on 15 October 2010;
- (iii) the entry in the audited accounts of the Company for the year ended 30 September 2012 whereby distributable profits of the Company were appropriated to the payment of 0.96p per ordinary share by way of an interim dividend on 21 October 2011;
- (iv) the entry in the audited accounts of the Company for the year ended 30 September 2012 whereby distributable profits of the Company were appropriated to the payment of 1.94p per ordinary share by way of a final dividend on 2 March 2012;
- (v) the entry in the audited accounts of the Company for the year ended 30 September 2013 whereby distributable profits of the Company were appropriated to the payment of 1.02p per ordinary share by way of an interim dividend on 19 October 2012;
- (vi) the entry in the audited accounts of the Company for the year ended 30 September 2014 whereby distributable profits of the Company were appropriated to the payment of 1.10p per ordinary share by way of an interim dividend on 18 October 2013;
- (vii) the entry in the audited accounts of the Company for the year ended 30 September 2014 whereby distributable profits of the Company were appropriated to the payment of 2.60p per ordinary share by way of a final dividend on 4 April 2014; and
- (viii) the entry in the audited accounts of the Company for the year ended 30 September 2015 whereby distributable profits of the Company were appropriated to the payment of 1.24p per ordinary share by way of an interim dividend on 17 October 2014.

By order of the Board

Anita Steer
Secretary
12 December 2014

Registered Office:

Northern Way,
Bury St Edmunds,
Suffolk 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 80 to 84 form part of this notice.

Notice of Annual General Meeting continued

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 28 January 2015 (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 (excluding weekends and public holidays) or, if the Company gives notice of the adjourned AGM, at the time specified in such notice.

Voting at the meeting will be conducted by poll rather than on a show of hands, which the Board believes provides a more accurate reflection of shareholder views and takes into account the number of shares held by each member. Those shareholders who are unable to attend the meeting should submit a form of proxy as detailed below. Shareholders attending the meeting may also wish to vote in advance of the meeting by submitting a form of proxy. Members who have done so will not need to vote at the meeting unless they wish to change their vote or the way in which the proxy is instructed to vote.

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 30 January 2015 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.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

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 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 4 December 2014 the Company's issued share capital consists of 52,405,170 ordinary shares. The total number of voting rights in the Company as at 4 December 2014 (the latest practicable reporting date prior to publication of this document) is 51,453,325.

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;
Emailing the Company Secretary on cosec@treatt.com; or
Writing to: The Company Secretary, Treatt plc, Northern Way, Bury St Edmunds, Suffolk, IP32 6NL

Notice of Annual General Meeting continued

EXPLANATORY NOTES

Report and Accounts (Resolution 1)

The Directors of the Company must present the accounts to the meeting.

Directors' Remuneration Report (Resolution 2)

Changes to The Companies Act 2006, implemented by the Enterprise and Regulatory Reform Act 2013, provide that a quoted company may not make a remuneration payment to a Director of the Company unless the payment is consistent with the Company's Remuneration Policy, as approved by shareholders, or the payment is approved by a Shareholders' Resolution. The legislation requires two resolutions to be put to shareholders on separate sections of the Directors' Remuneration Report. The first of these is an advisory resolution on the Implementation Section of the Directors' Remuneration Report, which details the remuneration packages paid to Directors during the year ended 30 September 2014. You can find the Implementation Section of the Directors' Remuneration Report on pages 33 to 37.

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 2.60p 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 27 February 2015. If approved, the date of payment of the final dividend will be 3 April 2015. An interim dividend of 1.24 pence per ordinary share was paid on 17 October 2014. This represents an increase of 0.14 pence per share, or 3.8 per cent, on the total 2013 dividend.

Re-election of Directors (Resolutions 4 and 5)

In accordance with the Articles of Association, all Directors retire at least every three years and all newly appointed Directors retire at the first Annual General Meeting following their appointment. Furthermore, any Non-executive Director having been in post for nine years or more is subject to annual re-election.

At this meeting, Richard Hope and Ian Neil will retire and stand for re-election as Directors. Short biographies of these Directors are given on page 15. 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.

Remuneration Policy Report (Resolution 8)

As referred to under Resolution 2 above, two resolutions are required to be put to shareholders on separate sections of the Directors' Remuneration Report. The second of these is a binding resolution, passed by a majority, to approve the Company's Remuneration Policy. Although the policy was approved at the 2014 Annual General Meeting, the proposed revision to the Annual Bonus of the Executive Directors requires the approval of Shareholders. Once approved, a Remuneration Policy only requires Shareholder approval every three years unless any revisions are required. The policy, which is set out on pages 25 to 32, will apply to all payments made to Directors from the date the policy is approved by shareholders. In the event that this resolution is not passed at the Annual General Meeting, the version of the Remuneration Policy approved by shareholders in 2014 will continue in force.

Directors' authority to allot securities (Resolution 9)

Your Directors may only allot ordinary shares or grant rights over ordinary shares if authorised to do so by shareholders. This resolution seeks to grant 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 2016 or, if earlier, on 30 April 2016 (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 4 December 2014.

Approval of Save As You Earn Share Option Scheme (Resolution 10)

This resolution proposes the approval of the Treatt plc 2015 Save As You Earn Share Option Scheme ('SAYE') for employees and Directors. A summary of the proposed rules of the SAYE is provided in Appendix A below.

Share plans complying with HMRC rules are a valuable mechanism for incentivising and engaging eligible UK employees, aligning their interests with those of the Company's shareholders. Shareholders approved an SAYE in 2005, which is now coming to the end of its ten year life. This resolution seeks approval to introduce a new 10 year SAYE to replace the previous scheme with effect from the passing of the resolution. The new SAYE is similar to the previous scheme, although it has been updated to reflect current market practice and legislative changes.

The resolution also permits the Company to adopt further all-employee share plans based on the SAYE for the benefit of staff overseas. It is intended to renew the Employee Stock Purchase Plan ('ESPP') for US employees, which is coming to the end of its ten year life.

A full copy of the rules of the SAYE and ESPP are available on the Treatt website at www.treatt.com and will be available for inspection at the Annual General Meeting.

Disapplication of pre-emption rights (Resolution 11)

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 11 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 4 December 2014. 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 2016 or, if earlier, 30 April 2016 (the date which is 15 months after the date of passing of the resolution).

Authority to purchase own shares (Resolution 12)

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 12 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 4 December 2014) 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 4 December 2014 (the latest practicable reporting date prior to publication of this document) was 899,935. The proportion of issued share capital that they represented at that time was 1.72 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 1.90 per cent.

Resolution 12 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 2016 or, if earlier, 30 April 2016 (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.

Proposed release of the Company's rights in respect of certain dividends (Resolution 13)

A technical issue has arisen in respect of the dividends paid by the Company to shareholders in March 2012, April 2014 and October 2009-2014, (together, the "Dividends"). The Company has always filed its annual accounts on time as required by the Companies Act 2006 ("CA 2006") and had sufficient profits and funding in place to pay its dividends. However, under CA 2006, a public company can only pay a dividend out of its distributable profits as shown in the last accounts filed with Companies House. A public company can file interim accounts with Companies House showing a more recent distributable profit position if the last filed annual accounts do not show sufficient distributable profits. When the Company paid each of the Dividends, although it had sufficient distributable reserves to make each payment at each payment date, interim accounts showing the requisite level of distributable profits had not been filed with the Registrar of Companies and as a result, each Dividend was paid in technical infringement of CA 2006.

The Directors consider that it is in the best interests of the Company to take the necessary steps to regularise this position, since shareholders received the dividends they were intended to receive, and the Company clearly would not wish to take any action it could technically take against the relevant shareholders to recover any amounts in connection with the Dividends or against those Directors who participated in the meetings of the Board of Directors at which the decision was taken to pay the Dividends.

This matter can be remedied by the shareholders passing a resolution which puts shareholders and Directors into the position in which they were always intended to be. Resolution 13, which is proposed as a special resolution, is to waive any rights of the Company against the shareholders who received the Dividends, to waive any rights of the Company against both past and present Directors in respect of the Dividends and to approve the Company entering into a deed of release in favour of such shareholders and Directors. Copies of the form of the deeds of release will be available for inspection at the Annual General Meeting and are available from the Company Secretary. Resolution 13 also proposes to ratify the entries made in the relevant annual accounts in respect of the Dividends.

Notice of Annual General Meeting continued

The tax position of UK shareholders is not affected by any irregularity in the original dividends and UK shareholders should therefore include these dividends in their relevant tax returns on the basis of the information shown on the original tax vouchers as a dividend received on the relevant day. Therefore, if shareholders approve the resolution submitted for their approval, this should have no effect on the amount of their taxable income or on the period for which it is assessable to UK tax. If any non-UK resident shareholder has any doubts about his or her tax position, they should consult their own professional adviser(s).

As a result of their interest in its subject matter, the Directors who are also shareholders (holding beneficially in aggregate approximately 0.69 per cent. of the issued share capital of the Company as at 4 December 2014, the latest practicable date before publication of this notice) will not vote on this resolution.

APPENDIX A

SUMMARY OF PROVISIONS OF THE TREATT PLC 2015 SAVE AS YOU EARN SHARE OPTION SCHEME (the "Scheme")

The Company proposes to renew the Scheme to incentivise employees.

The operation of the Scheme will be supervised by the Board of Directors of the Company (the "Board"). It is intended that the Scheme will meet the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") as amended and re-enacted from time to time in order to provide UK tax-advantaged options to UK employees. If, for any reason, the Scheme does not comply with the requirements of Schedule 3 to ITEPA the Board may continue to operate the Scheme even without the associated tax advantages.

Grants of Awards

Awards may be granted to eligible employees at the discretion of the Board. Awards may be granted only during the period of:

- (i) 42 days following the date of adoption of the Scheme by the Company;
- (ii) 42 days following the announcement of yearly, half yearly or other period financial results of the Company;
- (ii) subject to the Model Code, any other date on which the Directors consider that exceptional circumstances justify the grant of options; or
- (iii) in the event that any statute, order or regulation prevents the Company from making awards the award will be made within the relevant period indicated above after that restriction is removed.

An option may not be granted more than 10 years after shareholder approval of the Scheme.

Options are not transferable, except on death.

Eligibility

Employees and Executive Directors of the Company and any designated participating subsidiary who are UK resident tax payers are eligible to participate. The Board may require employees to have completed a qualifying period of employment of up to five years before the grant of options. The Board may also allow other employees to participate.

Individual Participation

Monthly savings by an employee under all savings contracts linked to options granted under any sharesave Scheme may not exceed the statutory maximum (currently £500 in aggregate per month). The Board may set a lower limit in relation to any particular grant.

Option Price

The price per share payable upon the exercise of an option will not be less than the higher of: (i) 80 per cent (or such lesser percentage as may be permitted by the legislation) of the middle-market quotation of a share on the London Stock Exchange (or a preceding 3 day average price) on a date specified in an invitation to participate in the Scheme (or the date immediately preceding the issue of an invitation); and (ii) if the option relates only to new issue shares, the nominal value of a share.

Invitations may be issued:

- during the period of 42 days following the date of approval;
- during the period of 42 days beginning with the fourth dealing day following an announcement; and
- at any other time if, in the opinion of the Directors, the circumstances are exceptional.

Exercise of Options

Options will normally be exercisable for a six month period from the third anniversary of the commencement of the related savings contracts. Earlier exercise is permitted, however, in the following circumstances:

- following cessation of office or employment by reason of death, injury, disability, redundancy, retirement, the business or company that the employee works for ceasing to be part of the Company's group, a transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, the office or employment of the participant being with a company of which the Company ceases to have control or which ceases to be a related company, the participant's office or employment being with a company which ceases to be an associated company of the Company by reason of a change of control, or the business or part of the business that the employee works for being transferred to a person who is not an associated company of the Company, nor a company of which the Company has control nor a related company of the Company; and
- in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate reorganisation when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

If a participant ceases to be an employee or officer of a participating company after the third anniversary of the date of grant of an option for any reason other than dismissal due to misconduct, he may exercise his option within 6 months following such cessation. To the extent the option is not exercised within this period, it shall lapse.

Except where stated above, options will lapse when a participant ceases to hold an office or employment within the Company's group.

Shares will be allotted or transferred to participants within 30 days of exercise.

Notice of Annual General Meeting continued

Overall Scheme Limits

The Scheme may operate over new issue shares, treasury shares or shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent of the issued ordinary share capital of the Company under the Scheme and any other employee share plan adopted by the Company.

Treasury shares will count as new issue shares for the purposes of these limits.

Variation of capital

If there is a variation in the Company's share capital then the Board may make such adjustment as it considers appropriate to the number of shares under option and the option price.

Rights Attaching to Shares

Any shares allotted when an option is exercised under the Scheme will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Alterations to the Scheme

The Board may amend the provisions of the Scheme in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group, any associated company of the Company or any related company of the Company.

Overseas Plans

The shareholder resolution to approve the Scheme will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the Scheme, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Scheme.

Pensions

Benefits under the Scheme will not be pensionable.

Financial Calendar

2013/14

Financial year ended	30 September 2014
Results for year announced	9 December 2014
Annual Report and Financial Statements published	12 December 2014
Annual General Meeting	30 January 2015
Final dividend for 2014 goes 'ex-dividend'	25 February 2015
Record date for 2014 final dividend	27 February 2015
Last day for dividend reinvestment plan election	9 March 2015
Final dividend for 2014 paid	3 April 2015

2014/15

Interim results to 31 March 2015 announced	19 May 2015*
Interim dividend for 2015 goes 'ex-dividend'	9 September 2015*
Record date for 2015 interim dividend	11 September 2015*
Last day for dividend reinvestment plan election	21 September 2015*
Financial year ended	30 September 2015
Interim dividend for 2015 paid	16 October 2015*
Results for year to 30 September 2015 announced	8 December 2015*
Final dividend for 2015 paid	15 April 2016*

* These dates are provisional and may be subject to change

Parent Company Information and Advisers

Directors	Tim Jones (Chairman and Non-executive Director) Daemmon Reeve (Chief Executive Officer) Richard Hope (Finance Director) Anita Haines (Non-executive Director – from 24 February 2014) Jeff Iliffe (Non-executive Director) David Johnston (Non-executive Director) Ian Neil (Non-executive Director)
Secretary	Anita Steer
Registered Office	Northern Way, Bury St Edmunds, Suffolk, IP32 6NL. Tel: + 44 (0) 1284 702500. Email: cosec@treatt.com. Website: http://www.treatt.com
Registered Number	1568937
Audit Committee	Jeff Iliffe (Chairman) David Johnston Tim Jones Ian Neil
Remuneration Committee	Ian Neil (Chairman) Jeff Iliffe David Johnston Tim Jones
Nomination Committee	Tim Jones (Chairman) Daemmon Reeve Anita Haines (from 24 February 2014) Jeff Iliffe David Johnston Ian Neil
Brokers	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	Eversheds LLP, One Wood Street, London, EC2V 7QP Greene and Greene, 80 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1QB
Bankers	HSBC Bank plc, 140 Leadenhall Street, London, EC3V 4PS Lloyds Banking Group, Black Horse House, Castle Park, Cambridge, CB3 0AR Bank of America, 5th Floor, 101 E. Kennedy Boulevard, Tampa, FL 33602
Registrars	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Share Price	Treatt Plc's share price is available on www.ft.com . Annual and interim reports are available on the Group's website (www.treatt.com).



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