TREATT PLC

Report & Financial Statements 2004

ESSENTIAL INNOVATIVE NATURAL

About the Company

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

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

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

The Development of Treatt

1886	R C Treatt established in the City of London
1971	R C Treatt moves to Bury St Edmunds in Suffolk, UK
1978	Company starts manufacturing by distillation
1989	Treatt plc formed and listed on the London Stock Market (USM)
	Citreatt™ range of products are first launched
1990	Florida Treatt Inc is established in USA
1996	Treattarome™ range of products are first launched
	Treatt plc moves up to the full list of the London Stock Exchange
2002	Florida Treatt renamed Treatt USA and moves to a new 65,000 Sq Ft facility in Lakeland, Florida
2004	Enterprise Resource Planning (ERP) computer system installed across Treatt
	Treatt USA achieves record profits

Financial Summary

	2004	2003
TURNOVER	**£31.81m**	£31.68m
PROFIT BEFORE TAX	**£2.37m**	£1.95m
EARNINGS PER SHARE		
Before exceptional items	**16.0p**	14.6p
After exceptional items	**16.6p**	13.6p
DIVIDENDS PER SHARE	**8.8p**	8.4p
NET ASSETS PER SHARE	**£1.68**	£1.67

Calendar

Financial year ended	30 September 2004
Results for year announced	13 December 2004
Annual Report and Financial Statements published	22 December 2004
Annual General Meeting	28 February 2005
Final dividend for 2004 goes 'ex-dividend'	9 February 2005
Record date for 2004 final dividend	11 February 2005
Final dividend for 2004 paid	11 March 2005
Interim results to 31 March 2005 announced	23 May 2005

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Chairman's Statement

"Treatt USA achieved record profits with turnover up by 41% to $13.5m"

2004 saw Group earnings before interest, tax, depreciation and amortisation increase by 17% to £3.31 million (2003: £2.83 million) with profit before tax and exceptional items for the year increasing by 10% to £2.31 million (2003: £2.09 million). Group turnover for the year remained steady at £31.81 million (2003: £31.68 million) whilst earnings per share before exceptional items increased by 10% to 16.0 pence (2003: 14.6 pence). Having eliminated all short term debt during the year, the level of the Group's net debt/equity ratio ended the year at 9% (2003: 26%).

The Board is recommending a final dividend of 6.1 pence (2003: 5.7 pence), increasing the total dividend for the year by 5% to 8.8 pence (2003: 8.4 pence) per share.

The highlight of the year was the strong performance of Treatt USA where record profits were achieved and turnover increased by 41% to $13.5 million. This follows a year of transition (2002/3) during which Treatt USA moved to its new facilities in Lakeland, Florida and represents a significantly greater return on this investment than was originally expected. This growth occurred across the full range of products and a widely spread customer base, with a greater than three-fold increase in Treattarome™ ('From The Named Food') sales being of particular note. The Board is particularly pleased that the Company's commitment to organic growth in the United States over the last fourteen years has now led to the successful establishment of a strong presence in North America.

For R. C. Treatt, the Group's UK operating subsidiary, the year has been challenging. Turnover fell by 5.7% and was significantly affected by falling orange oil prices and the continuing weakness of the US Dollar. In January 2004 R. C. Treatt successfully implemented its Enterprise Resource Planning (ERP) system. The extent to which the new system has led to significant business and information improvements in a relatively short period of time has exceeded the Board's expectations. The focus on delivering this new system required a substantial amount of internal resource in the UK. This impacted upon the performance of R. C. Treatt during the implementation period, which had a weak first half of the financial year. However, profits in the second half improved, being 38% up on the second half of last year. It has become apparent that one of the key benefits of the new system is that of enabling R. C. Treatt to reduce lead times to customers.

We stated last year that the orange oil market would be the area of greatest uncertainty for the Group, and this proved to be the case. Indeed the price of orange oil (which continues to represent about 20% of Group turnover at 2003/4 prices) fell by more than half during the year, although it is now expected to stabilise as a result of the recent hurricanes in Florida. The consequence of the falling price of orange oil reduced the Group's profits by over £500,000.

Employee Share Ownership

During the year the Group introduced share saving schemes in both the UK and USA in order to give employees the opportunity to acquire shares in the Group on a tax efficient basis. An Employee Benefit Trust has been established in order to acquire shares from time to time which may be used to satisfy the requirements of the share save schemes. Further information is provided in the Financial Review.

USA Property

The sale of Treatt USA's former premises at Haines City was successfully completed prior to the year end, resulting in net proceeds of £270,000 ($483,000), an exceptional gain for the Group of £131,000.

Prospects

We expect continued growth in sales and operating margins in the current year which will be mainly due to further significant sales opportunities arising in the United States. At the same time, the growth at Treatt USA will require a further strengthening of its infrastructure across a number of areas including R&D, product innovation, engineering and sales.

Following the success of the ERP system in the UK, it is now our intention to develop further the Group's processes by fully integrating Treatt USA into one company-wide ERP system by the middle of 2005. Experience gained in the UK will be used in order to achieve a smooth installation.

The recent occurrence of four major hurricanes, which have hit Florida, have left Treatt USA unscathed, both physically and in terms of the impact on various commodity prices. The most significant effect of the hurricanes is that it has lead to shortages and increasing prices of grapefruit products. The impact of higher US Dollar petroleum prices is resulting in increases in some Dollar priced aroma chemicals, and some Dollar priced essential oils have begun to strengthen.

As a leading independent manufacturer of ingredients for the flavour and fragrance industry, with a presence both in Europe and the United States, Treatt Plc remains in a strong position to grow its business on both sides of the Atlantic.

People

Our employees both in England and the United States have continued to demonstrate their commitment and dedication and it is important, on behalf of the Board, to thank all our colleagues for their tremendous efforts over the last year.

Particular mention should be made of the fact that our employees at Treatt USA have endured four hurricanes, the first time this has been experienced in a single state for over a century. Many of them suffered serious damage to their homes and our thoughts were with them during those difficult times.

EDWARD DAWNAY
Chairman

Operating Review

"The new ERP system has significantly improved efficiencies"

During 2004 the Group's operations performed satisfactorily, with the implementation of the Enterprise Resource Planning (ERP) system having a significant impact in the UK. As a result of the implementation, R. C. Treatt now has a fully integrated manufacturing system combining sales order processing, production, shipping, QC and finance.

The Group's investment in ERP totalled £1.2 million, with little additional expenditure still required in order to implement the full system in America. There was further investment in specialised equipment in both the UK and USA totalling £475,000 in order to increase capacity for value added products on both sides of the Atlantic.

The extent of Treatt's global reach is best demonstrated by the fact that last year Treatt sold to over 80 countries whilst sourcing supplies from many others. The ability of Treatt to comply with the different legislative requirements needed to send shipments all around the world is particularly important for major customers who may wish to move their operations from one part of the world to another.

Similarly, Treatt's state of the art QC laboratories place Treatt at the forefront of the industry's analytical systems and techniques, and, therefore able to provide the added value service which customers now require.

Trading

The last 12 months saw a significant fall in the price of orange oil, an orange juice by-product, from almost $3/kg to around $1-$1.50/kg. This reduced Group profits by more than £500,000. There were no other significant commodity price movements which had a material effect on the financial results for the year.

R. C. Treatt

Sales value decreased by 6% despite volumes increasing by 14%, and sales to the top ten customers represented just over one third of turnover, which is similar to previous years. Considering the level of concentration within the industry, we believe the customer mix, both in terms of size and location, provides the company with a well-balanced risk profile. Gross margins for the year remained stable although this masks a sharp fall in margins on orange products and a corresponding increase in margins on other manufactured products. The recent rise in petroleum prices is having an important impact on chemical prices with a wide range of chemical Dollar prices now on the way back up.

Treatt USA

US Dollar sales were up by 41% during the year with the Treattarome™ products performing exceptionally well assisted by the strong demand for low carbohydrate products. This result was all the more commendable bearing in mind the impact of the fall in the price of orange oil which reduced Treatt USA's profit by approximately $500,000 (£275,000).

Investment for the future

R. C. Treatt

Following the substantial investment in computer systems and processes at R. C. Treatt, the level of capital expenditure is now expected to return to more normal levels. The Company will continue to invest in Information Technology where this provides clear added value benefits either in terms of increased efficiencies or improved customer service. Further investment in new facilities will occur where it is necessary to increase capacity or as a result of product innovation or market opportunities.

Treatt USA

Following the substantial growth of the last year, and the expected growth for the next twelve months, it is important that Treatt USA continues to invest in developing facilities at its modern premises in Lakeland, Florida in order to maximise its potential. The Board will keep under review the need to develop the additional five acres adjacent to the existing plant.

Research and Development

The Group has continued to invest in skilled personnel to enhance its research and development and product innovation capabilities both in the UK and USA. In particular, Treatt USA is currently in the process of developing further its R&D function in order to maximise the growth opportunities which are expected to arise. Treatt also believes in continuing to work in partnership with suppliers in producing countries in order to develop new sources of raw materials on a financially viable basis.

Markets

During the year, the overall geographical spread of the Group's turnover remained largely unaltered, with a small reduction in the proportion of sales to the Rest of Europe which fell by 8%, whilst sales to the Americas rose by 15% largely due to the growing ability of Treatt USA to tap into the North American market.

Operating Review continued

Products

The Group's sales of sweet orange oil based products increased by 5% year on year as efforts were made to minimise stock holdings as orange oil prices fell sharply. Despite these efforts it was inevitable that the Group would suffer significant losses on orange oil products given that the price fell to about a third of its previous level and is used as part of the Group's manufacturing processes on a continual basis. Following investment in new plant and equipment at R. C. Treatt, there was a significant increase in the production and sale of speciality products, with a 61% growth by volume.

With over 90% of Treatt USA's sales being manufactured from natural ingredients, there was significant growth across the entire product range, with particularly strong growth in sales of the Treattarome™ range of natural distillates.

Personnel

The Group recognises the importance of maximising employee potential and has continued to invest in human resources, with a strong emphasis on staff training, personal development and communication. With the introduction of the new ERP system this has necessitated the re-training of the vast majority of R. C. Treatt's staff as part of the implementation process. Standard terms and conditions of employment operate for all staff, which do not discriminate against any individual or group of people. Employee involvement in the Group's performance is encouraged and Group results are regularly communicated to staff.

Financial Review

"Dividend increased by 4.8%"

Performance Analysis

Profit and Loss account

Group turnover increased by 0.4% during the year to £31.81 million (2003: £31.68 million). In constant currency, sales at our USA subsidiary, Treatt USA, increased in US Dollars by 41.5%, whilst R. C. Treatt's sales fell by 5.7%. Earnings before interest, tax, depreciation and amortisation for the year grew by 17.2% to £3.31 million (2003: £2.83 million) and Group profit before tax, before exceptional items, rose by 10.5% to £2.31 million (2003: £2.09 million).

The total dividend for the year has been increased by 4.8% to 8.8p per share, resulting in a dividend cover of 1.9 times earnings.

The increase in profitability was led by the performance at Treatt USA, which would have improved Group results even further had the US Dollar not weakened by almost 10%. The growth in profit at Treatt USA was broadly based, with sales increasing across the product range, especially in Treattarome™ products which benefited from the popularity of low carbohydrate foods. R. C. Treatt's profits fell during the year largely due to a weak December/January period coinciding with the implementation of the ERP system and the impact of falling orange prices.

Gross margins of 26.6% were achieved this year (2003: 27.3%) despite the impact of falling orange oil prices, which reduced Group profits by more than £500,000. The further weakening of the US Dollar has also adversely affected Group margins although hedging strategies are in place as explained below. Overall, margins in non-orange manufactured products strengthened whilst aroma chemical margins were maintained.

The Group's operating costs fell by 5.1% to £6.0 million (2003: £6.4 million). At Treatt USA there was a reduction of £297,000 ($532,000) in operating costs due to the lack of certain expenses incurred last year following the relocation in Florida. Total staff numbers across the Group fell slightly as a result of the increased efficiencies at R. C. Treatt which flowed from the new ERP system. Included as part of the exceptional items for the Group was a profit of £131,000 on the sale of Treatt USA's former premises at Haines City, Florida and a charge of £70,000 for reorganisation costs at R. C. Treatt following efficiency gains which flowed from the ERP system.

The Group's net interest payable fell by 41% to £123,000 (2003: £208,000) following a significant reduction in the Group's debt as all short term debt was eliminated during the year. This leaves the outstanding balance of £2.4 million in relation to the Industrial Development Loan which was used to finance the Lakeland facilities for Treatt USA.

Earnings per share before exceptional items increased by 9.6% to 16.0 pence per share (2003: 14.6 pence). The Earnings per share after exceptional items rose to 16.6 pence per share (2003: 13.6 pence). Both measures have been shown in order to provide a consistent measure of performance over time and excludes those shares which were acquired by the Treatt Employee Share Trust since they do not rank for dividend.

During the year the company reviewed its policy on providing employees with the opportunity to acquire shares in the Group and implemented a rolling programme of annual share saving schemes for staff in the UK and USA. This is the first time this opportunity has been provided to USA employees. As a result, options were granted over 65,000 shares during the year. Alongside these schemes, an Employee Benefit Trust (EBT) has been established to acquire shares on a periodic basis which may be used to satisfy these schemes. The Trust has made an initial purchase of 148,000 ordinary shares.

Cashflow

The Group has seen a decrease in its net borrowings during the year of £2.9 million to £1.6 million. Cash inflow from operating activities was £5.0 million, which represents an increase of £2.7 million over last year, largely due to the predicted reduction in stock balances which totalled £2.6 million. The reduction in the Group's level of stock holding was primarily a result of orange oil prices falling by two thirds of their previous value.

Upon completion of the new ERP system Group capital expenditure fell, as expected, to £0.9 million (2003: £1.4 million).

As reported last year, Treatt USA signed a conditional agreement a year ago for the lease and subsequent sale of its former site at Haines City. As expected, the sale took place in September 2004 for £270,000 ($483,000), resulting in an exceptional gain of £131,000 ($234,000).

Balance Sheet

Over the year Group shareholders' funds have grown to £17,325,000 (2003: £17,228,000), with net assets per share increasing to £1.68 (2003: £1.67), an increase of 23% over the last five years. Net current assets represent 61% of shareholders'

Financial Review continued

funds and the Group's land and buildings are all held at historical cost. It should be noted, however, that net assets have been reduced by £278,000 as a result of the purchase of shares by the Treatt Employee Share Trust due to the accounting requirements of UITF Abstract 38. This impact will be reversed when these shares are used to satisfy employee share saving schemes.

Group Tax Charge

The Group's current year tax charge of £680,000 represents an effective tax rate of 29% (2003: 29%). The overall tax charge of £669,000 is higher than the 2003 charge of £545,000 due principally to a far great proportion of the Group's profit being subject to USA state and federal taxes at a combined marginal rate of approximately 34%. However, this has been offset by some of the foreign exchange losses which are included in the Statement of Recognised Gains and Losses.

Treasury Policies

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

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

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

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

Secondly, with R.C. Treatt exporting to over 80 countries, fluctuations in Sterling's value can affect both the gross margin and operating costs. Sales are principally made in four currencies in addition to Sterling, with the US Dollar being by far the most significant. Even if a sale is made in Sterling, its price may be set by reference to its US Dollar denominated commodity price and therefore have an impact on the Sterling gross margin. Raw materials are also mainly purchased in US Dollars and therefore a US Dollar bank account is operated, through which Dollar denominated sales and purchases flow. If there is a mismatch in any one accounting period and the Sterling to US Dollar exchange rate changes, an exchange difference will arise. Hence it is Sterling's relative strength against the US Dollar that is of prime importance.

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

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

International Accounting Standards

All companies listed on the London Stock Exchange are required to implement International Accounting Standards (IAS) with effect from accounting periods beginning on or after 1 January 2005. Therefore the financial statements for the year ended 30 September 2006 will be the first time the Group's results will be published using IAS. Work is currently on-going to assess the full impact of IAS on the Group's balance sheet and profit and loss account, but at this stage the Board believe that the most significant effect will flow from IAS 19: Employee Benefits which will require the surplus or deficit in the defined benefit pension scheme operated by R. C. Treatt to be brought on to the balance sheet using similar calculations as prescribed by FRS17 (see note 21). The deficit of the scheme as at 30 September 2004 was £2.1 million (net of deferred tax).

Company Information and Advisers

Directors	Edward William Dawnay (Chairman and Non-executive Director) Hugo William Bovill (Managing Director) Anita Jane Haines (Human Resources Director) Richard Andrew Hope (Finance Director) Robin Mears (Director) Douglas David Appleby (Non-executive Director) William Geoffrey Bovill (Non-executive Director) Peter Alan Thorburn (Non-executive Director)
Secretary	Richard Andrew Hope
Registered Office	Northern Way, Bury St Edmunds, Suffolk IP32 6NL **Tel** + 44 (0) 1284 702500 **E.Mail** co.sec@treatt.com **Fax** + 44 (0) 1284 714880 **Web site** http://www.treatt.com
Registration Number	1568937
Audit Committee	Edward William Dawnay (Chairman) William Geoffrey Bovill Peter Alan Thorburn
Remuneration Committee	Peter Alan Thorburn (Chairman) Edward William Dawnay William Geoffrey Bovill
Nomination Committee	William Geoffrey Bovill (Chairman) Douglas David Appleby Hugo William Bovill Edward William Dawnay Peter Alan Thorburn
Stockbrokers	Investec Investment Banking 2 Gresham Street, London EC2V 7QP
Auditors	Baker Tilly 87 Guildhall Street, Bury St Edmunds, Suffolk IP33 1PU
Solicitors	Macfarlanes 10 Norwich Street, London EC4A 1BD
Bankers	HSBC Bank plc 140 Leadenhall Street, London EC3V 4PS Barclays Bank plc P.O. Box 885, Mortlock House, Histon, Cambridge CB4 9DE
Registrar and Transfer Office	CAPITA REGISTRARS The Registry, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Share Price	The Company's share price is listed in the Financial Times and The Daily Telegraph and is also available on http://www.ft.com. Share price information can be obtained by calling FT Cityline on 0906 843 4853. At 29 October 2004 all calls to this number are charged at 60p per minute. Annual and interim reports are available on the Company's Website (http://www.treatt.com).

Five Year Trading Record

	Years ended 30 September				
	2000 £'000	2001 £'000	2002 £'000	2003 £'000	**2004 £'000**
PROFIT AND LOSS ACCOUNT					
Turnover	24,137	27,664	30,740	31,683	**31,809**
Profit before exceptional items	2,723	2,832	2,771	2,088	**2,307**
Exceptional items	–	–	(739)	(139)	**61**
Profit on ordinary activities before taxation	2,723	2,832	2,032	1,949	**2,368**
Tax on profit on ordinary activities	(782)	(875)	(554)	(545)	**(669)**
Profit on ordinary activities after taxation, attributable to shareholders	1,941	1,957	1,478	1,404	**1,699**
Dividends	(786)	(818)	(864)	(865)	**(893)**
Profit retained for the financial year	1,155	1,139	614	539	**806**
BALANCE SHEET					
Fixed assets	5,831	7,663	9,523	9,911	**9,536**
Current assets	13,828	16,984	16,803	16,730	**15,171**
Current liabilities	(4,290)	(4,791)	(6,260)	(6,420)	**(4,592)**
Other liabilities and provisions	(147)	(3,499)	(3,135)	(2,993)	**(2,790)**
Shareholders' funds	15,222	16,357	16,931	17,228	**17,325**
CASH FLOW					
Cash inflow from operating activities	1,364	3,821	968	2,263	**4,952**
Interest paid	(42)	(38)	(167)	(208)	**(123)**
Dividends paid	(715)	(782)	(820)	(860)	**(861)**
Corporation tax paid	(736)	(821)	(943)	(355)	**(312)**
Additions to fixed assets	(1,129)	(2,382)	(3,137)	(1,364)	**(925)**
Shares issued	–	36	195	4	**–**
Other cash flows	20	2	168	141	**204**
(Decrease)/increase in net cash	(1,238)	(164)	(3,736)	(379)	**2,935**
Net borrowings	(259)	(423)	(4,159)	(4,538)	**(1,603)**
RATIOS					
Gearing	1.7%	2.6%	24.6%	26.3%	**9.3%**
Earnings per share before exceptional items	19.3p	19.4p	19.7p	14.6p	**16.0p**
Dividend per share	7.8p	8.1p	8.4p	8.4p	**8.8p**
Dividend cover (times)	2.47	2.39	1.71	1.62	**1.90**
Net assets per share	151.0p	161.9p	164.6p	167.4p	**168.0p**

Report of the Directors

Financial Statements
The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2004.

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

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

Results and Dividends
The results of the Group for the year are set out on page 24 and show a profit before taxation for the year of £2,368,000.

The Directors recommend a final dividend of 6.1p (2003: 5.7p) per ordinary share.

This, when taken with the interim dividend of 2.7p (2003: 2.7p) per share paid on 3 October 2004, gives a total dividend of 8.8p (2003: 8.4p) per share for the year ended 30 September 2004.

Market Value of Land and Buildings
The Directors consider the total market value of the Group's land and buildings to be in excess of the £5,381,000 shown in the balance sheet. This belief has been borne out by our property advisers, however, in the absence of a full professional valuation the excess cannot be readily quantified.

Directors
The Directors of the Company are shown on page 9.

In accordance with the Company's Articles of Association and as reported in the Corporate Governance Statement on page 17, in recognition of Provision A.6.2 of the Combined Code P.A. Thorburn, H.W. Bovill and A.J. Haines retire by rotation and, being eligible, offer themselves for re-election. As previously announced R. Mears will retire on 31 January 2005.

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

W.G. Bovill
Geoffrey Bovill joined the principal operating subsidiary R.C. Treatt & Co. Limited in 1948 and was appointed a Director in 1955. He became a Non-executive Director in 1956 and was appointed Chairman in 1961. He was Chairman of the Company from its incorporation in 1981 until February 2001.

E.W. Dawnay
Edward Dawnay was appointed a Non-executive Director of the Company in June 1994. He is a Director of EFG Private Bank Ltd., Chairman of Dunedin Enterprise Investment Trust Plc and a Director of Martin Currie High Income Trust Plc. He was appointed Chairman of the Company in February 2001.

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

Executive Directors
H.W. Bovill
Hugo Bovill joined R.C. Treatt & Co. Limited in 1976, becoming Marketing Director in 1982 and later Managing Director in 1987. He was appointed to the Board of Directors of the Company in 1985.

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

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

R. Mears
Having previously been employed in the industry for 17 years, Robin Mears joined the Group as Technical Director in 1989 and was appointed Operations Director in October 2002. Mr. Mears has notified the Company of his wish to retire earlier than his normal retirement age and will now retire on 31 January 2005.

Report of the Directors continued

Directors' Interests in Shares

The Directors who held office at 30 September 2004 had the following interests in the shares of the Company:

	10p ordinary shares fully paid 2004	10p ordinary shares fully paid 2003			Options to acquire 10p ordinary shares 2004	Options to acquire 10p ordinary shares 2003
Hugo William Bovill	**493,504**	493,504	**(a)**	**20,000**		
			(c)	**1,413**	**21,413**	20,000
Anita Jane Haines	**–**	–	**(a)**	**3,450**		
			(b)	**6,550**		
			(c)	**1,413**	**11,413**	17,000
Richard Andrew Hope	**–**	–	**(c)**		**1,413**	–
Robin Mears	**16,297**	16,297	**(a)**		**20,000**	42,000
Douglas David Appleby	**128,595**	128,595			**–**	–
William Geoffrey Bovill	**72,985**	72,985			**–**	–
Edward William Dawnay	**100**	100			**–**	–
Peter Alan Thorburn	**–**	–			**–**	–
Joint Holdings	**1,224,533**	1,224,533			**–**	–

With the exception of certain of the joint holdings, all of the above were beneficial interests.

Of the jointly held shares, H.W. Bovill had a non-beneficial interest in 1,099,533 of the shares (2003: 1,099,533). W.G. Bovill had a beneficial interest in 225,000 shares (2003: 225,000) and a reversionary life interest in 250,000 shares (2003: 250,000). Additional information on the interests of W.G. Bovill and H.W. Bovill is provided below under 'Substantial Shareholders'.

Key to Shares under Option:

(a) Options granted under the Treatt Executive Share Option Scheme No. II
(b) Options granted under the Treatt Executive Share Option Scheme No. I
(c) Options granted under the Treatt Save As You Earn Scheme

There have been no changes between 1 October 2004 and 26 November 2004, the latest date practicable to obtain the information prior to publication of this document.

Substantial Shareholders

The Company has been notified of the following holdings of 3% or more of the issued share capital at 26 November 2004 (the latest practicable reporting date prior to publication of this document).

	Number	%
Fortress Finance Investment Inc.	1,392,500	13.53
G.R. Bovill and A.J. Bovill as Trustees of the W.G. Bovill 1985 Settlement (G.R. Bovill's Childrens' Fund)	749,534	7.28
H.W. Bovill and O.M. Bovill as Trustees of the W.G. Bovill 1985 Settlement (H.W. Bovill's Childrens' Fund)	749,533	7.28
Jupiter Ecology Fund	656,543	6.38
G.R. Bovill	423,649	4.12
Clydesdale Bank (Head Office) Nominees Limited Discretionary Unit Trust Account	401,000	3.90

Bovill Family Shareholdings

Based on an analysis of the shareholders' register at 30 September 2004 W.G. Bovill, H.W. Bovill and G.R. Bovill, along with their dependants were interested in 2,964,205 (2003: 2,964,205) ordinary shares representing 28.80% (2003: 28.80%) of the issued share capital. This holding is not under one beneficial holding, the interests of each individual being disclosed in either the Directors' shareholdings or substantial shareholders detailed herein.

Contracts of Significance

No Director had an interest in any contract of significance during the year.

Policy on the Payment of Creditors

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

Research and development

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

Going Concern

Given the comments in the Chairman's Statement and based on the plans for 2005, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted in preparing the financial statements.

Charitable Contributions

During the year the Group made charitable donations in the United Kingdom of £2,852.

Health and Safety

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

Environment

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

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

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

It is believed that in many instances the Group's operational needs will align closely to our environmental initiatives, so that improvements in our environmental impact will benefit the Group in cash terms.

Employment Policies

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

Employee Involvement

Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Company through share option schemes (see note 16). Bonus schemes, based on the performance of the business, are in place.

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at The British Racing School, Snailwell Road, Newmarket, Suffolk on 28 February 2005 accompanies this document.

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

a) As in previous years, shareholder approval will be sought to renew the authorities granted to the Directors to issue new shares. Resolution 10 will give the Directors authority ("the Section 80 authority") to allot ordinary shares up to an aggregate nominal value of £220,700 (representing approximately 21.4 percent of the existing issued ordinary share capital). Subject to the terms of the Section 80 authority, the Directors will be further authorised ("the Section 89 authority") by Resolution 11, to allot any new ordinary shares for cash pursuant to a rights issue proportionate to existing shareholdings and, in order to give the Directors a limited degree of flexibility, to allot new ordinary shares up to a maximum nominal amount of £51,400 (representing 5 percent of the existing issued ordinary share capital) otherwise than pro rata to existing shareholdings.

If approved, the Section 80 authority and the Section 89 authority will expire at the conclusion of the next Annual General Meeting of the Company or 27 May 2006, whichever is the earlier.

b) The Directors believe that it would be advantageous for the Company to be in a position to purchase its own ordinary shares (as permitted by Article 5.2 of the Articles of Association), under the terms of Section 162 of the Companies Act 1985. The Directors therefore request shareholders to give the Company authority to make market purchases of a proportion of its own ordinary shares, subject to the limits referred to below. Purchases will only be made on the London Stock Exchange and only in circumstances where they are, in the opinion of the Directors, in

Report of the Directors continued

the interests of the Company and of the Group and would result in an increase in earnings per share. Such purchases will be financed out of distributable profits of the Company. It is not the Directors' current intention to stand in the market for any particular period or until any specified number of ordinary shares has been acquired.

The Directors are seeking authority (Resolution 12) to purchase up to 1,029,000 issued ordinary shares, representing approximately 10 per cent of the present issued ordinary share capital of the Company, at a maximum price per share, exclusive of expenses, of 5 per cent above the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase. The minimum price per ordinary share exclusive of expenses for any purchase will be 10p which is the nominal value of the ordinary shares.

The authority, if granted, will be subject to renewal on the earlier of the date of the next Annual General Meeting of the Company and 27 May 2006.

c) Resolution 13 seeks your approval for the ratification of The Treatt 2004 US Employee Stock Purchase Plan (the "US Plan"), established by resolution of the Directors on 21 May 2004, the main provisions of which are set out below. There was no requirement under the Listing Rules for shareholder approval to be obtained prior to the establishment of the US Plan. However, in order to continue to benefit from favourable US tax treatment the US Plan now needs to be ratified by shareholders.

Resolutions 14, 15 and 16 seek your approval for the adoption of The Treatt 2005 Savings Related Share Option Scheme (the "SAYE Scheme"), The Treatt 2005 Approved Share Option Scheme (the "Approved Scheme") and The Treatt 2005 Unapproved Share Option Scheme (the "Unapproved Scheme"), the main provisions of which are set out below. The SAYE Scheme, Approved Scheme and Unapproved Scheme replace The Treatt Savings Related Share Option Scheme, The Treatt Executive Share Option Scheme and The Treatt Executive Share Option Scheme No. II, respectively under which no further options will be granted.

Resolution 17 seeks your approval for the Directors to establish further share schemes for the benefit of employees resident in other jurisdictions, based upon any share scheme previously approved by shareholders, but modified to take account of local tax, exchange control or securities laws in overseas territories. Any shares over which options are granted under any such overseas scheme would count towards the overall and individual limits applicable to the scheme on which it is based.

Resolution 18 seeks your approval for the amendment of the Treatt Employees' Share Trust (the "Trust"). The Trust was established by deed executed by the Company and SG Hambros Trust Company (Guernsey) Limited on 7 June 2004. There was no requirement under the Listing Rules for the Trust to be approved by shareholders prior to its establishment. A brief description of the Trust and the proposed amendment (for which shareholder approval is required) is set out below.

A summary of the principal terms of the Treatt 2004 US Employee Stock Purchase Plan (the "US Plan"), the Treatt 2005 Savings Related Share Option Scheme (the "SAYE Scheme"), the Treatt 2005 Approved Share Option Scheme (the "Approved Scheme") and the Treatt 2005 Unapproved Share Option Scheme (the "Unapproved Scheme") is set out below.

The US Plan

General - This is intended to qualify as a tax-favoured US employee stock purchase plan under section 423 of the US Internal Revenue Code (the "Code"). A participant is invited to authorise his or her employer to make deductions from payments of after-tax salary over successive periods of up to 27 months which are held by the Company. At the end of each such period, the monies may, unless the Participant otherwise decides, be used to subscribe or acquire ordinary shares in the Company ("Shares").

Eligibility - Any employee of the Company or any participating subsidiary who works for at least five months in a year for the Group, is resident in the US for tax purposes, has completed two years' continuous service (or such lesser period as the Board may from time to time specify), and is not disqualified by the Code, may participate.

Price payable for Shares - This is fixed by the Directors at the start of each savings period but may not be less than the lesser of: (i) 85 per cent of the market value of a share on the first day of the savings period and (ii) 85 per cent of the market value of a share on the date of purchase.

Limits on participation - There is a statutory limit of (currently) US $25,000 on the maximum value of shares (valued on the first day of each savings period) which may be purchased by a participant in a calendar year and an overall limit of 1,000,000 Shares which may be purchased by all participants under the US Plan.

The SAYE Scheme

General - The SAYE Scheme provides for the grant of tax-favoured options, linked to Inland Revenue approved fixed-term savings contracts for 3, 5 or 7 years ("Savings Contracts"). Upon expiry of the Savings Contract the participant may elect either to apply the proceeds together with a tax-free bonus to exercise his option or to withdraw the monies for his own use.

Eligibility - All UK resident or ordinarily resident employees (including full-time Directors) of any member of the Group who have been employed for such period (not exceeding five years) as the Directors may determine, and other employees nominated by the Directors.

Invitations - Invitations to apply for options and enter into a Savings Contract making monthly savings contributions of a fixed amount of not less than £5 or more than £250 may be issued within 42 days after the Inland Revenue approves the SAYE Scheme. Thereafter, invitations may normally be issued only within 42 days beginning with the fourth dealing day following an announcement of the Company's results or at any other time in exceptional circumstances. No invitation may be issued after 27 February 2015.

The option exercise price - The price per share payable upon option exercise is determined by the Directors but shall not be less than 80 per cent of the middle market quotations of a Share on the London Stock Exchange Daily Official List for the three consecutive dealing days immediately preceding the invitation date.

Exercise of Options - Options may normally be exercised only within six months of the expiry of the relevant Savings Contract. Earlier exercise is permitted within six months of leaving employment by reason of injury, disability, redundancy, retirement on or after reaching age 65, the optionholder's employer ceases to be within the Group or an associated company [or for any other reason more than 3 years after an option grant]. If an optionholder dies, his personal representatives may exercise an option within twelve months thereafter. Early exercise is also permitted in the event of a take-over, amalgamation, reconstruction or voluntary winding-up of the Company, or if the participant reaches age 65 but remains in employment. The option may only be exercised to the extent of funds already held in the employee's Savings Contract.

The Approved Scheme and the Unapproved Scheme (together, the "Executive Schemes")

General – The Executive Schemes provide for the grant of performance-related market value share options.

Eligibility - Participation in the Executive Schemes is open to bona fide employees and executive Directors of the Group. The Directors have discretion as to the selection of employees or Directors to whom options are to be granted. Options may not be granted to any employee or Director (other than a US employee) who is within six months of his contractual retirement date.

Grant of options - Under the Approved Scheme, UK tax-approved options may be granted and under the Unapproved Scheme, UK tax-unapproved options, UK tax-approved enterprise management incentive ("EMI") options, US tax-approved Incentive Stock Options ("ISOs") or US non-qualified stock options may be granted (together "Options"). Options may first be granted under the Approved Scheme within 42 days after the Inland Revenue approves the Approved Scheme, and under the Unapproved Scheme within 42 days after its approval by shareholders. Thereafter, Options may normally be granted under both schemes in the period of 42 days beginning with the fourth dealing day following an announcement of the Company's results or within the period of 28 days after a new employee first joins the Group, but otherwise only in exceptional circumstances.

Scheme limits - The aggregate market value of shares (as at the date of grant) over which Options may be granted to an eligible employee in any year shall not exceed the gross rate of his basic annual salary. Options may be granted in excess of this limit if the Directors believe that there are exceptional circumstances which justify the higher level of grant.

Exercise and lapse of Options - An option is normally exercisable between the third and tenth anniversaries of the date of grant, to the extent that any performance condition attached to the option is satisfied.

Options may be exercised early if the optionholder ceases to be employed within the Group by reason of any of the following: ill-health, injury, disability, retirement, redundancy or the business unit or company by which he is employed being sold outside the Group. In such circumstances, an option is exercisable within the period of six months following the date of cessation. If not exercised during that period, the option will lapse.

If an optionholder dies in service, his personal representatives may exercise his option within 12 months after the date of the optionholder's death. If not exercised during that period, the option will lapse.

If an optionholder leaves the Group for any other reason, his option may only be exercised to the extent, and within such periods, as the Directors may determine.

Reconstruction, winding-up or takeover of the Company - Options may be exercised in the event of a demerger or statutory reconstruction of the company within specified periods. If notice is given to shareholders of a resolution for the voluntary winding up of the company, Options may be exercised at any time before the winding up commences or within such other period as is notified to optionholders. All options will lapse on the commencement of a winding up of the Company. If shareholders accept a takeover offer for the Company, options may be exercised during the period of six months following the change of control. If options are not then exercised they will lapse.

Report of the Directors continued

Features common to each of the US Plan, the SAYE Scheme and the Executive Schemes (together, the "Schemes")

Grantor of options and source of shares - Options under the Schemes may be granted by the Company or another grantor (eg the trustee of the Trust), with the consent of the Directors, and may be satisfied by new issue, market purchase or treasury shares.

Non-transferability of options - Options granted under the Schemes are not transferable (except in the case of the death of the optionholder to the optionholder's personal representatives) or pensionable benefits.

Limits on the issue of shares - The number of shares in respect of which rights to subscribe for new shares or acquire shares out of treasury may on any day be granted under the Schemes, when added to the number of shares issued or issuable pursuant to rights to subscribe shares or acquire them out of treasury granted under the Schemes and any other employees' share scheme of the Company in the period of 10 years ending on that day, shall not exceed 10 per cent of the issued ordinary share capital of the Company.

Variation of share capital - In the event of a variation of share capital, the Directors may adjust the number, amount or description of shares subject to any option and/or the exercise price. In the case of any variation other than a sub-division, consolidation or capitalisation issue, then, except in relation to the US Plan, the Company's auditors must confirm in writing that any adjustment proposed is fair and reasonable, and any variation to the SAYE Scheme or Approved Scheme must be approved in advance by the Inland Revenue.

Rights attaching to the shares - Shares issued or transferred on the exercise of an option shall rank equally with all other ordinary shares in the capital of the Company for the time being in issue, save as regards any rights attaching to shares by reference to a record date prior to the allotment or transfer of such shares.

Administration and amendment of the Schemes - The Schemes shall be administered by the Directors or such appropriate person(s) to whom the Directors delegate administration. The Directors may at any time for any reason amend the Schemes. No amendment shall be made which benefits optionholders, to specified key features of each of the Schemes, including the definition of eligible employees and the limits on the grant of options without the prior approval of shareholders, except to the extent that the amendment is either a minor amendment which is necessary or appropriate to benefit the administration of the Schemes or is to take account of a change in legislation or is to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders or for the Company or any Group company.

Any amendment to a "key feature" of the Approved Scheme or the SAYE Scheme requires prior Inland Revenue approval.

Amendment of The Treatt Employees' Share Trust (the "Trust")

The Trust is a discretionary settlement for the benefit of employees and former employees of companies within the Group and their respective dependants. The Company itself is excluded from benefiting under the Trust. The Trust is controlled and managed outside the UK by SG Hambros Trust Company (Guernsey) Limited, an independent trustee services organisation (the "Trustee"). The right to remove the Trustee and appoint a new trustee vests in the Company. The Trustee is required to waive both voting rights and dividends payable on any Share unless otherwise directed by the Company. The Trust may not, without the prior approval by ordinary resolution of the members of the Company, hold more than 5 per cent of the issued share capital of the Company (excluding Shares over which a beneficial interest has been transferred). The Directors are seeking your approval to the amendment of the Trust to increase this limit to up to 10% of the issued share capital from time to time.

Documents available for inspection

Copies of the following documents will be available for inspection at the Company's registered office and at the offices of Pinsents, Dashwood House, 69 Old Broad Street, London, EC2M 1NR during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this report up to and including the date of the AGM, and at the place of the AGM for at least fifteen minutes prior to and during the AGM:

The Treatt 2004 US Employee Stock Purchase Plan
The Treatt 2005 Savings Related Share Option Scheme
The Treatt 2005 Approved Share Option Scheme
The Treatt 2005 Unapproved Share Option Scheme
The Treatt Employees' Share Trust

The above summaries of the principal terms of each of the Schemes and the Trust do not form part of the rules of the Schemes or terms of the Trust and should not be taken as affecting the interpretation of their detailed terms and conditions. The Directors reserve the right, up to the time of the forthcoming AGM, to make such amendments and additions to the rules of the Schemes as they consider to be necessary or appropriate provided that such amendments do not conflict in any material respect with the above summaries

This report was approved by the Board
on 10 December 2004

R.A. Hope
Secretary

Corporate Governance Statement

There is a commitment to high standards of Corporate Governance throughout the Group. The Board confirms that throughout the year ended 30 September 2004 the Group has complied with the provisions set out in Section 1 of the Combined Code, except for:

- Two Executive Directors have service contracts which provide for two years notice. The Board believes this is appropriate to attract and retain key Executive Directors who possess specialist industry knowledge and is therefore in the best interests of shareholders.

- W.G. Bovill is not considered to be independent due to his shareholding in the Company. However, it is considered that this does not affect his independent judgement of matters dealt with by the various Committees on which he serves.

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

Directors

During the year the Board consisted of a Chairman, E.W. Dawnay, three Non-executive Directors and four Executive Directors, of which H.W. Bovill is the Managing Director. Of the Non-executive Directors the Board considers E.W. Dawnay and P.A. Thorburn to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Neither have any significant interest in the shares of the Company and both received a fixed fee for their services.

Biographies of the Board members appear on page 11.

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

The Board has established a number of standing Committees to which various matters are delegated according to defined terms of reference. The principal Committees are the Nomination Committee, the Remuneration Committee and the Audit Committee. The principle terms of reference for each Committee are shown below.

Nomination Committee

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

Remuneration Committee

To determine the remuneration of the Executive Directors and the Senior Executives of the Group.

Audit Committee

To review the scope and findings of the Company's auditors, to commission any additional investigation work and to ensure the adequacy of accounting controls and procedures.

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

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

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

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

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

Corporate Governance Statement continued

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

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

Full details of the Directors' remuneration and a statement of the Company's remuneration policy is set out in the Report of the Board on Directors' Remuneration appearing on pages 20 to 22. Members of the Remuneration Committee throughout the year are shown on page 9 and the principal terms of reference of the Committee appear on page 17. The Managing Director attends meetings of the Remuneration Committee to discuss the performance of the other Executive Directors and make proposals as necessary, but is not present when his own position is being discussed.

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

Communication

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

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

Financial and Internal Control

The respective responsibilities of the Directors and the auditors in connection with the financial statements are explained on pages 19 and 23 and the statement of the Directors on going concern appears on page 13.

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

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

Financial Reporting

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

Financial and Accounting Principles

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

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

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

The Audit Committee keeps the scope and cost effectiveness of the external auditors under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears on page 31. The non-audit fees were paid mainly in respect of tax advice and tax compliance work, and are considered by the Committee not to affect independence or objectivity.

Risk Assessment and Information
Operational management in conjunction with the Executive Directors, who report regularly to the Board, are responsible for identification and evaluation of significant risks applicable to their area of business and design and operate suitable internal controls.

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

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Remuneration Report

The Remuneration Committee

Members of the Remuneration Committee throughout the year are shown on page 9.

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

Policy on Remuneration of Executive Directors and Senior Executives

General Principles

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

The main components in determining pay are:

• Basic Salary

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

• Bonus Schemes

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

Annual performance targets for Executive Directors are set for both the short and long term. Superior performance is encouraged by providing challenging goals, which must be achieved before the maximum bonus is payable. The annual bonus scheme is linked to the Group's performance in profit before tax and the return on shareholder funds.

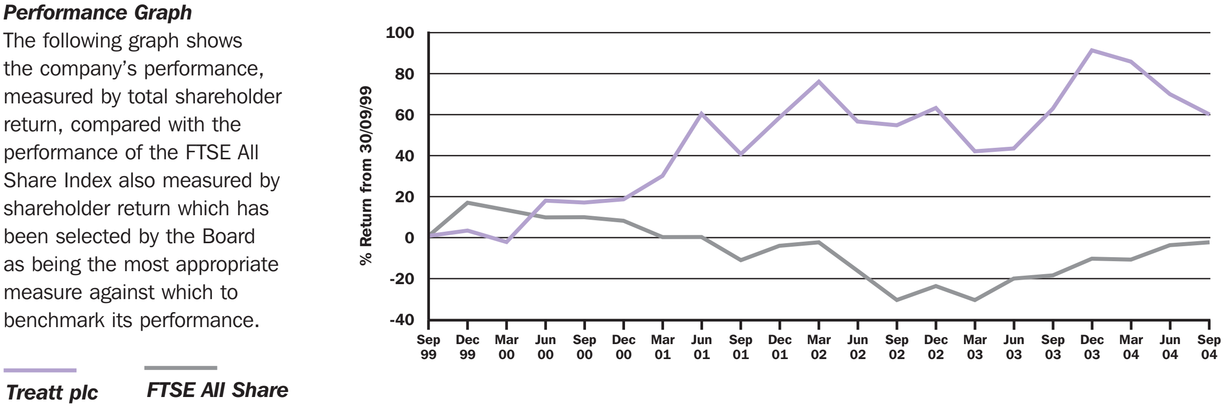
To encourage continuing improvement in the Company's performance over the longer term, targets contained in a long term bonus scheme were set in 1997 for Senior Executives who are best placed to influence such performance. The Company's growth in earnings per share relative to the Financial Times Stock Exchange ('FTSE') All Share Index is measured over three year rolling periods. The scheme provides for cash benefits on attainment of target levels of earnings per share growth in excess of the FTSE All Share earnings growth.

• Benefits

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

Performance Graph

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



Directors' Emoluments	Salary and Fees £'000	Bonus Payments £'000	Taxable Benefits £'000	**2004 Total £'000**	2003 Total £'000
Executive Directors					
H.W. Bovill	123	9	17	**149**	140
A.J. Haines	65	4	10	**79**	67
R.A. Hope	80	6	16	**102**	37
R. Mears	95	7	14	**116**	110
Non-executive Directors					
E.W. Dawnay (Chairman)	22	–	–	**22**	22
D.D. Appleby	15	–	3	**18**	17
W.G. Bovill	15	–	4	**19**	19
P.A. Thorburn	20	–	–	**20**	19
	435	26	64	**525**	431

Share Option Schemes

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

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

	Exercise Dates	Exercise Price	At 1 October 2003	**At 30 September 2004**
H.W. Bovill	Between September 2007 and March 2008	160p	–	**1,413**
	Between June 2004 and June 2008	209p	20,000	**20,000**
			20,000	**21,413**
A.J. Haines	Between June 1997 and June 2004	233p	7,000	**–**
	Between June 2004 and June 2011	209p	6,550	**6,550**
	Between June 2004 and June 2008	209p	3,450	**3,450**
	Between September 2007 and March 2008	160p	–	**1,413**
			17,000	**11,413**
R.A. Hope	Between September 2007 and March 2008	160p	–	**1,413**
R. Mears	Between June 1997 and June 2004	233p	22,000	**–**
	**Between June 2004 and June 2008	209p	20,000	**20,000**
			42,000	**20,000**

** The Remuneration Committee have authorised R. Mears to exercise his share options within six months of his retirement date of 31 January 2005.

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

The market price of the shares at 30 September 2004 was £1.88 and the range during the financial year was £1.88 to £2.35.

Directors' Pension Policy

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

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

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

Directors' Remuneration Report continued

The pension entitlement of these Directors is as follows:

	Increase in Accrued Pension During Year (Excluding Inflation)		Transfer Value in Respect of Increase (Excluding Inflation)		Accumulated Total Pension at	
	2004	2003	**2004**	2003	**2004**	2003
	£	£	**£**	£	**£**	£
H.W. Bovill	**9,547**	6,436	**48,385**	29,294	**57,510**	46,535
A.J. Haines	**2,735**	7,953	**18,843**	49,131	**22,686**	19,358
R. Mears	**1,549**	1,443	**11,541**	9,643	**45,150**	42,303

The transfer value has been calculated on the basis of actuarial advice in accordance with the Institute of Actuaries Guidance Note GN11 'Retirement Benefit Schemes – Transfer Values'. Further details of the scheme are included in note 21.

R.A. Hope received a contribution of £7,200 (2003: £2,815) towards a money purchase personal pension plan administered by Norwich Union Plc.

Directors' Permanent Health Insurance Policy

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

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

Companies Used In Comparisons

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

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

Service Contracts

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

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

R. Mears is engaged for a fixed term from 31 May 2002 until his retirement on 31 January 2005 under an agreement signed on 31 May 2002.

Non-executive Directors

The remuneration for Non-executive Directors consists of fees for their services in connection with Board and Board Committee meetings. In their Non-executive capacities they do not qualify for participation in any of the Company's bonus, share option or other incentive schemes. With the exception of W.G. Bovill and D.D. Appleby, who are in receipt of a pension from the R.C. Treatt & Co. Limited Pension & Assurance Scheme, Non-executive Directors are not eligible for pension scheme membership.

This report was approved by the Board
on 10 December 2004

R.A. Hope
Secretary

Independent Auditors' Report to the Shareholders of Treatt plc

We have audited the financial statements on pages 24 to 43. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report under the headings Directors' emoluments, share option schemes and Directors' pensions ("the auditable part").

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company and other members of the Group is not disclosed.

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

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 30 September 2004 and of the Group's profit for the year then ended and the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY
Registered Auditor
Chartered Accountants
87 Guildhall Street
Bury St Edmunds IP33 1PU

10 December 2004

Group Profit and Loss Account

For the year ended 30 September 2004

	Notes	2004 £'000	2003 £'000
Turnover - continuing operations	2	**31,809**	31,683
Cost of sales		**(23,354)**	(23,035)
Gross profit		**8,455**	8,648
Distribution costs		**(1,669)**	(1,388)
Administration costs			
Exceptional items	5	**(70)**	(139)
Other administration expenses		**(4,356)**	(4,964)
		(4,426)	(5,103)
Operating Profit	3	**2,360**	2,157
Exceptional profit on sale of fixed assets	5	**131**	–
Profit on ordinary activities before interest		**2,491**	2,157
Interest receivable	6	**75**	5
Interest payable	6	**(198)**	(213)
Profit on ordinary activities before taxation		**2,368**	1,949
Tax on profit on ordinary activities	7	**(669)**	(545)
Profit on ordinary activities after taxation		**1,699**	1,404
Dividends	8	**(893)**	(865)
Retained profit for the year	17	**806**	539
Earnings per share			
- Basic			
- after exceptional items	9	**16.6p**	13.6p
- before exceptional items	9	**16.0p**	14.6p
- Diluted	9	**16.6p**	13.6p

Notes 1 - 24 form part of these accounts

Group Statement of Total Recognised Gains and Losses

For the year ended 30 September 2004

	2004 **£'000**	2003 £'000
Profit for the financial year before dividends	**1,699**	1,404
Currency translation differences on foreign currency net investments	**(431)**	(246)
Total recognised gains and losses	**1,268**	1,158

Reconciliation of Movements in Group Shareholders' Funds

For the year ended 30 September 2004

	2004 **£'000**	2003 £'000
Profit for the financial year before dividends	**1,699**	1,404
Dividends	**(893)**	(865)
Issue of ordinary shares	**–**	4
Acquisition of own shares by share trust	**(278)**	–
Currency translation differences on foreign currency net investments	**(431)**	(246)
Net addition to shareholders' funds	**97**	297
Opening shareholders' funds	**17,228**	16,931
Closing shareholders' funds	**17,325**	17,228

Group Balance Sheet

As at 30 September 2004

	Notes	2004		2003	
		£'000	**£'000**	£'000	£'000
FIXED ASSETS					
Tangible assets	10		**9,536**		9,911
CURRENT ASSETS					
Stocks		**8,355**		10,987	
Debtors	12	**6,007**		5,439	
Cash at bank		**809**		304	
		15,171		16,730	
CREDITORS:					
amounts falling due within one year	13	**(4,592)**		(6,420)	
Net Current Assets			**10,579**		10,310
Total assets less current liabilities			**20,115**		20,221
CREDITORS:					
amounts falling due after more than one year	14		**(2,271)**		(2,631)
PROVISIONS FOR LIABILITIES AND CHARGES	15		**(519)**		(362)
Net Assets			**17,325**		17,228
CAPITAL AND RESERVES					
Called up share capital	16		**1,029**		1,029
Share premium account	17		**2,143**		2,143
Own shares in share trust	17		**(278)**		–
Profit and loss account	17		**14,431**		14,056
SHAREHOLDERS' FUNDS					
Equity interests			**17,325**		17,228

Notes 1 - 24 form part of these accounts

Approved by the Board on 10 December 2004

E.W. Dawnay }
H.W. Bovill } Directors
R.A. Hope }

Company Balance Sheet

As at 30 September 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
FIXED ASSETS					
Investments	11		**4,141**		4,141
CURRENT ASSETS					
Debtors	12	**1,285**		1,535	
Cash at bank		**14**		10	
		1,299		1,545	
CREDITORS:					
Amounts falling due within one year	13	**(907)**		(875)	
Net Current Assets			**392**		670
Net Assets			**4,533**		4,811
CAPITAL AND RESERVES					
Called up share capital	16		**1,029**		1,029
Share premium account	17		**2,143**		2,143
Own shares in share trust	17		**(278)**		–
Profit and loss account	17		**1,639**		1,639
SHAREHOLDERS' FUNDS					
Equity interests			**4,533**		4,811

Notes 1 - 24 form part of these accounts

Approved by the Board on 10 December 2004

E.W. Dawnay }
H.W. Bovill } Directors
R.A. Hope }

Group Cash Flow Statement

For the year ended 30 September 2004

	Notes	**2004 £'000**	2003 £'000
Cash inflow from operating activities	18	**4,952**	2,263
Returns on investments and servicing of finance	20	**(123)**	(208)
Taxation		**(312)**	(355)
Capital expenditure and financial investment	20	**(646)**	(819)
Equity dividends paid		**(861)**	(860)
Cash inflow before financing		**3,010**	21
Financing			
- Issue of shares		**–**	4
- Acquisition of own shares by Share Trust		**(278)**	–
- Decrease in debt	19	**(142)**	(162)
Increase/(decrease) in funds in the year	19	**2,590**	(137)

Reconciliation of net cash flow to decrease/(increase) in debt (see Note 19)

Increase/(decrease) in funds in the year	**2,590**	(137)
Cash inflow/(outflow) from change in net debt	**142**	(383)
Decrease/(increase) in net debt resulting from cash flows	**2,732**	(520)
Exchange difference	**203**	141
Decrease/(increase) in net debt in the year	**2,935**	(379)
Net debt at 1 October 2003	**(4,538)**	(4,159)
Net debt at 30 September 2004	**(1,603)**	(4,538)

Notes to the Financial Statements

For the year ended 30 September 2004

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and are in accordance with applicable UK Accounting Standards.

In preparing these financial statements the Group has taken advantage of the transitional arrangements available under Financial Reporting Standard 17 'Retirement Benefits'.

The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in the financial statements.

The Group profit for the year includes a profit after tax and before dividends paid and payable of £893,000 (2003: £865,000) which is dealt with in the financial statements of the parent company.

Basis of consolidation

The Group accounts consolidate the accounts of Treatt plc and all of its subsidiary undertakings made up to 30 September each year.

Where a company has been accounted for using the principles for acquisition accounting, fair values are attributed to the Group's share of the net assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets the difference is recognised as goodwill.

Turnover

Turnover represents amounts receivable net of trade discounts, VAT and other sales related taxes.

Investments

Fixed asset investments are stated at cost, less provision for permanent diminution in value.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

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

• Computer hardware and software	4 years
• Manufacturing system	7 years
• Laboratory equipment	5 years
• Motor vehicles	5 years
• Fixtures and fittings	10 years
• Plant and machinery	10 years
• Buildings (in the USA)	50 years

Impairment of fixed assets

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

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Leasing commitments

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

Notes to the Financial Statements continued

For the year ended 30 September 2004

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first-in, first-out basis plus attributable overheads.

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

Pension costs

The Group's principal subsidiary undertaking, R.C. Treatt & Co. Limited, operates a defined benefit scheme through an independently administered pension scheme. The contributions are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

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

Research and development costs

Research and development expenditure is charged to the profit and loss account as incurred.

Deferred taxation

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

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

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

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

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged forward, at the rate of exchange under related forward currency contracts. Assets and liabilities in foreign currencies are translated into Sterling in the balance sheet at the year-end or contract exchange rate, as appropriate. The exchange rate of the US Dollar, the principal foreign currency, was $1.81 (2003: $1.66) at the year end.

Profits and losses of the Group's overseas subsidiary, Treatt USA, Inc, are translated into Sterling at the average rate for the year. Its balance sheet is translated at the rate ruling at the balance sheet date.

Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves. All other exchange differences are taken to the profit and loss account.

Share Options

Shares held by the employee share trust for the purpose of fulfilling obligations in respect of various employee share plans are deducted from the equity in the consolidated balance sheet in accordance with UITF Abstract 38.

2. SEGMENTAL INFORMATION

Geographical Segments	2004	2003
	£'000	£'000
Turnover by destination		
United Kingdom	**6,725**	6,918
Rest of Europe	**8,674**	9,441
The Americas	**8,756**	7,649
Rest of the World	**7,654**	7,675
	31,809	31,683

Analysis of turnover by origin, segmental profit before taxation and segmental net assets have not been given as, in the opinion of the Directors, this would be prejudicial to the commercial interest of the Group.

As the Group is engaged substantially in one class of business, the provision of flavour and fragrance ingredients, no analysis of turnover or profit by class of business has been provided.

3. OPERATING PROFIT is stated after charging/(crediting):

	2004	2003
	£'000	£'000
Depreciation	**821**	670
(Profit)/loss on disposal of tangible fixed assets	**(3)**	96
Research and Development costs	**181**	242
Operating lease rentals		
- plant and machinery	**–**	8
- other	**53**	85
Auditors' remuneration		
- audit fees	**31**	28
- tax fees	**16**	15
- other services – U.K.	**11**	2
- other services – overseas	**13**	3
Net exchange gain on trading activities	**(99)**	(53)
Rent receivable	**(65)**	(44)

4. EMPLOYEES

(1) Number of employees

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

	2004	2003
	Number	Number
Technical and production	**81**	81
Administration and sales	**83**	86
	164	167

Notes to the Financial Statements continued

For the year ended 30 September 2004

4. EMPLOYEES (continued)

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

	£'000	£'000
Wages and salaries	**4,581**	4,172
Social security costs	**413**	485
Other pension costs	**576**	553
	5,570	5,210

(3) Directors
In respect of the Directors of Treatt Plc:

	£'000	£'000
Emoluments	**525**	431
Money purchase pension contributions	**7**	3
	532	434

	Number	Number
The number of Directors to whom retirement benefits are accruing under:		
money purchase schemes	**1**	1
defined benefit schemes	**3**	3

Directors emoluments disclosed above include the following:

	Highest Paid Director	
	£'000	£'000
Emoluments	**153**	140
Accrued pension	**58**	47

5. EXCEPTIONAL ITEMS

The exceptional items referred to in the Group Profit and Loss Account are categorised as follows:

	2004	2003
	£'000	£'000
Reorganisation costs	**70**	139
Profit on the sale of fixed assets	**(131)**	–

6. INTEREST

		2004 £'000	2003 £'000
(1) Interest receivable	- bank	**75**	5
(2) Interest payable	- bank overdrafts	**(85)**	(80)
	- loan	**(113)**	(133)
		(198)	(213)

7. TAXATION

	2004 £'000	2003 £'000
(a) Analysis of tax charge for the year		
Current year taxation		
UK Corporation tax	**395**	468
Overseas tax	**109**	(13)
	504	455
Deferred taxation	**176**	103
	680	558
Prior years		
UK Corporation tax	**(10)**	(41)
Overseas tax	**18**	(37)
Deferred tax	**(19)**	65
Tax on profit on ordinary activities	**669**	545

(b) Factors affecting tax charge for the year

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities multiplied by standard rate of UK Corporation tax at 30% (2003: 30%)	**710**	585
Effects of:		
Expenses not deductible for tax purposes	**(3)**	11
Capital allowances for year in excess of Depreciation	**(148)**	(90)
Allowable expenses charged to reserves	**(70)**	(34)
Sundry timing differences	**(5)**	(16)
Difference in tax rates on overseas earnings	**20**	(1)
Current tax charge for the year	**504**	455

Notes to the Financial Statements continued

For the year ended 30 September 2004

8. DIVIDENDS

	2004 £'000	2003 £'000
Interim declared of 2.7p per share (2003: 2.7p per share)	**278**	278
Final proposed of 6.1p per share (2003: 5.7p per share)	**615**	587
	893	865

9. EARNINGS PER ORDINARY SHARE

(1) Basic earnings per share
Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,248,749 (2003: 10,290,872) and earnings of:

- £1,699,000 (2003: £1,404,000), being the profit on ordinary activities after taxation and exceptional items.
- £1,643,000 (2003: £1,501,000) being the profit on ordinary activities, after taxation, excluding the net impact of exceptional items of (£61,000) and tax thereon of (£5,000).

The weighted average number of shares excludes shares held by the Treatt Employees' Share Trust.

(2) Diluted earnings per share
Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares, of 10,259,601 (2003: 10,290,872); and the same earnings as above.

10. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and Equipment £'000	**Total £'000**
Cost			
1 October 2003	6,086	9,267	15,353
Exchange adjustment	(262)	(158)	(420)
Reclassification	35	(35)	–
Additions	9	916	925
Disposals	(366)	(1,515)	(1,881)
30 September 2004	**5,502**	**8,475**	**13,977**
Depreciation			
1 October 2003	294	5,148	5,442
Exchange adjustment	(23)	(63)	(86)
Reclassification	6	(6)	–
Charge for the year	70	751	821
Disposals	(226)	(1,510)	(1,736)
30 September 2004	**121**	**4,320**	**4,441**
Net book value			
30 September 2004	**5,381**	**4,155**	**9,536**
30 September 2003	5,792	4,119	9,911

10. TANGIBLE FIXED ASSETS (continued)

Analysis of land and buildings

	2004 £'000	2003 £'000
Net book value		
Freehold	**4,646**	5,057
Long leasehold	**735**	735
	5,381	5,792

Capital commitments

	2004 £'000	2003 £'000
Contracted but not provided for	**4**	115

11. FIXED ASSET INVESTMENTS

	2004 £'000	2003 £'000
Company		
Subsidiary Undertakings:		
R.C. Treatt & Co. Limited - at cost		
50,000 ordinary shares of £1 each, fully paid	**2,299**	2,299
Treatt USA Inc. - at cost		
2,975,000 common stock of US$1 each fully paid	**1,842**	1,842
	4,141	4,141

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

12. DEBTORS

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Trade debtors	**5,470**	5,137	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,285**	1,535
Other debtors	**270**	52	**–**	–
Prepayments	**267**	250	**–**	–
	6,007	5,439	**1,285**	1,535

Included within prepayments is £39,594 (2003: £41,268) representing contributions paid in advance to R. C. Treatt & Co. Limited's defined benefit pension scheme.

Notes to the Financial Statements continued

For the year ended 30 September 2004

13. CREDITORS: amounts falling due within one year

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Loan	**141**	150	**–**	–
Bank overdrafts	**–**	2,061	**–**	–
Trade creditors	**2,221**	2,070	**–**	–
Corporation tax	**251**	51	**–**	–
Other taxes and social security costs	**97**	140	**–**	–
Accruals	**975**	1,073	**–**	–
Proposed dividends	**907**	875	**907**	875
	4,592	6,420	**907**	875

14. CREDITORS: amounts falling due after more than one year

	Group	
	2004	2003
	£'000	£'000
Loan	**2,271**	2,631

Loan

The Industrial Development Loan is repayable by fixed quarterly instalments over 20 years, ending on 1 July 2021. The rate of interest payable has been fixed at 4.05% for ten years ending on 1 January 2012.

The loan is repayable as follows:

	2004	2003
	£'000	£'000
- in one year or less	**141**	150
- in more than one year but not more than two years	**141**	150
- in more than two years but not more than five years	**423**	450
- in more than five years	**1,707**	2,031
	2,412	2,781

15. DEFERRED TAX

	2004	2003
Group	**£'000**	£'000
Accelerated capital allowances	**582**	401
Other timing differences	**(63)**	(39)
	519	362

The movement in the year represents the charge to the profit and loss account.

16. SHARE CAPITAL

Company and Group	2004 Number	2003 Number
Authorised		
Ordinary shares of 10p each	**12,500,000**	12,500,000

	£'000	£'000
Called up, allotted and fully paid		
10,292,089 (2003: 10,292,089) ordinary shares of 10p each	**1,029**	1,029

During the year no share options were exercised (2003: 4,046).

Share option schemes
Under the schemes listed below, options have been granted to subscribe for the following number of existing ordinary shares of 10p each in the capital of the Company.

The options have been allocated as follows:	Number of shares	Option price per share	Date option exercisable
R. C. Treatt Employee Save As You Earn Share Scheme	56,870	160p	Between September 2007 and March 2008
Treatt Executive Share Option Scheme No I	62,879	209p	Between June 2004 and June 2011
**Treatt Executive Share Option Scheme No II	58,121	209p	Between June 2004 and June 2008
Treatt USA Employee Stock Purchase Plan	7,808	172p	July 2005

During the year 108,000 options lapsed on the Treatt Executive Share Option Scheme No I.

** The Remuneration Committee have authorised R. Mears to be able to exercise his share options within six months of his retirement date of 31 January 2005.

17. RESERVES

	Own Shares in Share Trust		Share premium	Profit and loss account
	No ('000s)	£'000*	£'000	£'000
Group				
1 October 2003	–	–	2,143	14,056
Exchange differences	–	–	–	(431)
Retained profit for the year	–	–	–	806
Shares acquired in the year	148	(278)	–	–
30 September 2004	**148**	**(278)**	**2,143**	**14,431**
Company				
1 October 2003	–	–	2,143	1,639
Shares acquired in the year	148	(278)	–	–
30 September 2004	**148**	**(278)**	**2,143**	**1,639**

* Under UITF Abstract 38, shares acquired by an Employee Benefit Trust are shown as a reduction in reserves.

Notes to the Financial Statements continued

For the year ended 30 September 2004

18. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2004 £'000	2003 £'000
Operating profit	**2,360**	2,157
Depreciation charge	**821**	670
Profit/(loss) on disposals	**(3)**	96
Decrease/(increase) in stocks	**2,632**	(907)
Decrease/(increase) in debtors	**(568)**	567
Increase/(decrease) in creditors	**10**	(143)
Currency translation differences on foreign currency net investments	**(300)**	(177)
Net cash inflow from operating activities	**4,952**	2,263

19. ANALYSIS OF DEBT

	2003 £'000	Cash Flow £'000	Exchange Difference £'000	2004 £'000
Cash at Bank	304	529	(24)	**809**
Bank Overdraft	(2,061)	2,061	–	**–**
Debt due within 1 year	(150)	(3)	12	**(141)**
Debt due after more than 1 year	(2,631)	145	215	**(2,271)**
Total Debt	(4,538)	**2,732**	**203**	**(1,603)**

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2004 £'000	2003 £'000
Returns on investments and servicing of finance		
Interest received	**75**	5
Interest paid	**(198)**	(213)
Net cash outflow for returns on investments and servicing of finance	**(123)**	(208)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(925)**	(1,366)
Sale of tangible fixed assets	**279**	2
Restricted cash	**–**	545
Net cash outflow for capital expenditure and financial investment	**(646)**	(819)

21. PENSION SCHEME

The Group has continued to operate a defined benefit pension scheme for certain UK employees. The Scheme's assets are held separately from the assets of the Group and are administered by trustees and managed professionally. From 1 October 2001 this scheme was closed to new entrants, who are now eligible to join a Stakeholder defined contribution scheme.

UK Stakeholder and overseas defined contribution schemes are operated on behalf of certain employees. The assets are held separately from those of the Group in independently administered funds.

The pension charge for the year represents contributions payable by the Group to the schemes, amounting to:

	2004	2003
	£	£
Defined benefit scheme	**437**	480
Defined contribution schemes	**139**	73
	576	553

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in section (1) are those required by that standard. FRS 17, Retirement Benefits, was issued in November 2000 but will not be mandatory for the Group and Company until the year ended 30 September 2006. Prior to this, phased transitional disclosures are required. These disclosures, which relate to the defined benefit pension scheme, to the extent not given in section (1), are set out in section (2).

(1) SSAP 24 Retirement Benefits

The latest valuation of the scheme was made at 1 January 2003 by Mr N. P. Hacking, Fellow of the Institute of Actuaries. The principal methods and assumptions used and the results of the valuation are set out below:-

Valuation method	Projected unit
Investment rate of return	
Pre-retirement	8.0%
Post-retirement	5.0%
Future increases in salaries	2.5%
Rate of dividend growth implied by asset valuation method	4.5%
Market value of assets	£5,046,000
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	72%

The Company's contribution rate has been re-expressed as 15% of total Pensionable Earnings plus £150,000 per year increasing in line with price inflation, to take effect from 1 January 2005 (2003: Company's contribution rate 21.5% of total pensionable earnings during the year).

Notes to the Financial Statements continued

For the year ended 30 September 2004

21. PENSION SCHEME (continued)

(2) FRS 17 Retirement Benefits
The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 January 2003 and updated by Mr N.P. Hacking, a Fellow of the Institute of Actuaries, to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 September 2004. Scheme assets are stated at their market value as at that date.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:-

Valuation method	Projected unit			
	2004	**2003**	**2002**	**2001**
Discount rate	5.7%	5.5%	6.0%	6.0%
Inflation rate	2.75%	2.4%	2.5%	2.5%
Increase to deferred benefits during deferment	2.75%	2.4%	2.5%	2.5%
Increases to pensions in payment	2.75%	2.4%	2.5%	2.5%
Salary increases	2.75%	2.4%	4.0%	4.0%

The assets in the scheme and the expected rate of return were:

	Expected long term return	Value at 2004	Expected long term return	Value at 2003	Expected long term return	Value at 2002	Expected long term return	Value at 2001
		£'000		**£'000**		**£'000**		**£'000**
Equities	8.0%	4,971	9.0%	4,390	10.0%	3,515	8.5%	4,323
Bonds	5.7%	1,243	5.5%	1,061	5.5%	1,081	6.0%	685
Other	5.7%	311	5.5%	275	5.5%	265	6.0%	403
Total market value of assets		6,525		5,726		4,861		5,411
Present value of scheme liabilities		(9,469)		(8,725)		(9,108)		(6,867)
Deficit in the scheme		(2,944)		(2,999)		(4,247)		(1,456)
Related deferred tax		883		900		1,274		437
Pension liability		(2,061)		(2,099)		(2,973)		(1,019)
Group net assets								
Net assets excluding pension liability		17,325		17,228		16,931		16,357
Pension liability		(2,061)		(2,099)		(2,973)		(1,019)
Net assets including pension liability		15,264		15,129		13,958		15,338
Group reserves								
Profit and loss reserve excluding pension liability		14,431		14,056		13,763		13,384
Pension liability		(2,061)		(2,099)		(2,973)		(1,019)
Profit and loss reserve including pension liability		12,370		11,957		10,790		12,365

21. PENSION SCHEME (continued)

	2004	2003	2002
	£'000	£'000	£'000
Amount credited/(charged) to operating profit			
Current Service Cost (excluding employee contributions)	**(423)**	(567)	(573)
Past Service Cost	**(56)**	–	(10)
Settlement and Curtailments	**–**	1,578	–
Total operating (charge)/income	**(479)**	1,011	(583)
Amount (charged)/credited to other finance income			
Expected return on assets	**474**	456	442
Interest on scheme liabilities	**(484)**	(567)	(423)
Net (charge)/income	**(10)**	(111)	19
Amount recognised in statement of total recognised gains and losses			
Actual less expected return on assets	**202**	236	(1,212)
Experience (losses)/gains on liabilities	**(18)**	(318)	152
Effect of change in assumptions on liabilities	**(77)**	–	(1,615)
Total gain/(loss) recognised in statement of total recognised gains and losses	**107**	(82)	(2,675)
Movement in deficit during the year			
Deficit in scheme at start of year	**(2,999)**	(4,247)	(1,456)
Current service cost (excluding employee contributions)	**(423)**	(567)	(573)
Cash contribution (excluding employee contributions)	**437**	430	448
Past service costs	**(56)**	–	(10)
Settlements and curtailments	**–**	1,578	–
Other finance (charge)/income	**(10)**	(111)	19
Actuarial gain/(loss)	**107**	(82)	(2,675)
Deficit in scheme at end of year	**(2,944)**	(2,999)	(4,247)
History of experience gains and losses			
Difference between expected and actual returns on scheme assets:			
Amount	**202**	236	(1,212)
% of assets at end of year	**3%**	4%	-25%
Experience gains/(losses) on scheme liabilities:			
Amount	**(18)**	(318)	152
% of liabilities at end of year	**-0%**	-4%	2%
Total actuarial gain/(loss):			
Amount	**107**	(82)	(2,675)
% of liabilities at end of year	**1%**	-1%	-29%

Notes to the Financial Statements continued

For the year ended 30 September 2004

22. COMMITMENTS UNDER OPERATING LEASES

As at 30 September 2004, the Group had annual commitments under non-cancellable operating leases for plant and equipment as set out below:

	2004	2003
	£'000	£'000
Operating leases which expire:		
Within one year	**46**	38
In two to five years	**38**	36
	84	74

23. CONTINGENT LIABILITY

Company

(1) The Company has guaranteed the Industrial Development Loan of Treatt USA Inc. At the balance sheet date the liability covered by this guarantee amounted to US$4,365,000 (£2,412,135) (2003: US$4,620,000 (£2,780,787)).

(2) The Company has secured certain bank borrowings of its UK subsidiary undertaking, R.C. Treatt & Co. Limited. At the year end the liabilities covered by this guarantee amounted to £1,107,250 (2003: £1,188,000).

24. FINANCIAL INSTRUMENTS

(1) Maturity profile of financial liabilities
Details of the maturity profile of the US Dollar Industrial Development Loan taken out in the previous year are disclosed in note 14.

(2) Interest rate profile

Financial Assets	**Floating rate financial assets**	
	2004	2003
	£'000	£'000
US Dollars	**345**	288
Sterling	**4,008**	231
Other currencies	**205**	61
	4,558	580

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

24. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities	Floating rate financial liabilities		Fixed rate financial liabilities		Total	Total
	2004	2003	**2004**	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
US Dollars	**3,890**	2,337	**2,412**	2,781	**6,302**	5,118

Fixed rate financial liabilities comprise the Industrial Development Loan of US$4,365,000 (see note 14) (2003: $4,620,000).

Interest on bank overdrafts is charged at 1% above bank base rates.

(3) Fair values of financial assets and liabilities
The estimated fair values of financial assets and liabilities is not considered to be significantly different from their book values.

(4) Hedges
As explained in the operating and financial reviews on pages 5 to 7 the Group's policy is to hedge currency risk in times of significant currency fluctuations using forward foreign currency contracts for debtors and liabilities. At the year end there were no unrecognised or deferred gains or losses on forward foreign currency trading contracts.

(5) Currency exposure
The Group's currency exposure, i.e. those exposures arising from transactions where the net currency gains and losses from which will be recognised in the profit and loss account, is as follows:

Net foreign currency monetary assets

	US Dollar £'000	**Other £'000**	**Total £'000**
At 30 September 2004	(1,964)	313	(1,651)
At 30 September 2003	(863)	359	(504)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Treatt plc will be held at The British Racing School, Snailwell Road, Newmarket, Suffolk on 28 February 2005, at 11.30 am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2004, together with the Report of the Directors, and the Independent Auditor's Report on those accounts and the auditable part of the Directors' Remuneration Report.

2. To approve the Directors' Remuneration Report.

3. To declare a final dividend of 6.1p per share on the ordinary shares of the Company for the year ended 30 September 2004.

4. To re-elect P.A. Thorburn as a Director of the Company.

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

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

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

8. To authorise the Directors to determine the remuneration of the Auditors of the Company.

9. Any other business.

Special Business

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 10,13, 14, 15, 16, 17, and 18 will be proposed as Ordinary Resolutions and Resolutions 11 and 12 will be proposed as Special Resolutions.

10. THAT:

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

(i) this authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 27 May 2006; and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £220,700 (representing approximately 21.4 per cent of the existing issued share capital of the Company).

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

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

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

11. THAT:

(a) conditionally upon the passing of Resolution 10 above and in accordance with Section 95 of the Companies Act 1985, the Directors be and are hereby given power to allot equity securities pursuant to the authority conferred by Resolution 10 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that:

(i) the power hereby granted shall be limited:

(aa) to the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of shares in the Company and other persons entitled to participate therein, in the proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and (bb) to the allotment (otherwise than pursuant to sub-paragraph (i)(aa) of this proviso) of equity securities up to an aggregate nominal amount of £51,400 (representing approximately 5 per cent of the existing issued share capital of the Company);

(ii) the power hereby granted shall expire on the earlier of the date of the next Annual General Meeting of the Company following the passing of this Resolution and 27 May 2006;

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

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

12. THAT:

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

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

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

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

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2006, 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. THAT:

The Treatt 2004 US Employee Stock Purchase Plan (the "US Plan"), a copy of the rules of which have been produced to the Meeting and signed by the Chairman for the purposes of identification and a summary of the main provisions of which is set out on pages 13 and 14 be and is hereby approved.

14. THAT:

The Directors be authorised:-

(a) to establish the Treatt 2005 Savings Related Share Option Scheme (the "SAYE Scheme"), a copy of the rules of which has been produced to the Meeting and signed by the Chairman for the purposes of identification and a summary of the main provisions of which is set out on pages 13 and 14; and

(b) to do all such acts and things as may be necessary and expedient to give effect to the SAYE Scheme, including amending the rules of the SAYE Scheme in such a manner as may be necessary to ensure that the SAYE Scheme is approved by the Inland Revenue.

15. THAT:

The Directors be authorised:-

(a) to establish the Treatt 2005 Approved Share Option Scheme (the "Approved Scheme"), a copy of the rules of which has been produced to the Meeting and signed by the Chairman for the purposes of identification and a summary of the main provisions of which is set out on pages 13 and 14; and

(b) to do all such acts and things as may be necessary and expedient to give effect to the Approved Scheme, including amending the rules of the Approved Scheme in such a manner as may be necessary to ensure that the Approved Scheme is approved by the Inland Revenue.

Notice of Annual General Meeting continued

16. THAT:

The Directors be authorised to establish the Treatt 2005 Unapproved Share Option Scheme (the "Unapproved Scheme"), a copy of the rules of which has been produced to the Meeting and signed by the Chairman for the purposes of identification and a summary of the main provisions of which is set out on pages 13 and 14 and make such further amendments as may be necessary to permit the grant of US tax favoured Incentive Stock Options.

17. THAT:

The Directors be and are hereby authorised to establish further employee share schemes, such schemes being based on any of the US Plan, the SAYE Scheme, the Approved Scheme and the Unapproved Scheme but modified to take account of local tax exchange control and 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.

18. THAT:

The Directors be and are hereby authorised to do all such acts and things necessary to amend the terms of the Treatt Employees' Share Trust (the "Trust") to permit the trustee of the Trust to subscribe or acquire and hold shares in the Company representing up to 10% of the Company's issued share capital from time to time.

By order of the Board

R.A. Hope
Secretary

10 December 2004

Registered Office:

Northern Way
Bury St Edmunds
Suffolk
IP32 6NL

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

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those members registered in the Register of Members of the Company as at 11.30 am on 26 February 2005 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at 11.30 am on 26 February 2005. Changes to entries in the Register of Members after 11.30 am on 26 February 2005 shall be disregarded in determining the rights of any person to attend or vote at this meeting.

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

Copies of the following documents will be available for inspection at the Company's registered office and at the offices of Pinsents, Dashwood House, 69 Old Broad Street, London, EC2M 1NR during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice up to and including the date of the AGM, and at the place of the AGM for at least fifteen minutes prior to and during the AGM:

- The Treatt 2004 US Employee Stock Purchase Plan
- The Treatt 2005 Savings Related Share Option Scheme
- The Treatt 2005 Approved Share Option Scheme
- The Treatt 2005 Unapproved Share Option Scheme
- The Treatt Employees' Share Trust

Chamomile Oil Production in England

Treatt sources its raw materials from all corners of the world, and closer to home in the UK. Many of these suppliers have had relationships with Treatt for more than 50 years.

Regular visits are made to suppliers, to review facilities and production methods to ensure the continuity of supply as well as to ascertain the rules governing international labour regulations are observed.

Treatt has close relationships with Chamomile growers and producers in England. Chamomile Oil is used widely in fine fragrance applications and is an oil of unique character.

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