



**TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

Treatt Plc, the manufacturer and supplier of conventional, organic and fair trade ingredients for the flavour, fragrance and cosmetic industries, announces today its preliminary results for the year ended 30 September 2012.

Summary

Group revenue decreased by 0.7% to £74million (2011: £74.5 million)

Group operating profit after FX down by 18% to £5.6 million (2011: £6.9 million)

EBITDA* down 14.2% to £6.9 million (2011: £8.0 million)

Profit before tax* 20.6% reduced to £5.1 million (2011: £6.4 million)

Dividends increased 6.9% to 15.5p per share (2011: 14.5p)

Earnings per share* down 19.1% to 34.4p (2011: 42.5p)

Net assets per share increased to £2.48 (2011: £2.44)

* excluding exceptional item relating to compensation for loss of office

Enquiries:

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Daemmon Reeve	Chief Executive Officer
Richard Hope	Finance Director

CHAIRMAN'S STATEMENT

“Dividend growth maintained as pre-exceptional profits recover to second highest on record”

Results

2012 has been a mixed year for the Group. Notwithstanding a weak start to the financial year, it is pleasing to report that results for the last year were significantly better than had been originally forecast. Pre-exceptional profits for the financial year recovered to £5.1m, being the second highest on record. Group revenue remained steady at £74.0m (2011: £74.5m). Though orange oil prices over the year fell by more than half, our adjusted* group earnings before interest, tax, depreciation and amortisation were reduced by only 14.2% to £6.9m (2011: £8.0m). Operating profits were down 18% to £5.6m (2011: £6.9m) with adjusted* profit before tax for the year lower by 21% to £5.1m (2011: £6.4m). In comparison this year's adjusted profits exceed the profits for 2009/10 by 12% and those of 2008/9 by 45%. Adjusted* basic earnings per share were 34.4 pence (2011: 42.5 pence) per share.

The exceptional item of £0.6m reported in these results relates to compensation for loss of office in respect of the out-going Group Managing Director who was subject to a notice period of two years.

Dividends

The Board is proposing a net final dividend of 10.4 pence (2011: 9.7 pence), increasing the total dividend for the year by 6.9% to 15.5 pence (2011: 14.5 pence) per share. If approved, the final dividend will be payable on 8 March 2013 to all shareholders on the register at close of business on 1 February 2013. Shareholders who wish to participate in the dividend re-investment plan for this and future dividends should elect to do so by 11 February 2013.

Board Changes

Following my appointment as Chairman of the Board at the AGM in February this year, the Board announced the appointment of Daemmon Reeve as an Executive Director in May and subsequently as Group Chief Executive Officer in August. Daemmon has worked for the Group for over twenty years, latterly as CEO of Treatt USA where, in a relatively short space of time, he has taken the Group's US business onto a significantly more profitable footing and we have every confidence that under Daemmon's leadership the Group as a whole will enjoy sustainable long term growth in profits over the coming years.

Review of the year

The weak Q4 experienced in the preceding financial year continued into Q1 of the financial year ended 30 September 2012, particularly at R.C. Treatt, the Group's UK-based operating subsidiary. As has been the case in previous downturns, demand then steadily recovered throughout the rest of the financial year although prices for many raw materials continued to decline. Orange oil (the Group's largest product segment) fell in price by over 60% creating downward pressure on margins.

Whilst sales in the UK grew by an encouraging 12%, across the rest of Europe demand was very weak, with sales to France and Germany coming under particular pressure during the year. The Group continues to perform well across Asia and the Americas. In terms of product categories, the Group has steadily increased its focus on the beverage sectors where sales of citrus and natural ingredients are growing, while at the same time maintaining a strong foothold in the supply of aroma and specialty chemical ingredients for the flavour and fragrance industries.

As a consequence of the weak Q1, R.C. Treatt saw revenue falling by 4% to £43.5m (2011: £45.3m). The significant price volatility of orange oil impacted on R.C. Treatt's sales and contributions in the year as the Group managed its risk through strategic inventory management.

For Treatt USA, 2012 has been another good year although, in the absence of some prior year stock profits, overall contributions were lower. The underlying performance of Treatt USA continues to be strong, with some significant new business being won during the course of the year. Year on year US Dollar sales grew by 4%.

2012 has been a steady year for Earthoil as it made a small profit for the second year in succession. Year on year sales for Earthoil fell slightly by 3% but underlying performance was much better than this suggests as prior year sales included a substantial shipment which had been delayed from 2010. On a like for like basis sales grew by a satisfactory 12%. This growth was achieved without any increase in overheads and resulted in a 22% increase in profits, albeit from a very small base.

Prospects

The new financial year has started at a steady pace which in relative terms will mean that Q1 of the current year ending 30 September 2013 will show a significant improvement on last year. The Board is currently carrying out a thorough review of the business with the aim of taking the Group through to its next stage of growth. The UK business has gradually evolved since it began manufacturing in the 1970's and the task now is to re-focus and further modernise R.C. Treatt in order to drive future growth in the Group's profitability. Treatt USA, which predominantly serves the fast-moving North American market is continuing to progress well, with some substantial new contracts coming fully on stream over the coming year whilst Earthoil is expected to make steady progress as a niche supplier to the cosmetics industry.

Summary

Despite the weak first quarter, particularly at R.C. Treatt, the results for the last year were better than original expectations with Treatt USA continuing to perform very well. The view for the current year ending 30 September 2013 is it will be a year of steady progress as the Group re-aligns its strategy to ensure that it is well placed to grow profit sustainably over the coming decade. The world continues to eat, drink and to buy cosmetics; overall demand continues to grow in spite of economic conditions. Flavour, fragrance and cosmetics companies look to our Company to provide quality products in an efficient manner. As a truly independent and global business, Treatt remains well placed to take advantage of competitive opportunities, and through its commitment to continuous improvement, Treatt has become a supplier of choice to many large global businesses as well as national companies.

People

The most important asset of the Group is its people and, on behalf of the Board, I would like to express our sincere thanks to all colleagues throughout the globe without whose effort, dedication and skill these results would not have been possible.

TIM JONES

Chairman

7 December 2012

* Excluding exceptional item for compensation for loss of office

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
GROUP INCOME STATEMENT

	Notes	2012	2011
		£'000	£'000
Revenue	3	74,009	74,518
Cost of sales		(57,319)	(56,700)
Gross profit		16,690	17,818
Administrative expenses		(11,320)	(10,694)
Operating profit before foreign exchange gain/(loss)		5,370	7,124
Foreign exchange gain/(loss)		258	(260)
Operating profit after foreign exchange gain/(loss)		5,628	6,864
Finance revenue		108	88
Finance costs		(676)	(580)
Profit before taxation and exceptional item		5,060	6,372
Exceptional item		(598)	-
Profit before taxation		4,462	6,372
Taxation	4	(1,390)	(2,017)
Profit for the period		3,072	4,355
Attributable to:			
Owners of the Parent Company		3,072	4,348
Non-controlling interests		-	7
		3,072	4,355
Earnings per share			
Basic before exceptional item	6	34.4p	42.5p
Basic after exceptional item	6	30.0p	42.5p
Diluted after exceptional item	6	29.9p	42.3p

All amounts relate to continuing operations
The notes on pages 10 to 12 form part of this preliminary statement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
GROUP STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
	£'000	£'000
Profit for the period	3,072	4,355
Other comprehensive income/(expense):		
Currency translation differences on foreign currency net investment	(339)	94
Current taxation on foreign currency translation differences	9	(4)
Deferred taxation on foreign currency translation differences	(12)	7
Fair value movement on cash flow hedge	(169)	(864)
Deferred taxation on fair value movement	30	207
Actuarial (loss)/gain on defined benefit pension scheme	(478)	599
Deferred taxation on actuarial gain/(loss)	110	(144)
Other comprehensive expense for the period	(849)	(105)
Total comprehensive income for the period	2,223	4,250
Attributable to:		
Owners of the Parent Company	2,223	4,243
Non-controlling interests	-	7
	2,223	4,250

The notes on pages 10 to 12 form part of this preliminary statement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Own shares in trust £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
1 October 2010	1,048	2,757	(602)	-	880	18,435	22,518	-	22,518
Net profit for the period	-	-	-	-	-	4,348	4,348	7	4,355
Other comprehensive income:									
Exchange differences net of tax	-	-	-	-	94	3	97	-	97
Fair value movement on cash flow hedge	-	-	-	(864)	-	207	(657)	-	(657)
Actuarial loss on defined benefit pension scheme net of tax	-	-	-	-	-	455	455	-	455
Total comprehensive income	-	-	-	(864)	94	5,013	4,243	7	4,250
Transactions with owners:									
Dividends	-	-	-	-	-	(1,330)	(1,330)	-	(1,330)
Share-based payments	-	-	-	-	-	20	20	-	20
Movement in own shares in share trust	-	-	117	-	-	-	117	-	117
Loss on release of shares in share trust	-	-	-	-	-	(17)	(17)	-	(17)
Purchase of shares from non-controlling Interest	-	-	-	-	-	-	-	(7)	(7)
1 October 2011	1,048	2,757	(485)	(864)	974	22,121	25,551	-	25,551
Net profit for the period	-	-	-	-	-	3,072	3,072	-	3,072
Other comprehensive income:									
Exchange differences net of tax	-	-	-	-	(339)	(3)	(342)	-	(342)
Fair value movement on cash flow hedge net of tax	-	-	-	(169)	-	30	(139)	-	(139)
Actuarial loss on defined benefit pension scheme net of tax	-	-	-	-	-	(368)	(368)	-	(368)
Total comprehensive income	-	-	-	(169)	(339)	2,731	2,223	-	2,223
Transactions with owners:									
Dividends	-	-	-	-	-	(1,490)	(1,490)	-	(1,490)
Share-based payments	-	-	-	-	-	25	25	-	25
Movement in own shares in share trust	-	-	(251)	-	-	-	(251)	-	(251)
Loss on release of shares in share trust	-	-	-	-	-	(55)	(55)	-	(55)
30 September 2012	1,048	2,757	(736)	(1,033)	635	23,332	26,003	-	26,003

The notes on pages 10 to 12 form part of this preliminary statement

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
GROUP BALANCE SHEET

	2012	2011
	£'000	£'000
ASSETS		
Non-current assets		
Goodwill	1,080	1,192
Other Intangible assets	718	742
Property, plant and equipment	11,543	10,120
Deferred tax assets	286	271
Trade and other receivables	586	586
	14,213	12,911
Current assets		
Inventories	22,915	20,338
Trade and other receivables	13,959	11,854
Corporation tax receivable	252	121
Cash and cash equivalents	927	3,534
	38,053	35,847
	52,266	48,758
LIABILITIES		
Current liabilities		
Borrowings	(8,407)	(3,922)
Provisions	-	(79)
Trade and other payables	(8,938)	(8,363)
Corporation tax payable	-	(228)
	(17,345)	(12,592)
	20,708	23,255
Non-current liabilities		
Deferred tax liabilities	(880)	(532)
Borrowings	(5,469)	(7,606)
Trade and other payables	(23)	(135)
Post-employment benefits	(838)	(803)
Derivative financial instruments	(1,033)	(864)
Redeemable loan notes payable	(675)	(675)
	(8,918)	(10,615)
	(26,263)	(23,207)
	26,003	25,551
EQUITY		
Share capital	1,048	1,048
Share premium account	2,757	2,757
Own shares in share trust	(736)	(485)
Hedging reserve	(1,033)	(864)
Foreign exchange reserve	635	974
Retained earnings	23,332	22,121
Total Equity	26,003	25,551

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TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
GROUP STATEMENT OF CASH FLOWS

	2012	2011
	£'000	£'000
Cash flow from operating activities		
Profit before taxation	4,462	6,372
Adjusted for:		
Foreign exchange (gain)/loss	(258)	111
Depreciation of property, plant and equipment	1,104	1,043
Amortisation of intangible assets	159	125
Loss on disposal of property, plant and equipment	-	8
Net interest payable	618	527
Share-based payments	25	20
Decrease in post-employment benefit obligation	(443)	(194)
Operating cash flow before movements in working capital	5,667	8,012
Changes in working capital:		
Increase in inventories	(2,578)	(164)
(Increase)/decrease in trade and other receivables	(2,104)	649
Increase/(decrease) in trade and other payables, and provisions	497	(185)
Cash generated from operations	1,482	8,312
Taxation paid	(1,279)	(1,998)
Net cash from operating activities	203	6,314
Cash flow from investing activities		
Acquisition or disposal of investments in subsidiaries	-	(14)
Purchase of property, plant and equipment	(2,651)	(1,265)
Purchase of intangible assets	(136)	(275)
Interest received	58	53
	(2,729)	(1,501)
Cash flow from financing activities		
Increase of bank loans	692	285
Amounts converted to non-current borrowings	3,158	-
Interest paid	(676)	(580)
Dividends paid	(1,490)	(1,330)
Net (purchase)/sale of own shares by share trust	(306)	100
	1,378	(1,525)
Net (decrease)/increase in cash and cash equivalents	(1,148)	3,288
Cash and cash equivalents at beginning of period	(178)	(3,471)
Effect of foreign exchange rates	(15)	5
Cash and cash equivalents at end of period	(1,341)	(178)
Cash and cash equivalents comprise:		
Cash and cash equivalents	927	3,534
Bank borrowings	(2,268)	(3,712)
	(1,341)	(178)

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TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012	2011
	£'000	£'000
(Decrease)/increase in cash and cash equivalents	(1,163)	3,293
Increase in bank loans	(692)	(285)
Amounts converted from current borrowings	(3,158)	-
Cash (outflow)/inflow from change in net debt in the period	(5,013)	3,008
Effect of foreign exchange rates	58	(21)
Movement in net debt in the period	(4,955)	2,987
Net debt at start of the period	(7,994)	(10,981)
Net debt at end of the period	(12,949)	(7,994)

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TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
NOTES TO THE PRELIMINARY STATEMENT

1. Basis of preparation

In accordance with Section 435 of the Companies Act 2006, the Group confirms that the financial information for the years ended 30 September 2012 and 2011 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The statutory accounts for the year ended 30 September 2011 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2012 have been audited and approved, but have not yet been filed.

The Group's audited financial statements received an unqualified audit opinion and the auditor's report contained no statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 7 December 2012.

2. Accounting policies

These financial statements have been prepared in accordance with the accounting policies set out in the full financial statements for the year ending 30 September 2011.

There were no new standards and amendments to standards which are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2012 which had a material effect on this preliminary statement.

3. Geographical segmental information

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

	2012	2011
	£'000	£'000
Revenue by destination		
United Kingdom	9,764	8,755
Rest of Europe	17,830	20,949
The Americas	28,792	27,909
Rest of the World	17,623	16,905
	74,009	74,518

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
NOTES TO THE PRELIMINARY STATEMENT

4. Taxation

	2012	2011
	£'000	£'000
Analysis of tax charge for the year		
Current tax:		
UK Corporation tax on UK profits for period	206	665
Adjustments to UK tax in respect of previous period	(12)	(2)
Overseas tax for the period	700	1,038
Adjustments to overseas tax in respect of previous periods	7	11
Total current tax	901	1,712
Deferred tax:		
Origination and reversal of timing differences	533	216
Adjustments in respect of previous periods	(44)	(40)
Change in manner of recovery of fixed assets	-	129
Total deferred tax	489	305
Tax on profit on ordinary activities	1,390	2,017

Current tax of £9,000 was credited (2011: £4,000 debited), and deferred tax of £12,000 was debited (2011: £7,000 credited), to equity in respect of foreign currency translation differences. Deferred tax of £110,000 was credited (2011: £144,000 debited) to equity in respect of post-employment benefit obligations and £30,000 (2011: £207,000) of deferred tax was credited to equity in relation to fair value movements on hedged items.

TREATT PLC
PRELIMINARY STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012
NOTES TO THE PRELIMINARY STATEMENT

5. Dividends

	2012	2011
	£'000	£'000
Equity dividends on ordinary shares:		
Interim dividend for year ended 30 September 2010 – 4.1p per share	-	419
Final dividend for year ended 30 September 2010 – 8.9p per share	-	911
Interim dividend for year ended 30 September 2011 – 4.8p per share	493	-
Final dividend for year ended 30 September 2011 – 9.7p per share	997	-
	1,490	1,330

The declared interim dividend for the year ended 30 September 2012 of 5.1 pence was approved by the Board on 18 May 2012 and was paid on 19 October 2012. Accordingly it has not been included as a deduction from equity at 30 September 2012. The proposed final dividend for the year ended 30 September 2012 of 10.4 pence will be voted on at the Annual General Meeting on 25 February 2013. Both dividends will therefore be accounted for in the financial statements for the year ended 30 September 2013.

6. Earnings per share

(1) Basic earnings per share

Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year of 10,227,473 (2011: 10,238,837).

Basic earnings per share has been shown both before and after the exceptional item of £598,000 net of tax thereon of £150,000. The earnings used to calculate basic earnings per share before and after the exceptional item are earnings of £3,521,000 and £3,072,000 respectively (2011: £4,355,000).

The weighted average number of shares excludes shares held by the “Treatt Employee Benefit Trust”.

(2) Diluted earnings per share

Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares, of 10,263,239 (2011: 10,285,902), and earnings (after exceptional item) of £3,072,000 (2011: £4,355,000).

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

	2012	2011
	No ('000)	No ('000)
Weighted average number of shares	10,481	10,481
Weighted average number of shares held in employee benefit trust	(254)	(242)
Weighted average number of shares used for calculating basic EPS	10,227	10,239
Savings-related share options	36	47
Weighted average number of shares used for calculating diluted EPS	10,263	10,286