Half Year Report & Condensed Financial Statements

Six months ended 31 March 2016

Contents

TREATT PLC
HALF YEAR RESULTS
SIX MONTHS ENDED 31 MARCH 2016

Adjusted EPS up 12% and adjusted profit before tax up 15% as the Group remains on track to meet expectations

Treatt Plc, the manufacturer and supplier of innovative ingredient solutions for the flavour, fragrance and FMCG industries, announces today its half year results for the six months ended 31 March 2016.

HIGHLIGHTS of our half year:

- Revenues for the six months lower by 1% to £40.9 million (H1 2015: £41.4 million)
- Operating profit increased by 12% to £3.7m (H1 2015: £3.3m)
- Adjusted profit before tax* rose by 15% to £3.4m (H1 2015: £2.9m)
- Adjusted EBITDA* up 11% to £4.5m (H1 2015: £4.0m)
- Adjusted basic earnings per share* increased by 12% to 4.72p (H1 2015: 4.21p)
- Interim dividend per share raised by 5% to 1.35p (2015 interim dividend: 1.28p)

Commenting on the results, Group CEO Daemmon Reeve said:
"The excellent work from our talented and driven teams continues to deliver success as we evolve our business in line with our strategy. I am pleased that we are both delivering increased profits to our shareholders and putting in place the levels of investment and planning needed to secure Treatt's long term future as a leading global player in our chosen markets."

Notes:
* All adjusted measures exclude exceptional items – see note 7

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CHAIRMAN'S STATEMENT

I am pleased to report half year results for the Group that have delivered adjusted* profit before tax of £3.4m (2015 H1: £2.9m), an increase of 15% compared with last year.

Though only at the halfway stage of the financial year, this result says much about the implementation and development of our strategy to improve the quality of our earnings through the sustainable supply of higher added-value products to our customers. A 1% reduction in revenue to £40.9m (2015 H1: £41.4m) reflects a change in product mix compared with the same period last year as we transition the business up the value chain; adjusted EBITDA* is increased by 11% to £4.5m (2015 H1: £4.0m) whilst adjusted* basic earnings per share of 4.72p are up by 12% (2015 H1: 4.21p). Adjusted* operating profit has similarly increased by 12% as the Group continues to develop and improve its product offerings.

As announced in our trading update in March 2016, the Group has a hedging strategy in place which aims to ensure that the impact of exchange rate movements is neutral to the income statement over the course of a full financial year. As has been experienced previously, there can be material effects over shorter periods of time and there was a net short term foreign exchange loss in H1 of £0.6m resulting from the sharp movement in the GBP/USD exchange rate in the period. As a consequence of the hedging policies which are in place, however, we expect the FX impact on the Income Statement to be broadly neutral over the course of the full financial year.

The Board has declared an increase in the interim dividend of 5% to 1.35 pence per share (2015 interim dividend: 1.28 pence per share) which represents approximately one third of the previous year's total dividend in line with the Board's policy. Naturally, the total dividend for the year will continue to be guided by the overarching policy of maintaining a dividend cover of between 2-2.5X on a rolling three year basis. The interim dividend will be payable on 14 October 2016 to all shareholders on the register at close of business on 9 September 2016.

We have invested heavily in marketing and customer insight. This has allowed us to better understand what customers will want and to work with them to develop products which give them a competitive or unique edge. Treatt has been investing heavily in R&D over the past three years and this expertise, combined with the customer insights we now have, is beginning to pay dividends in terms of a stronger product mix and better traction with our customers. Supported by this enhanced focus on our strengthened marketing activities, the Group will continue to invest in its product creation and development capabilities. Examples of our product innovation and development work include reduced sugar innovations and the development of craft beer ingredient solutions. At the same time we are seeing encouraging growth from the development of sophisticated, price-stable, solutions for use in developing markets such as a lemon flavour for a carbonated soft drink in China or a grapefruit flavour for a local South East Asian alcoholic beverage.

The seasonality of our business necessitates the build-up of inventory at certain times of the year to meet expected future customer demand and therefore the Group typically reports cash outflows for the first half of the year and cash inflows for the second half of the year, and the first half of this year has been no exception. The period saw some citrus raw material prices rising markedly, thereby resulting in an increased inventory of £3.9m when compared with the same period last year. Nonetheless, the Group's net debt has improved by £1.5m compared to twelve months earlier. Over the last three years, the Group's cash performance has steadily improved, such that it is now utilising less than half of its available banking facilities with headroom of £12.3m at the balance sheet date.

Finally, we can report that behind the scenes a great deal of work is on-going in relation to the proposed site relocation in the UK. This is a significant project for the Group which is designed to propel the organisation forward for the foreseeable future and we are currently in negotiations with landowners. We will therefore continue to update shareholders as matters progress over the coming months.

Board

As previously announced, in January 2016 Ian Neil retired as a Non-executive Director. Ian joined the Board in 2009 and has played an important role in supporting and advising the Board during a period of significant change and growth for the Group. I would like to place on record my personal thanks to Ian for his contribution to Treatt during this time and wish him the very best for the future.

I am delighted that Richard Illeck will join the Board as a Non-executive Director with effect from 1 June 2016. Richard joins us from Pepsico where he has worked for 28 years in various senior roles around the world including Plant Manager, QA Manager and Technical Services Director, culminating in his most recent role as a Senior Director Manufacturing and Formulations. Richard has been familiar with Treatt's business for many years and brings a new perspective to the Board from within a sector of the industry which is a strategic priority for Treatt.

Prospects

The third quarter of the financial year has begun well. Looking at the year as a whole, as the first quarter was materially better this year than last year, we expect the full year results to show a more even split between the first and second halves of the financial year. The Board remains confident at this early stage of the second half that the Group will meet its expectations for the year ending 30 September 2016.

TIM JONES
Chairman
16 May 2016

Notes:
* All adjusted measures exclude exceptional items – see note 7

TREATT PLC

HALF YEAR FINANCIAL STATEMENTS

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 March 2016

	Notes	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Revenue	6	**40,893**	41,408	85,934
Cost of sales		**(31,271)**	(32,266)	(66,955)
Gross profit		**9,622**	9,142	18,979
Administrative expenses		**(5,905)**	(5,837)	(10,289)
Operating profit		**3,717**	3,305	8,690
Net finance costs		**(338)**	(368)	(740)
Profit before taxation and exceptional items		**3,379**	2,937	7,950
Exceptional items	7	**(218)**	(98)	(174)
Profit before taxation		**3,161**	2,839	7,776
Taxation	8	**(932)**	(769)	(1,786)
Profit for the period attributable to owners of the Parent Company		**2,229**	2,070	5,990
Earnings per share				
Basic	9	**4.31p**	4.02p	11.64p
Diluted	9	**4.26p**	4.00p	11.55p
Adjusted basic	9	**4.72p**	4.21p	11.94p
Adjusted diluted	9	**4.67p**	4.19p	11.85p

All amounts relate to continuing operations

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2016

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Profit for the period attributable to owners of the Parent Company	**2,229**	2,070	5,990
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency net investments	**780**	1,275	830
Current tax on foreign currency translation differences	**4**	(8)	(2)
Fair value movement on cash flow hedges	**54**	(364)	(404)
Deferred tax on fair value movement	**(27)**	73	81
	811	976	505
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	**(400)**	(1,371)	(638)
Current tax credit on actuarial loss	**-**	21	43
Deferred tax credit on actuarial loss	**13**	254	86
	(387)	(1,096)	(509)
Other comprehensive income/(expense) for the period	**424**	(120)	(4)
Total comprehensive income for the period attributable to owners of the Parent Company	**2,653**	1,950	5,986

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2016

	Share capital £'000	Share premium £'000	Own shares in share trusts £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total equity £'000**
1 October 2014	*1,048*	*2,757*	*(549)*	*(377)*	*291*	*25,590*	***28,760***
Net profit for the period	-	-	-	-	-	*2,070*	***2,070***
Exchange differences	-	-	-	-	*1,275*	-	***1,275***
Fair value movement on cash flow hedges net of tax	-	-	-	*(364)*	-	-	***(364)***
Actuarial loss on defined benefit pension scheme net of tax	-	-	-	-	-	*(1,371)*	***(1,371)***
Taxation relating to items above	-	-	-	*73*	*(8)*	*275*	***340***
Total comprehensive income	-	-	-	*(291)*	*1,267*	*974*	***1,950***
Transactions with owners:							
Dividends	-	-	-	-	-	*(1,978)*	***(1,978)***
Share-based payments	-	-	-	-	-	*103*	***103***
Movement in own shares in share trusts	-	-	*2*	-	-	-	***2***
Gain on release of shares in share trusts	-	-	-	-	-	*29*	***29***
Issue of share capital	*2*	-	-	-	-	-	***2***
Taxation relating to items recognised directly in equity	-	-	-		-	*11*	***11***
1 April 2015	*1,050*	*2,757*	*(547)*	*(668)*	*1,558*	*24,729*	***28,879***
Net profit for the period	-	-	-	-	-	*3,920*	***3,920***
Exchange differences	-	-	-	-	*(445)*	-	***(445)***
Fair value movement on cash flow hedges	-	-	-	*(40)*	-	-	***(40)***
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	*733*	***733***
Taxation relating to items above	-	-	-	*8*	*6*	*(146)*	***(132)***
Total comprehensive income	-	-	-	*(32)*	*(439)*	*4,507*	***4,036***
Transactions with owners:							
Share-based payments	-	-	-	-	-	*98*	***98***
Movement in own shares in share trust	-	-	*126*	-	-	-	***126***
Gain on release of shares in share trust	-	-	-	-	-	*23*	***23***
Issue of share capital	-	-	*(2)*	-	-	-	***(2)***
Taxation relating to items recognised directly in equity	-	-	-	-	-	*25*	***25***
1 October 2015	1,050	2,757	(423)	(700)	1,119	29,382	**33,185**
Net profit for the period	-	-	-	-	-	2,229	2,229
Exchange differences	-	-	-	-	780	-	780
Fair value movement on cash flow hedges	-	-	-	54	-	-	54
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	(400)	(400)
Taxation relating to items above	-	-	-	(27)	4	13	(10)
Total comprehensive income	-	-	-	27	784	1,842	2,653
Transactions with owners:							
Dividends	-	-	-	-	-	(2,115)	(2,115)
Share-based payments	-	-	-	-	-	232	232
Movement in own shares in share trusts	-	-	10	-	-	-	10
Gain on release of shares in share trusts	-	-	-	-	-	87	87
Issue of share capital	3	-	(3)	-	-	-	-
Taxation relating to items recognised directly in equity	-	-	-	-	-	8	8
31 March 2016	**1,053**	**2,757**	**(416)**	**(673)**	**1,903**	**29,436**	**34,060**

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP BALANCE SHEET

as at 31 March 2016

	As at 31 March 2016 (unaudited) £'000	As at 31 March 2015 (unaudited) £'000	As at 30 September 2015 (audited) £'000
ASSETS			
Non-current assets			
Goodwill	**1,075**	1,075	1,075
Other intangible assets	**616**	684	661
Property, plant and equipment	**11,004**	11,257	10,998
Deferred tax assets	**705**	792	647
	13,400	13,808	13,381
Current assets			
Inventories	**30,239**	26,371	25,799
Trade and other receivables	**19,019**	18,830	17,635
Current tax assets	**4**	14	134
Cash and bank balances	**2,317**	3,254	1,477
	51,579	48,469	45,045
Total assets	**64,979**	62,277	58,426
LIABILITIES			
Current liabilities			
Borrowings	**(2,365)**	(3,389)	(567)
Provisions	**(52)**	(450)	(239)
Trade and other payables	**(12,925)**	(12,466)	(10,885)
Current tax liabilities	**(1,108)**	(798)	(810)
Derivative financial instruments	**(140)**	(240)	(305)
Redeemable loan notes payable	**(675)**	(675)	(675)
	(17,265)	(18,018)	(13,481)
Net current assets	**34,314**	30,451	31,564
Non-current liabilities			
Borrowings	**(8,380)**	(9,779)	(7,065)
Post-employment benefits	**(3,440)**	(3,797)	(2,959)
Deferred tax liabilities	**(1,092)**	(1,108)	(1,037)
Derivative financial instruments	**(742)**	(696)	(699)
	(13,654)	(15,380)	(11,760)
Total liabilities	**(30,919)**	(33,398)	(25,241)
Net assets	**34,060**	28,879	33,185

CONDENSED GROUP BALANCE SHEET (continued)

as at 31 March 2016

	As at 31 March 2016 (unaudited) £'000	As at 31 March 2015 (unaudited) £'000	As at 30 September 2015 (audited) £'000
EQUITY			
Share capital	**1,053**	1,050	1,050
Share premium account	**2,757**	2,757	2,757
Own shares in share trusts	**(416)**	(547)	(423)
Hedging reserve	**(673)**	(668)	(700)
Foreign exchange reserve	**1,903**	1,558	1,119
Retained earnings	**29,436**	24,729	29,382
Total equity attributable to owners of the Parent Company	**34,060**	28,879	33,185

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the six months ended 31 March 2016

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Cash flow from operating activities			
Profit before taxation	3,161	2,839	7,776
Adjusted for:			
Depreciation of property, plant and equipment	662	614	1,244
Amortisation of intangible assets	74	93	175
Loss on disposal of property, plant and equipment	2	47	46
Net finance costs	337	368	740
Share-based payments	225	100	198
(Increase)/decrease in fair value of derivatives	(68)	115	143
(Increase)/decrease in post-employment benefit obligations	81	(102)	(208)
Operating cash flow before movements in working capital	4,474	4,074	10,114
Movements in working capital:			
(Increase)/decrease in inventories	(3,826)	2,578	2,907
Increase in trade and other receivables	(1,091)	(3,311)	(2,282)
Increase/(decrease) in trade and other payables, and provisions	179	(1,721)	(2,072)
Cash generated from operations	(264)	1,620	8,667
Taxation paid	(575)	(343)	(1,469)
Net cash from operating activities	(839)	1,277	7,198
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment	-	-	5
Purchase of property, plant and equipment	(322)	(376)	(924)
Purchase of intangible assets	(26)	(49)	(108)
Interest received	6	1	1
	(342)	(424)	(1,026)

CONDENSED GROUP STATEMENT OF CASH FLOWS (continued)
for the six months ended 31 March 2016

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Cash flow from financing activities			
Increase/(decrease) in bank loans	**1,238**	354	(2,145)
Interest paid	**(344)**	(369)	(741)
Dividends paid	**(662)**	(638)	(1,978)
Net sale of own shares by share trusts	**97**	33	180
	329	(620)	(4,684)
Net (decrease)/increase in cash and cash equivalents	**(852)**	233	1,488
Effect of foreign exchange rates	**(67)**	8	(33)
Movement in cash and cash equivalents in the period	**(919)**	241	1,455
Cash and cash equivalents at beginning of period	**1,476**	21	21
Cash and cash equivalents at end of period	**557**	262	1,476
Cash and cash equivalents comprise:			
Cash and bank balances	**2,317**	3,254	1,477
Bank borrowings	**(1,760)**	(2,992)	(1)
	557	262	1,476

The notes on pages 12 to 13 form part of these condensed half year financial statements

CONDENSED GROUP RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
for the six months ended 31 March 2016

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Movement in cash and cash equivalents in the period	**(919)**	241	1,455
(Increase)/decrease in bank loans	**(1,238)**	(354)	2,145
Cash outflow from changes in net debt in the period	**(2,157)**	(113)	3,600
Effect of foreign exchange rates	**(116)**	(217)	(171)
Movement in net debt in the period	**(2,273)**	(330)	3,429
Net debt at beginning of period	**(6,155)**	(9,584)	(9,584)
Net debt at end of period	**(8,428)**	(9,914)	(6,155)

The notes on pages 12 to 13 form part of these condensed half year financial statements

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements for the six months ended 31 March 2016 has been prepared in accordance with IAS 34
(b) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year)
(c) the half year report and condensed financial statements includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

RICHARD HOPE
Finance Director
16 May 2016

NOTES TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS

1. Basis of preparation

The Group is required to prepare its condensed half year financial statements in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)). The Group has adopted the reporting requirements of IAS 34 'Interim Financial Reporting'.

The consolidated condensed half year financial statements are prepared on the basis of all International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board (IASB) that are currently in issue. New interpretations may be issued by the International Financial Reporting Interpretations Committee (IFRIC) on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the Group prepares its full set of financial statements under IFRS for the year ending 30 September 2016.

The information relating to the six months ended 31 March 2016 and 31 March 2015 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2015 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 of the Companies Act 2006. These condensed half year financial statements for the six months ended 31 March 2016 have neither been audited nor formally reviewed by the Group's auditors.

2. Accounting policies

These condensed half year financial statements have been prepared on the basis of the same accounting policies and presentation set out in the Group's 30 September 2015 annual report.

There were no new standards, or amendments to standards, which are mandatory and relevant to the Group for the first time for the financial year ending 30 September 2016 which have had a material effect on these condensed half year financial statements.

3. Accounting estimates

The preparation of the condensed half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these condensed half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 30 September 2015.

4. Going concern

As at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. Since the period end all the Group's expiring banking facilities have been renewed on existing or improved terms. Accordingly, the condensed half year financial statements have been prepared on the going concern basis.

5. Risks and uncertainties

The operation of a public company involves a series of risks and uncertainties across a range of strategic, commercial, operational and financial areas. The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of this financial year (for example, causing actual results to differ materially from expected results or from those experienced previously) are the same as those detailed on pages 23-26 of the 2015 Annual Report and Financial Statements.

6. Segmental information

Business segments

IFRS 8 requires operating segments to be identified on the basis of internal financial information reported to the Chief Operating Decision Maker (CODM). The Group's CODM has been identified as the Board of Directors who are primarily responsible for the allocation of resources to the segments and for assessing their performance. The disclosure in the Group accounts of segmental information is consistent with the information used by the CODM in order to assess profit performance from the Group's operations.

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

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

		Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
United Kingdom		**4,465**	5,392	10,878
Rest of Europe	- Germany	**2,591**	2,338	4,576
	- Ireland	**3,116**	3,141	7,903
	- Other	**5,283**	5,792	10,834
The Americas	- USA	**15,014**	13,373	27,447
	- Other	**1,895**	2,881	6,721
Rest of the World	- China	**1,942**	1,937	4,840
	- Other	**6,587**	6,554	12,735
		40,893	41,408	85,934

7. Exceptional items

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

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Legal and professional fees	**31**	98	174
Restructuring costs	**187**	-	-
	218	98	174

The exceptional items in the year all relate to non-recurring items. The legal and professional fees relate to the earnout dispute in relation to the acquisition of the Earthoil Group, which remains on-going. The restructuring costs relate to termination and related costs in overseas subsidiaries as a consequence of organisational restructuring.

8. Taxation

Taxation has been provided on pre-exceptional profits at 27.7% (six months ended 31 March 2015: 26.2%) which is the effective group rate currently anticipated for the financial year ending 30 September 2016.

NOTES TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS (continued)

9. Earnings per share

Basic earnings per share

Basic earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year. The weighted average number of shares excludes shares held by the Treatt Employee Benefit Trust (EBT), together with shares held by the Treatt SIP Trust (SIP) which do not rank for dividend.

	Six months to 31 March 2016 (unaudited)	Six months to 31 March 2015 (unaudited)	Year to 30 September 2015 (audited)
Earnings (£'000)	2,229	2,070	5,990
Weighted average number of ordinary shares in issue (No: '000)	51,751	51,444	51,464
Basic earnings per share (pence)	4.31p	4.02p	11.64p

Diluted earnings per share

Diluted earnings per share is based on the weighted average number of ordinary shares in issue and ranking for dividend during the year, adjusted for the effect of all dilutive potential ordinary shares. The number of shares used to calculate earnings per share (EPS) have been derived as follows:

	Six months to 31 March 2016 (unaudited) No ('000)	Six months to 31 March 2015 (unaudited) No ('000)	Year to 30 September 2015 (audited) No ('000)
Weighted average number of shares	52,575	52,450	52,450
Weighted average number of shares held in the EBT and SIP	(824)	(1,006)	(986)
Weighted average number of shares used for calculating basic EPS	51,751	51,444	51,464
Executive share option schemes	485	156	262
All-employee share options	91	147	152
Weighted average no. of shares used for calculating diluted EPS	52,327	51,747	51,878
Diluted earnings per share (pence)	4.26p	4.00p	11.55p

9 Earnings per share (continued)

Adjusted earnings per share

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

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Earnings for calculating basic and diluted earnings per share	**2,229**	2,070	5,990
Adjusted for:			
Exceptional items (see note 7)	**218**	98	174
Taxation thereon	**(5)**	-	(18)
Earnings for calculating adjusted earnings per share	**2,442**	2,168	6,146
Adjusted basic earnings per share (pence)	**4.72p**	4.21p	11.94p
Adjusted diluted earnings per share (pence)	**4.67p**	4.19p	11.85p

10. Dividends

Equity dividends on ordinary shares:

	Dividend per share for years ended 30 September:			Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
	2016[2] Pence	**2015[1]** **Pence**	2014[1] Pence[3]			
Interim dividend	*1.35p*	***1.28p***	1.24p	**662**	638	638
Final dividend	*N/A*	***2.76p***	2.60p	**1,453**	1,340	1,340
	N/A	***4.04p***	3.84p	**2,115**	1,978	1,978

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

[2] The declared interim dividend for the year ended 30 September 2016 of 1.35 pence was approved by the Board on 16 May 2016 and in accordance with IFRS has not been included as a deduction from equity at 31 March 2016. The dividend will be paid on 14 October 2016 to those shareholders on the register at 9 September 2016 and will, therefore, be accounted for in the financial statements for the year ended 30 September 2017.

NOTES TO THE UNAUDITED HALF YEAR FINANCIAL STATEMENTS (continued)

11. Contingent liabilities

As previously reported, the sellers of the Earthoil Group, which was wholly acquired in April 2008, filed a claim in the Chancery Division of the High Court against the Group for £1.8m which they subsequently extended. The claim relates to various matters in respect of the earn-out, being the deferred consideration payable to the sellers in respect of the acquisition of the Earthoil Group.

Following rulings by the High Court and Court of Appeal on issues of contractual interpretation, £1,486,000 of the substantive claim, being the quantum of the earn-out, has been referred to chartered accountants for expert determination (the 'expert'). Following the outcome of the expert determination process, which is expected within the next few months, the outstanding issues in the claim (totaling a further £694,000) may be heard when the matter returns to the High Court. The costs of resolving the dispute currently total £1,144,000, of which the current year's costs of £31,000 have been included in exceptional items on a consistent basis to the prior year. The total eventual legal and professional fees of the dispute are currently unknown, but are likely to exceed £1.25m; apportionment of costs between the parties will be determined by the Court following conclusion of the entire claim.

The amount included in these financial statements as a liability in respect of the earn-out is based on the earn-out notice issued to the vendors in 2012, as subsequently supported by our submission to the expert. This is the only appropriate estimate which can be made until the outcome of the expert determination process is known and as with any litigation there can be no certainty of the eventual outcome.

12. Related party transactions

Treatt Plc, the Parent Company, entered into the following material transactions with related parties:

	Six months to 31 March 2016 (unaudited) £'000	Six months to 31 March 2015 (unaudited) £'000	Year to 30 September 2015 (audited) £'000
Interest received on loan notes from:			
Earthoil Plantations Limited	**4**	7	14
Earthoil Kenya PTY EPZ Limited	**2**	3	6
Dividends received from:			
R C Treatt & Co Limited	**1,087**	2,637	3,072
Treatt USA Inc	**328**	-	1,021
Redeemable loan notes receivable:			
Earthoil Plantations Limited	**950**	950	950
Earthoil Kenya PTY EPZ Limited	**400**	400	400
Amounts owed to/(by) parent undertaking:			
Earthoil Plantations Limited	**36**	105	(61)
R C Treatt & Co Limited	**(38)**	(149)	116

The redeemable loan notes are redeemable in full on conclusion of the earn-out dispute referred to in note 11. The loan notes are no longer subject to interest. Amounts owed to the Parent Company are unsecured and will be settled in cash.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.