TREATT

HALF YEAR RESULTS

for the period ended 31 March 2024

Contents

TREATT PLC
HALF YEAR RESULTS
SIX MONTHS ENDED 31 MARCH 2024

14 May 2024

Solid H1 2024 performance, with profit growth and sales accelerating in Q2

Treatt Plc ('Treatt' or the 'Group'), the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, announces its half year results for the six months ended 31 March 2024 (the "Period").

FINANCIAL HIGHLIGHTS:

	Half year ended 31 March 2024	Half year ended 31 March 2023	Change
Revenue	£72.1m	£76.0m	-5.1%
Gross profit margin	27.8%	28.2%	-40bps
Operating profit before exceptional items	£8.2m	£7.7m	+5.9%
Operating profit margin before exceptional items	11.3%	10.1%	+120bps
Profit before tax and exceptional items	£7.6m	£7.3m	+4.5%
Profit before tax	£7.1m	£6.6m	+7.9%
Adjusted basic earnings per share	9.35p	9.04p	+3.4%
Basic earnings per share	8.72p	8.15p	+7.0%
Dividend per share	2.60p	2.55p	+2.0%

HIGHLIGHTS & OUTLOOK:

- Revenue acceleration in Q2 2024, growing by 5.1% (7.7% in constant currency) with order patterns normalising and new business wins, a contrast to Q1 2024, typically the quietest quarter, which was impacted by destocking as expected
- 120 basis point improvement in operating profit margin from embedded cost discipline and self-help measures annualising, in line with our goal of sustainably increasing margin
- Net debt of £10.3m reduced 41.6% versus H1 2023. Good cash generation expected in H2 2024
- Interim dividend up 2.0%, reflecting performance and progression towards 3x dividend cover
- The Board continues to expect to report full year profits in line with its expectations
- Good momentum into H2 2024 with a solid order book and healthy sales pipeline giving tangible line of sight on H2 2024 delivery

Commenting on the results, Interim Group CEO, Ryan Govender, said:

"These results show a good growth in profit and operating margins. After the expected impact of destocking softened in Q1 2024, momentum in the second quarter was stronger as volumes grew, and we recorded our highest ever monthly revenue in March. We are pleased with our progress in China, with new opportunities being won with large local brands there. We also grew our higher margin premium categories, especially in tea. There are plenty of active new business opportunities, providing confidence for H2 2024. Momentum in the order book going into H2 2024 is good with a healthy sales pipeline which we are encouraged by."

Analyst and investor conference call

An in-person presentation for analysts and investors will be held at 9.30 a.m. today, 14 May 2024. For details and to confirm attendance, or for webcast information, please contact MHP at treatt@mhpgroup.com. A recording will be made available after the event.

In accordance with DTR 6.3.5 please find below the unedited full text of the half year results.

A copy of the half year results will be submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism. It will also be available on the Treatt website at www.treatt.com/investor-relations.

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About the Group

Treatt is a global, independent manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the flavour, fragrance and multinational consumer product industries, particularly in the beverage sector. Renowned for its technical expertise and knowledge of ingredients, their origins and market conditions, Treatt is recognised as a leader in its field.

The Group employs around 350 staff in Europe, North America and Asia and has manufacturing facilities in the UK and US. Its international footprint enables the Group to deliver powerful and integrated solutions for the food, beverage and fragrance industries across the globe.

For further information about the Group, visit www.treatt.com.

HALF YEAR RESULTS STATEMENT

Introduction

The Group is pleased to report an increase of 4.5% (8.6% in constant currency) in profit before tax and exceptional items to £7.6m (H1 2023: £7.3m), despite H1 2024 sales being 5.1% behind the prior year (2.7% behind at constant currency). As previously reported, Q1 2024 was challenging, with a volume decline as the impact of destocking lagged a normalised Q1 2023. Encouragingly, though, Q2 2024 revenue increased year-on-year by 5.1% (7.7% in constant currency), led by the performance of our tea category largely through new business wins, and synthetic aroma where the effects of destocking receding are evident. While we continue to navigate macro-economic challenges, the Group achieved good operating momentum during a period of Executive transition, building sales pipeline opportunities and a solid order book that provides encouraging foundations as we enter H2 2024.

Whilst gross profit margins were 40 bps lower in the Period (27.8% vs 28.2% in H1 2023), adjusted net operating margin increased by 120 bps to 11.3% (H1 2023: 10.1%). The gross margin decline was driven by product mix, in particular H1 2024 growth in synthetic aroma and sustained higher citrus pricing leading to more customers seeking alternative lower cost-in-use products. Strong cost control discipline and ongoing self-help measures, despite higher depreciation and increased borrowing costs, supported delivery of the increased profit before tax and exceptional items and net operating margin.

Strategic focus

Our heritage categories, whilst more mature, remain core to the Group's strategy, representing 66.4% of revenue in the Period, with our expertise providing a solid foundation for providing more complex, added value and bespoke citrus solutions to existing and new customers.

Our premium categories continue to provide strong growth opportunities aligned with consumer beverage trends, in particular an appetite for natural, low calorie and ready-to-drink products. It is encouraging to see growth of 6.5% across these categories in the Period.

China is an important strategic region for the Group, with our China subsidiary broadening local manufacturing partnerships to support customer-led diversification of our local portfolio. Citrus remains the key driver for medium-term growth in the region and we secured customer wins with three of the four largest beverage brands in the country during the Period.

Category performance

Heritage

Heritage categories, which includes citrus (excluding Treattzest), herbs, spices & florals, and synthetic aroma, represented 66.4% of revenue in the Period, at £47.9m (H1 2023: £51.8m), declining by 7.7% (6.0% decline in constant currency).

Citrus, representing 47.2% of Group revenue in the Period (H1 2023: 48.3%), declined by 7.2%, reflecting the impact of sustained higher prices, in particular orange oil. Customers remain cautious about inventory levels in a higher price market, which continues to impact volumes, with some electing for cheaper alternatives to maintain a lower cost-in-use. The diversity in our citrus product range has been instrumental in supporting our customers with this required agility.

Synthetic aroma, which relates primarily to food ingredients, represented 13.8% of Group revenue in the Period (H1 2023: 12.6%), reporting 3.8% growth in the Period. This category was notably impacted by a decline in volume last financial year, due to customer destocking, and we remain encouraged by the build in volumes over the course of H1.

Premium

Our higher margin premium categories, namely tea, health & wellness, and fruits & vegetables, grew 6.5% (11.3% in constant currency) in the Period, representing 24.5% of revenue at £17.7m (H1 2023: £16.6m). We anticipate continued strong performance from these categories, which is typically H2 weighted.

Revenue performance in our tea category exceeded expectation with multiple wins in the North American market amplifying this category to represent 7.7% of Group revenue in the Period (H1 2023: 4.8%).

New markets

Whilst new markets, which encompass our geographical sales territory of China and our expanding portfolio for Treattzest and coffee, declined by 13.2% in the Period (10.9% decline in constant currency) driven by coffee, to £6.6m revenue (H1 2023: £7.6m), we remain committed to further harnessing the growth potential within this strategic category and we are excited by our pipeline of tangible targets.

Our sales into China as a territory, including direct from the UK and USA, reported modest growth of 1.0% in the Period (3.3% in constant currency), however, our local entity, now in its third year of trading, grew its local revenues to China-based customers by 27.8% in the Period. China remains a key strategic growth opportunity as we broaden our base of local manufacturing partners and increase our market penetration, having secured several wins with leading local beverage brands in H1 2024, and developing and progressing exciting pipeline opportunities in H2 2024.

Although coffee revenue halved in H1 2024 as we focus on customer diversification, the impact of this was fully offset by considered sourcing and the realisation of manufacturing efficiencies. Our leading ambition for this product category is to diversify our customer base, and we remain confident in our manufacturing capability and product range and continue to work on diversifying our pipeline.

Treattzest was flat year-on-year. We are scaling up our global manufacturing capability, with the new product range being launched in time for the H2 pipeline.

Geographical markets

Our largest region, the US, accounted for 39.7% of Group revenue in the Period (H1 2023: 37.2%) growing 1.1% (5.8% in constant currency) mainly as a result of tea wins with a number of our larger beverage customers.

Europe, excluding UK, represented 21.5% of Group revenue (H1 2023: 26.6%), declining 23.5% in the Period due to volume being directed to alternative manufacturing facilities for some of our larger customers. In exchange, revenue to South America grew by 38.5%, this geography now representing 12.6% of Group revenue (H1 2023: 8.6%).

Revenue attributable to UK customers, which represented 5.5% of Group revenue (H1 2023: 5.1%), grew by 2.3% impacted, in the main, by the returning synthetic aroma volumes.

Capital investment programme

The transition to the new UK facility was completed at the end of FY 2023, with capital expenditure now expected to return to normalised levels as a result, at c.£7.0m per annum, targeting innovative and fast-returning investment for growth. Having secured our operational foundation, we will now seek to optimise our increased global capacity to strengthen the platform from which to deliver Treatt's ambitious growth strategy.

Environmental, social and corporate governance (ESG)

Sustainability is integral to our business strategy, and we remain committed to ensuring our sustainability lens is preserved across our operating practices, bringing us the supply chain transparency required to support both our own and our customers commitments. Around 80% of our sales, and over 88% of our purchases within H1 2024 were natural products. With a new ESG governance structure providing increased support, we continue to drive impact across our pillars of People, Planet and Performance. Our near-term SBTi target to reduce scopes 1 & 2 by 42% by 2030 being validated early in 2024, we are working hard on projects that will continue to reduce our carbon footprint and support our transition to net zero planning.

Financial review

Whilst revenues were lower, as expected, after a weak Q1 2024 due to destocking, Q2 2024 saw a much-improved sales trend with order patterns normalising and new business wins. Group revenue declined by 5.1% to £72.1m (H1 2023: £76.0m), however, profit before tax and exceptionals increased by 4.5% to £7.6m (H1 2023: £7.3m). In constant currency[1] terms, revenue declined by 2.7% and profit before tax and exceptionals increased by 8.6%. The diversity of our product categories, our strength in citrus and focus on consumer-led innovation continues to deliver opportunities with both new and existing customers. Gross margin decreased by 40 bps to 27.8% during the Period as a result of product mix and sustained higher citrus pricing.

Operating costs decreased by 13.3% to £11.9m (H1 2023: £13.7m) despite increased depreciation of £0.2m and investment in our global commercial team to expand both experience and reach to underpin our growth strategy. Having successfully embedded and maintained cost disciplines aimed at increasing profitability, we do not anticipate any significant increase in administrative expenses in the short to medium-term above the normal rate of inflation.

Group headcount remained consistent with September 2023 as we continue to drive operational efficiencies from our fully invested facilities and extend the benefits of global process alignment and leadership. Foreign exchange impacts continue to be successfully managed through our hedging and currency management strategy, with a net gain of £0.1m (H1 2023: £0.2m loss) in the Period. Exceptional costs in the Period totalled £0.5m (H1 2023: £0.7m), related to one-off expenses in respect of the UK site relocation and restructuring costs.

Adjusted net operating margin increased 120 bps to 11.3% (H1 2023: 10.1%), through tight cost management, with net operating margin also increasing to 10.7% (H1 2023: 9.3%), as exceptional items reduce 29.9% against the comparable period. We are seeking to sustainably increase adjusted net operating margin towards 15%, from growth in higher margin categories alongside a proportionately scaled cost base.

Reported profit for the Period of £5.3m represents a 7.5% increase against the comparable period last year, with basic adjusted earnings per share increasing to 9.35p (H1 2023: 9.04p).

Cash flow
The Group generated cash of £1.0m in the Period, with net capital expenditure of £1.9m incurred (H1 2023: £1.2m), £1.1m of which related to the new UK facility.

Net cash generated from operations was £5.8m (H1 2023: £9.4m inflow) after a working capital outflow for the Period of £3.4m (H1 2023: £0.6m inflow) which was driven by an increase in receivables (£4.9m), reflecting the strong finish to half year trading. Inventory value remains consistent, despite a 5.6% volume reduction since September 2023, due to the sustained higher commodity prices and seasonal build for strategic and premium demand.

Balance sheet
The Group ended the half year with net debt of £10.3m (FY23: £10.4m), made up of bank loans and borrowings of £11.7m, gross cash of £1.8m, and net lease liabilities of £0.4m. We anticipate a further reduction in net debt in the second half, in line with Board expectations, as receivables convert to cash. During H2 2023 the Group refinanced a $25m facility with Bank of America and a £25m facility with HSBC, both with a minimum term of three years, providing our UK and US entities with headroom to support future investment.

The UK defined benefit pension scheme has been closed to both new entrants and future accruals since October 2001. Under accounting standard IAS 19, the scheme's funding position is currently showing a net surplus of £4.3m, an increase of £0.6m during the Period. The scheme has been in an accounting surplus since September 2022, benefitting from an increase in the discount rate applied to the liabilities of the scheme. Despite the surplus, the Company has agreed with the trustees to maintain the current level of annual contributions at £0.45m for now.

Dividend
The Board has declared an interim dividend of 2.60p per share (2023 interim: 2.55 pence per share), an increase of 2.0%, reflecting confidence in the business' prospects. This reflects a balance of the Board's understanding of the importance of dividend payments to shareholders, effective financial discipline and transitioning towards a healthy long-term dividend cover of 3 times. The interim dividend will be payable on 15 August 2024 to shareholders on the register at close of business on 5 July 2024.

Outlook
We are pleased with the strong performance in Q2 2024 and the overall growth in profit before exceptional items in H1 2024, despite a subdued Q1 2024. We have confidence in Treatt's proposition and its ability to deliver growth, supported by the active partnership between our technical and commercial teams to ensure we deliver against our customers' needs. The increase in sales volume during Q2 2024 supports our confidence as we enter H2 2024 with a solid order book and healthy sales pipeline which, combined, give us a tangible line of sight on delivering H2 2024 revenue and profits. The Board continues to expect to report full year profits in line with its expectations.

TREATT PLC

HALF YEAR FINANCIAL STATEMENTS

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 March 2024

	Notes	Six months to 31 March 2024 (unaudited) Before exceptional items £'000	Exceptional items £'000	Total £'000	Six months to 31 March 2023 (unaudited) Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	6	72,100	-	72,100	75,951	-	75,951
Cost of sales		(52,074)	-	(52,074)	(54,550)	-	(54,550)
Gross profit		20,026	-	20,026	21,401	-	21,401
Administrative expenses		(11,867)	(285)	(12,152)	(13,695)	(119)	(13,814)
Relocation expenses	7	-	(180)	(180)	-	(544)	(544)
Operating profit/(loss)[1]		8,159	(465)	7,694	7,706	(663)	7,043
Finance income		2	-	2	-	-	-
Finance costs		(547)	-	(547)	(417)	-	(417)
Profit/(loss) before taxation		7,614	(465)	7,149	7,289	(663)	6,626
Taxation	8	(1,912)	81	(1,831)	(1,801)	121	(1,680)
Profit/(loss) for the period attributable to owners of the Parent Company		5,702	(384)	5,318	5,488	(542)	4,946

Earnings per share attributable to equity holders of the Parent Company		Adjusted[2]		Statutory	Adjusted[2]		Statutory
Basic	10	9.35p		8.72p	9.04p		8.15p
Diluted	10	9.32p		8.69p	9.00p		8.11p

[1] Operating profit is calculated as profit before net finance costs and taxation.

[2] All adjusted measures exclude exceptional items and the related tax effect, details of which are given in note 7.

Notes 1 - 11 form part of these condensed half year financial statements.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2024

	Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
Profit for the period attributable to owners of the Parent Company	5,318	4,946
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency net investments	(2,409)	(6,889)
Current tax on foreign currency translation differences	(50)	(64)
Deferred taxation on foreign currency translation differences	109	-
Fair value movement on cash flow hedges	140	432
Deferred tax on fair value movement	(35)	(85)
	(2,245)	(6,606)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on defined benefit pension scheme	261	(109)
	261	(109)
Other comprehensive expense for the period	(1,984)	(6,715)
Total comprehensive income/(expense) for the period attributable to owners of the Parent Company	3,334	(1,769)

Notes 1 - 11 form part of these condensed half year financial statements.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2023 (unaudited)

	Share capital £’000	Share premium account £’000	Own shares in share trusts £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
1 October 2022	1,217	23,484	(5)	(311)	13,383	96,082	133,850
Profit for the period	-	-	-	-	-	4,946	4,946
Exchange differences	-	-	-	-	(6,889)	-	(6,889)
Fair value movement on cash flow hedges	-	-	-	432	-	-	432
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	(109)	(109)
Taxation relating to items above	-	-	-	(85)	(64)	-	(149)
Total comprehensive expense	-	-	-	347	(6,953)	4,837	(1,769)
Transactions with owners:							
Dividends	-	-	-	-	-	(3,250)	(3,250)
Share-based payments	-	-	-	-	-	646	646
Issue of new shares	1	-	(1)	-	-	-	-
Movement in own shares in share trusts	-	-	-	-	-	-	-
Gain on release of shares in share trusts	-	-	-	-	-	208	208
Total transactions with owners	1	-	(1)	-	-	(2,396)	(2,396)
As at 31 March 2023	1,218	23,484	(6)	36	6,430	98,523	129,685

for the six months ended 31 March 2024 (unaudited)

	Share capital £’000	Share premium account £’000	Own shares in share trusts £'000	Hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	**Total equity £'000**
1 October 2023	1,223	23,484	(2)	(42)	7,463	105,120	**137,246**
Profit for the period	-	-	-	-	-	5,318	**5,318**
Exchange differences	-	-	-	-	(2,409)	-	**(2,409)**
Fair value movement on cash flow hedges	-	-	-	140	-	-	**140**
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	348	**348**
Taxation relating to items above	-	-	-	(35)	59	(87)	**(63)**
Total comprehensive income	**-**	**-**	**-**	**105**	**(2,350)**	**5,579**	**3,334**
Transactions with owners:							
Dividends	-	-	-	-	-	(3,335)	**(3,335)**
Share-based payments	-	-	-	-	-	293	**293**
Issue of new shares	1	-	(1)	-	-	-	**-**
Movement in own shares in share trusts	-	-	2	-	-	-	**2**
Gain on release of shares in share trusts	-	-	-	-	-	107	**107**
Total transactions with owners	**1**	**-**	**1**	**-**	**-**	**(2,935)**	**(2,933)**
As at 31 March 2024	**1,224**	**23,484**	**(1)**	**63**	**5,113**	**107,764**	**137,647**

Notes 1 - 11 form part of these condensed half year financial statements.

CONDENSED GROUP BALANCE SHEET
as at 31 March 2024

	As at 31 March 2024 (unaudited) £'000	As at 30 September 2023 (audited) £'000
ASSETS		
Non-current assets		
Intangible assets	2,661	2,752
Property, plant and equipment	70,558	71,526
Right-of-use assets	453	538
Post-employment benefits	4,296	3,723
	77,968	78,539
Current assets		
Inventories	60,937	62,396
Trade and other receivables	37,369	32,969
Current tax assets	256	300
Derivative financial instruments	-	8
Cash and bank balances	1,800	809
	100,362	96,482
Total assets	178,330	175,021
LIABILITIES		
Current liabilities		
Borrowings	(11,703)	(10,642)
Provisions	(153)	(102)
Trade and other payables	(22,051)	(20,700)
Lease liabilities	(175)	(176)
Current tax liabilities	(1,391)	(755)
Derivative financial instruments	(27)	(176)
	(35,500)	(32,551)
Net current assets	64,862	63,931
Non-current liabilities		
Lease liabilities	(267)	(373)
Deferred tax liabilities	(4,916)	(4,851)
	(5,183)	(5,224)
Total liabilities	(40,683)	(37,775)
Net assets	137,647	137,246

CONDENSED GROUP BALANCE SHEET (continued)

as at 31 March 2024

	As at 31 March 2024 (unaudited) £'000	As at 30 September 2023 (audited) £'000
EQUITY		
Share capital	1,224	1,223
Share premium account	23,484	23,484
Own shares in share trusts	(1)	(2)
Hedging reserve	63	(42)
Foreign exchange reserve	5,113	7,463
Retained earnings	107,764	105,120
Total equity attributable to owners of the Parent Company	137,647	137,246

Notes 1 - 11 form part of these condensed half year financial statements.

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the six months ended 31 March 2024

	Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
Cash flow from operating activities		
Profit before taxation including discontinued operations	7,149	6,626
Adjusted for:		
Depreciation of property, plant and equipment	2,278	2,031
Amortisation of intangible assets	212	205
Loss on disposal of property, plant and equipment	11	86
Net finance costs excluding pensions cost	545	417
Employer contributions to defined benefit pension scheme	(225)	(225)
Share-based payments	304	688
Increase in fair value of derivatives	(1)	(416)
Operating cash flow before movements in working capital	10,273	9,412
Movements in working capital:		
Decrease in inventories	206	3,732
(Increase)/decrease in receivables	(4,882)	2,339
Increase/(decrease) in payables	1,308	(5,440)
Cash generated from operations	6,905	10,043
Taxation paid	(1,117)	(681)
Net cash from operating activities	5,788	9,362
Cash flow from investing activities		
Proceeds on disposal of property, plant and equipment	4	1,103
Purchase of property, plant and equipment	(1,804)	(2,318)
Purchase of intangible assets	(134)	(64)
Interest received	2	-
Net cash used in investing activities	(1,932)	(1,279)

CONDENSED GROUP STATEMENT OF CASH FLOWS (continued)
for the six months ended 31 March 2024

	Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
Cash flow from financing activities		
Drawdown/(repayment) of bank loans	1,078	(2,223)
Interest paid	(539)	(417)
Repayment of lease liabilities	(114)	(96)
Dividends paid	(3,335)	(3,250)
Proceeds on issue of shares	2	1
Net sale of own shares by share trusts	107	207
Net cash used in financing activities	(2,801)	(5,778)
Net increase in cash and cash equivalents	1,055	2,305
Effect of foreign exchange rates	(64)	(201)
Movement in cash and cash equivalents in the period	991	2,104
Cash and cash equivalents at beginning of period	809	(3,820)
Cash and cash equivalents at end of period	1,800	(1,716)
Cash and cash equivalents comprise:		
Cash and bank balances	1,800	2,511
Bank overdrafts	-	(4,227)
	1,800	(1,716)

Notes 1 - 11 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 2024

	Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
Movement in cash and cash equivalents in the period	991	2,104
(Drawdown)/repayment of bank loans	(1,078)	2,223
Decrease/(increase) of lease liabilities	107	(47)
Cash inflow from changes in net cash in the period	20	4,280
Effect of foreign exchange rates	17	435
Movement in net cash in the period	37	4,715
Net debt at beginning of period	(10,382)	(22,419)
Net debt at end of period	(10,345)	(17,704)

Notes 1 - 11 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 2024 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

RYAN GOVENDER
Interim Chief Executive Officer
14 May 2024

NOTES TO THE UNAUDITED CONDENSED HALF YEAR FINANCIAL STATEMENTS

1. Basis of preparation

The Group has prepared its condensed half year financial statements in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the reporting requirements of IAS 34, 'Interim Financial Reporting'.

The information relating to the six months ended 31 March 2024 and 31 March 2023 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 30 September 2023 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 2024 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 methods of computation as set out in the Group's 30 September 2023 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 2024 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 2023.

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. Accordingly, the condensed half year financial statements have been prepared on the going concern basis.

5. Risks and uncertainties

The Group's operations involve a series of risks and uncertainties across a range of strategic, commercial, operational and financial areas and a process is in place to identify and assess their potential impact on the Group's business, which is regularly updated. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 60 - 65 of the 2023 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 one global business segment engaging in the manufacture and supply of innovative ingredient solutions for the beverage, flavour, fragrance and consumer product industries with manufacturing sites in the UK and the US. Many of the Group's activities, including sales, manufacturing, technical, IT and finance, are managed globally on a Group basis.

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market for continuing operations.

Revenue by destination		Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000	Year-on-year growth (unaudited) %	Year-on-year growth - constant currency (unaudited) %
United Kingdom		3,938	3,850	2.3%	2.3%
Rest of Europe	- Germany	2,316	3,414	-32.2%	-31.8%
	- Ireland	6,738	10,059	-33.0%	-31.7%
	- Other	6,425	6,766	-5.0%	-4.6%
The Americas	- USA	28,604	28,280	1.1%	5.8%
	- Other	9,063	6,546	38.5%	42.1%
Rest of the World	- China	4,970	4,919	1.0%	3.3%
	- Other	10,046	12,117	-17.1%	-16.6%
		72,100	75,951	-5.1%	-2.7%

7. Exceptional items

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

	Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
UK relocation project		
Relocation expenses	(180)	(544)
Less: tax effect of relocation expenses	10	102
Restructuring costs		
Restructuring costs	(285)	(119)
Less: tax effect of restructuring costs	71	19
	(384)	(542)

The exceptional items all relate to non-recurring items.

Relocation expenses relate to one-off costs incurred in connection with the relocation of the Group's UK operations that do not fall to be capitalised. These costs are associated with the final stages of the manufacturing fit-out of the Skyliner Way premises.

Restructuring costs comprise contractual employment and termination payments in respect of changes to the global leadership structure, the process of which began in August 2023. Amounts contractually due under employees' existing terms and conditions are considered to be fully allowable for tax purposes.

8. Taxation

The effective tax rate for the six months ended 31 March 2024 has been estimated at 25.0% (H1 2023: 21.5%).

9. Dividends

Equity dividends on ordinary shares

	Six months to 31 March 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
Final dividend for the year ended 30 September 2023 of 5.46p per share (2022: 5.35p per share)	3,335	3,250

10. 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 in respect of the Treatt Share Incentive Plan (SIP) which do not rank for dividend.

	Six months to 31 March 2024 (unaudited)	Six months to 31 March 2023 (unaudited)
Profit after taxation attributable to owners of the Parent Company (£'000)	5,318	4,946
Weighted average number of ordinary shares in issue (No: '000)	60,987	60,681
Basic earnings per share (pence)	8.72p	8.15p

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 2024 (unaudited) No ('000)	Six months to 31 March 2023 (unaudited) No ('000)
Weighted average number of shares	61,210	60,902
Weighted average number of shares held in the EBT and SIP	(223)	(221)
Weighted average number of shares for calculating basic EPS	60,987	60,681
Executive share option schemes	173	287
All-employee share options	8	40
Weighted average number of shares for calculating diluted EPS	61,168	61,008
Diluted earnings per share (pence)	8.69p	8.11p

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 2024 (unaudited) £'000	Six months to 31 March 2023 (unaudited) £'000
Profit after taxation attributable to owners of the Parent Company	5,318	4,946
Adjusted for exceptional items (see note 7):		
- Relocation costs	180	544
- Restructuring costs	285	109
- Taxation thereon	(81)	(121)
Adjusted earnings from continuing operations	5,702	5,488
Adjusted basic earnings per share (pence)	9.35p	9.04p
Adjusted diluted earnings per share (pence)	9.32p	9.00p

11. Capital commitments

The Group has entered into material contracts in connection with the UK relocation project totaling £1,650,000 (H1 2023: £1,164,000), with a further £225,000 and £594,000 (H1 2023: £492,000) committed to capital projects in the UK and US respectively, all of which were unprovided for at the period end.

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.